SUDA LTD

AND CONTROLLED ENTITIES

ABN: 35 090 987 250

Annual Financial Report
30 June 2014

CORPORATE DIRECTORY

Directors	Mr Michael Stewart	Chairman
	Mr Stephen Carter	Executive Director
	Mr Joseph Ohayon	Executive Director
	Mr Ken Robson	Non-Executive Director (resigned 7 August 2014)
Company Secretary	Mr Joseph Ohayon	
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	Listing codes:	
	Ordinary Shares	SUD

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LETTER FROM THE CHAIRMAN

"I am very proud to be writing to you from a position where we have turned SUDA around into a strong viable company and achieved this having had access to limited capital and resources."

Two years ago SUDA had one key project (ArTiMist™) and a small medical distribution business (Westcoast Surgical and Medical Supplies "Westcoast") that faced strong competitive pressure and structural issues.

SUDA lacked portfolio diversity and a clear vision. Our starting point was to understand our core strengths and put in place a well-structured strategic plan.

Over the past two years I have been fortunate to witness a remarkable turn around and assist in the implementation of a strategy that has repositioned the Company.

Today, SUDA is in a position where it:

- is well funded following successful capital raisings in September and November last year;
- owns a proprietary oro-mucosal drug delivery platform (OroMist) protected by over 70 patents following the acquisition of intellectual property in August 2013;
- has attracted a very experienced and capable management team;
- has established a first class formulation laboratory;
- is now ISO 9001 accredited; and
- has the potential to deliver very meaningful returns to shareholders.

During this period we have been fortunate to attract the support of new institutional shareholders who have contributed capital to fund our working capital requirements.

SUDA is building a solid reputation in the global pharmaceutical arena as a leader in oro- mucosal drug delivery and we are now in discussions with some of the world's leading pharmaceutical groups on collaborative product development.

We own a very robust portfolio of pharmaceutical assets, and our clinical outreach programmes are attracting widespread commercial interest. Based on this work we are confident that this will lead to a number of product commercialisation agreements through: out-licensing, partnering and collaboration.

A company with aspirations like SUDA is not built overnight and it is important that shareholders understand that we are dealing with global pharmaceutical companies that conduct rigorous due diligence and expect the highest standards of scientific excellence, integrity and professionalism. Such negotiations necessarily take considerable time and effort.

Under the guidance of our CEO, Mr Stephen Carter, the SUDA Group now has in place a team of 27, including staff at our subsidiary, Westcoast. At all levels in the organisation, our people are expected to operate at the highest levels of integrity and professionalism and to strive for excellence.

We recognise that only dedicated and committed people build great companies, and our vision is to be a respected global leader and innovator in oro-mucosal drug delivery.

It is very pleasing that SUDA is attracting international interest in its product portfolio and I am confident that our team will create significant value as we move forward.

We gratefully acknowledge the continued support and patience of our shareholders.

Michael Stewart
Chairman

REVIEW OF OPERATIONS

SUDA team photo

SUDA LTD MISSION STATEMENT

Suda Ltd is dedicated to improving the health and lifestyle of the global community by providing new, high-quality, innovative, pharmaceutical products to assist in the treatment of various conditions whilst maintaining consistent growth and investment value for its shareholders.

"SUDA is building a solid reputation in the global pharmaceutical arena as a leader in oro-mucosal drug delivery and we are now in discussions with some of the world's leading pharmaceutical groups on collaborative product development". - Michael Stewart

REVIEW OF OPERATIONS

SUDA made good progress in the 2014 financial year, building on the strong foundations established in 2013. With the successful completion of the NovaDel acquisition in August 2013, the Company owns a world leading technology (trademarked as OroMist), for delivering drugs through the oral mucosa, together with a broad pipeline of new programmes.

The beginning of the financial year also coincided with the receipt of the final report for the ART004 Phase III trial of sub-lingual ArTiMist™ in children with severe or complicated falciparum malaria. The final report confirmed the previously published data on the significant superiority of ArTiMist™ versus intravenous quinine, including the reduction of parasitic count and the time to complete parasite clearance.

In November 2013, SUDA announced a revised alliance with UK-based ProtoPharma Ltd that expanded SUDA's rights to ArTiMist™. Under the new agreement, the intellectual property and global rights to ArTiMist™ are owned by an Australian company, Malaria Research Company Pty Ltd (MRC). SUDA has 80% ownership of MRC with ProtoPharma Limited owning 20%. During the year, the Company also engaged in dialogue with the World Health Organisation (WHO) and Medicines for Malaria Venture (MMV) to expand the market and accelerate the inclusion of ArTiMist™ in the WHO's large-scale procurement of antimalarial medicines for public health use.

In mid-2013, SUDA moved into larger premises in Osborne Park, Western Australia, to accommodate an increase in headcount and to establish the Company's in-house reformulation capabilities. Some key new staff appointments were announced during the financial year, ensuring that the Company has the optimal team to execute its business model. Mr Nick Woolf was appointed to the new position of Chief Business Officer in September 2013 to oversee the Company's business development activities and, in January 2014, Dr Carol Worth joined as Technical Manager to lead the laboratory team. The composition of the Board was also revised with the appointment of Mr Michael Stewart as Chairman of the Board from 1 January 2014.

The Company's upgraded laboratory in Osborne Park features not only an array of modern equipment and advanced scientific instruments, but also a dynamic team of experienced scientists, and an outstanding quality system meeting rigorous quality standards of documentation demanded by the pharmaceutical industry. It acts as the engine room of the Company, providing in-house formulation and analytical capabilities to support the existing pipeline of OroMist oral sprays, but also to expand the pipeline with new reformulations, and to work with pharmaceutical partners to reformulate drugs of interest to them.

Following the NovaDel acquisition and ArTiMist™ clinical results, SUDA implemented a commercial and business development strategy to secure partners or trade sales for the lead products and the OroMist technology. This firstly involved compiling comprehensive Asset Packs for each product and establishing electronic date rooms for prospective partners to undertake due diligence. The outreach to the industry commenced in March 2014 in Europe and then in June 2014 in the USA. These efforts were centred around two major business development events – BIO-Europe Spring and BIO International Convention. In total, the SUDA business development team has met with over 80 international pharmaceutical companies through the outreach initiative in 2014.

Discussions with prospective partners span ArTiMist™, the other clinical-stage oral sprays, as well as the application of SUDA's OroMist drug delivery technology to new drugs. Discussions are at various stages with some companies having completed due diligence and initiated deal negotiations. The typical licensing transaction in the life sciences sector involves multiple steps, some of which are complex. Experience is critical. SUDA is working with leading international consultants at Torreya Partners, who bring relevant experience from past partnering transactions; strong personal relationships within the industry; and an understanding of the factors that drive relative negotiating leverage. The team is working hard to achieve the Company's business development goals in the 2015 financial year.

Oro-mucosal Drug Delivery: an overview

Oral Route

Among the various routes of drug delivery, the oral route is perhaps one of the most studied and preferred by patients and clinicians. About 70% of drugs are administered orally, primarily in tablet or capsule form however, there are a number of disadvantages associated with oral administration such as hepatic first-pass metabolism and enzymatic degradation within the gastrointestinal (GI) tract, which cause a relatively lengthy onset time and/or erratic absorption patterns. Furthermore, patients must be conscious and able to swallow (40% of US adults and 54% of children (6-11 years) report swallowing difficulties) and in most cases need to have access to drinking water.

Oral Mucosa

The oral mucosa is the moist epithelial lining of the oral cavity which includes the tongue, cheeks, palatal and gums. Drug delivery within the oral mucosal cavity is classified into five categories:

(i) local delivery, which is drug delivery into the oral cavity;

(ii) sublingual delivery, which is systemic delivery of drugs through the mucosal membranes lining the floor of the mouth;

(iii) buccal delivery, which is drug administration through the mucosal membranes lining the cheeks (buccal mucosa);

(iv) lingual delivery is drug administration on the tongue

(v) gingival delivery is drug administration through the gums.

The oral mucosa and skin bear many structural similarities, where both epithelial tissues play a crucial role as a barrier against exogenous substances, pathogens and mechanical stress. But their function in the body differs with the oral mucosa being hydrated by saliva while the skin provides a waterproof barrier and the most superficial layer is highly keratinised.

The oral mucosa is 4-4000x [1] more permeable compared to the skin depending on the substance considered. In general, the permeability of the oral mucosa decreases in the order of sublingual greater than buccal, and buccal greater than palatal. This rank order is based on the relative thickness and degree of keratinization of these tissues.

The sublingual mucosa is relatively thin, non-keratinised and highly permeable *(in the case of water it has been calculated to be 20x [2] higher than human skin*) with a rich blood supply consenting a rapid onset of action and absorption of lipophilic drugs. The absorption of a drug via the sublingual route is 3 to 10x greater that the oral route and is only surpassed by intravenous injection. The buccal mucosa is thicker, about 40-50 cell layers, and non-keratinized, and the palatal intermediate in thickness but keratinized.

Pharmaceutical Industry and Drug Delivery: a changing landscape

Over the past decade, the pharmaceutical industry landscape has seen the gradual shift from one blockbuster drug to multiple niche treatments that follow both the disease and the patient lifecycles which focus on the disease as a whole, rather than only the drug. Emerging markets are included in the global pharmaceutical picture. Originators are acquiring generic manufacturers and big pharmaceutical players are putting their house in order to adapt to the new norm, i.e. thinning pipelines, patent cliffs, increasing development costs and regulatory hurdles.

Large players are now globally positioned, outsource significant portion of their R&D, manufacturing and corporate processes and rely extensively on partnerships and alliances. But sales of big pharmaceutical companies have been diminishing and for the first time in 50 years the US market has contracted. Over the next five years, the US market is expected to grow between 0% and 3% [3]. An increasing number of global generics firms are now in the top 50 global pharmaceutical companies. In the US, 86% of dispensed prescriptions in 2013 were generics[4].

Part of this changing landscape has been also the surge of interest in novel drug delivery technologies and systems. Until not long ago drug delivery was considered of lesser importance in the development process of a pharmaceutical, despite the fact that

1 *Mathematical modelling of transmucosal drug delivery http://www.maths-in-medicine.org/uk/2012/transmucosal-drug-delivery/report.pdf*

2 *C.A. Lesch, C.A. Squier, A. Cruchley, D.M. Williams, P. Speight, The permeability of human oral mucosa and skin to water, J. Dent. Res. 68 (1989) 1345-1349*

3 *Pharma Executive – May 2013*

4 *IMS Institute for Healthcare Informatics: a review of use of medicines in USA in 2014 - April 2014*

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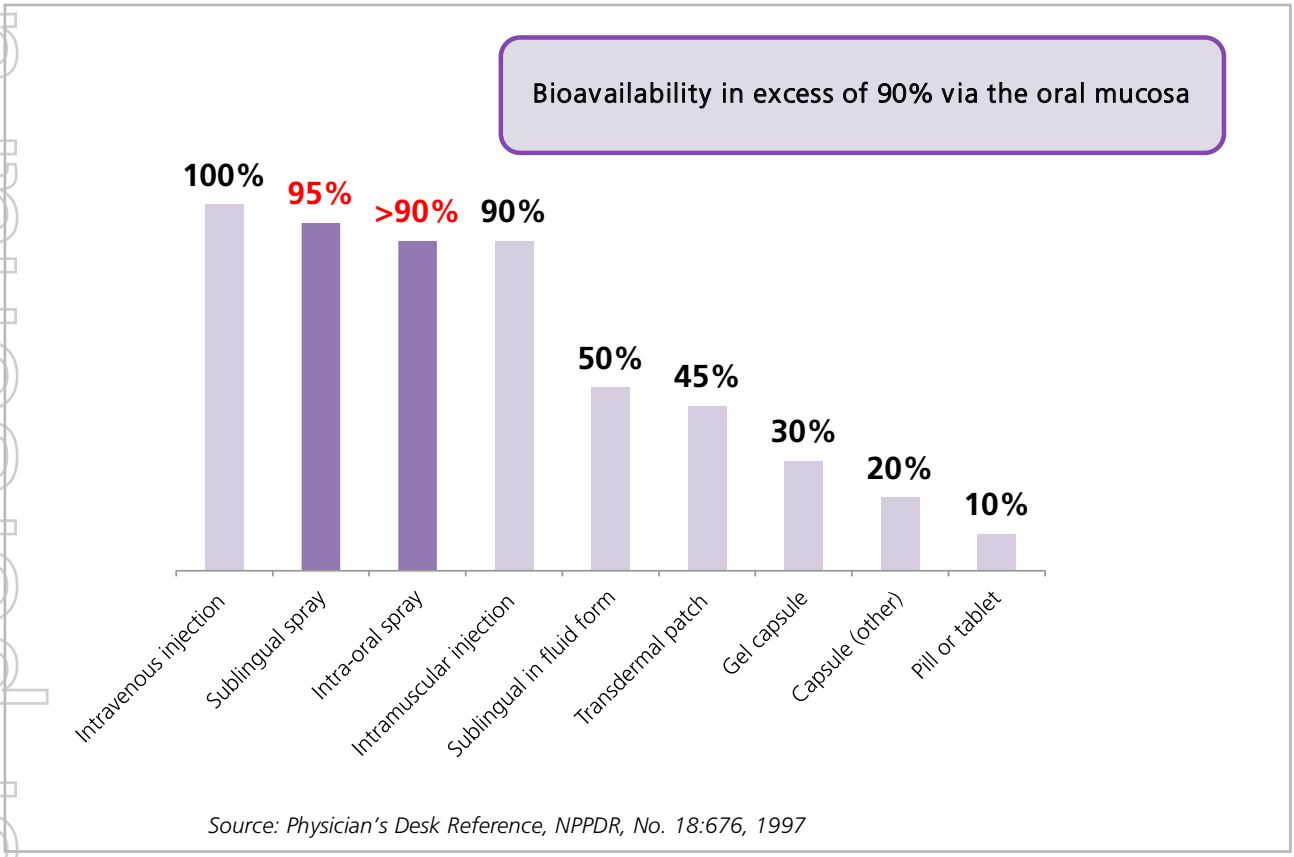
without an adequate delivery technology a drug is next to useless. In recent years the market has evolved with the development of drugs and delivery systems being integrated at each step of the way from the pre-clinical to clinical stage, and in so doing optimising both the commercial and therapeutic drivers. The North American drug delivery technologies market was valued at $66.7 billion in 2012 and is poised to reach $102.2 billion by 2017 [5].

The pharmaceutical industry continues to take advantage of drug delivery technologies in its efforts to add years to product revenue streams. Although there are a number of approaches available to companies to manage the lifecycle of products, those who have pursued drug delivery approaches have proven to be more effective than most, particularly when patient/clinical benefits are apparent. New formulation strategies have been shown to deliver the best return on investment, proving significantly more effective than an OTC/branded generic route, repositioning, or a new indication.

Additionally, it is estimated that between 60 and 70% [6] of New Molecular Entities (NMEs) potentially exhibit sub-optimal drug delivery characteristics. The balance between '*perfection*' and '*good enough*' in clinical development is allowing for less than ideal bioavailability or delivery properties which are tolerated to reduce clinical complexity and increase speed to market. Perhaps it is not a coincidence that two thirds of product launches under-perform expectations.

BIOAVAILABILITY COMPARISON OF DIFFERENT DRUG ADMINISTRATION ROUTES



Source: Physician's Desk Reference, NPPDR, No. 18:676, 1997

This graph highlights the bioavailability, or measure of drug absorption, of SUDA's OroMist technology as compared to alternative routes of delivery.

5 *Markets and Markets: North American drug delivery technologies*

6 *Catalent, Inc. and Quotient Bioresearch*

SUDA's OroMist Technology

SUDA's OroMist technology can deliver a broad range of drug classes in the form of a liquid micro-mist through either the cheeks, gums, tongue or floor of the mouth. The technology is compatible with, and patented for, use in either pump (air-activated) or aerosol (propellant-driven) spray systems, and can be provided in either multi-dose or unit containers based on the medical need and marketing requirements for each product.

The technology and delivery route can provide meaningful benefits compared to other modes of drug administration, including:

- provide faster onset of action;
- reduce the dose level;
- increase bioavailability of the drug by avoiding first pass metabolism in the liver
- minimise dose variation related to gastrointestinal tract motility;
- enhance patient compliance and convenience;
- avoid the need to swallow, which is a problem for many people;
- allow for the medication to be taken without water;
- facilitate self-medication; and
- decrease the need of medical personnel.

Drug delivery via the oral mucosa can minimise dose variation related to gastrointestinal tract motility, stomach emptying time, food effects, tablet/capsule disintegration and dissolution and enzymatic or chemical degradation in the gut. Due to decreased degradation and higher absorption, oral sprays often permit the use of a lower dose of the active ingredient compared with tablet formulations of the same drug, potentially reducing the risk of adverse drug reactions.

In many cases, including treatments for patients with difficulty swallowing or nausea, oral spray administration provides enhanced convenience resulting in greater compliance. In fact, swallowing problems (known as dysphagia) are extremely common with an estimated prevalence as high as 22% in those over 50 years of age. Approximately, 10 million Americans are evaluated each year with swallowing difficulties. Furthermore, many children have difficulty swallowing tablets without water.

Intellectual Property

SUDA's intellectual property includes granted and pending patents, trademarks and proprietary know-how. The patent estate covers liquid spray formulations of over 300 Active Pharmaceutical Ingredients (APIs) from a wide range of drug classes such as anti-infectives, (i.e. antibiotics and antifungals), anti-asthmatics, barbiturates, and opioids as well as biologically active peptide hormones such as, insulin and cyclosporine. These formulations can be administered to the oral cavity in the form of a micro-mist that covers the oral mucosal membranes. The management intends to strengthen the intellectual property portfolio as it progresses with its R&D efforts. A list of patents is shown on pages 16 and 17.

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The Company's upgraded laboratory in Osborne Park features an array of modern equipment and advanced scientific instruments.

Product Pipeline: key projects

The table below shows the promising projects that have been prioritised for further development and commercialisation. A number of additional attractive product candidates, in a varied development stage, are being evaluated for inclusion.

Our screening processes take into account, among other things, the patient and the disease journey to better understand the patients' needs along the treatment path, the physiochemical attributes of a drug and the current rate of therapeutic adherence to establish how improvements can be introduced. Also, more efficient drug delivery can lead to cost savings when dealing with an expensive active pharmaceutical ingredient. The overall aim is to deliver positive patient outcomes and, where possible, lower healthcare costs. The scientific rationale behind the screening will justify the pursuit of an alternate route of administration.

SUDA'S PIPELINE OF KEY PROJECTS

Product	Active Ingredient	Pre-clinical	Clinical	Marketing Approval	Market Size
ArTiMist™	Artemether	Malaria			>$500m
SUD-001	Sumatriptan	Migraine headache			$3.2bn
SUD-002	Ondansetron	Chemotherapy induced nausea & vomiting			$2.5bn
SUD-003 DuroMist™	Sildenafil	Erectile dysfunction			$3.4bn
SUD-004	Sildenafil	Pulmonary arterial hypertension			$4.5bn
SUD-005	Midazolam	Pre-procedural anxiety & epilepsy			$3.6bn

ArTiMist™: malaria

ArTiMist™ is the world's first sub-lingual spray for the treatment of *p. falciparum* severe paediatric malaria. The active pharmaceutical ingredient in ArTiMist™ is artemether, which is a widely used anti-malarial and is currently administered by infusion or orally in a tablet form.

The final results from the ART004 Phase III trial in 150 patients across multiple sites in Africa confirmed that ArTiMist™ was convincingly superior to the current gold standard, being intravenous quinine treatment. MRC is now making good progress towards the completion of the Common Technical Document (CTD). This comprehensive report will form the basis of applications for marketing approval.

In November 2013, SUDA restructured the collaboration with UK-based ProtoPharma Ltd for ArTiMist™. Under the new agreement with ProtoPharma, all of the intellectual property and global rights in relation to ArTiMist™ are owned by Malaria Research Company Pty Ltd (MRC). SUDA controls the new entity with 80% ownership and ProtoPharma owns the balance. All territorial rights to ArTiMist™ for the entire field of malaria are now consolidated into MRC.

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SUDA believes that this new structure is an excellent outcome for shareholders and ensures that the ArTiMist™ asset is optimally positioned for a global partnership or a trade sale to the pharmaceutical industry.

In September 2013, SUDA commenced dialogue with the global partnership, Medicines for Malaria Venture. They are assisting the Company in raising the profile of ArTiMist™ with global funds and groups such as the World Health Organisation (WHO). With the support of the MMV, SUDA established a Clinical Advisory Board (CAB) of key opinion leaders in the field of malaria. The CAB is providing advice on expanding the potential of the product from a first-line treatment of severe malaria to include use in the pre-referral setting, which is when a child first develops a fever or has other danger signs associated with severe malaria. The involvement of highly respected academics and clinicians has also helped to raise the profile of ArTiMist™ in the global malaria community.

SUDA convened the inaugural meeting of its Clinical Advisory Board in March 2014 to discuss the design of a trial of ArTiMist™ as an early interventional treatment in the pre-referral setting. SUDA does not intend to initiate further trials without a partner, but will present the protocol to the WHO and philanthropic funds that have indicated an interest in supporting further clinical evaluation of ArTiMist™.

SUDA's Clinical Advisory Board members are as follows:

- **Professor Tim Davis BMedSc, MB BS, DPhil, FRACP, FRCP** - Professor at the School of Medicine and Pharmacology, Fremantle Hospital, University of Western Australia
- **Professor Ric Price MB *(London)*, MA *(Cambridge)*, BChir *(Cambridge)*** - Professor of Global Health, the Menzies School of Health Research, Royal Darwin Hospital; and Professor of Tropical Medicine, the Centre of Tropical Medicine, University of Oxford, UK.
- **Professor Kevin Marsh MBChB** - Director of the Kenya Medical Research Institute Wellcome Trust Research Programme, Kenya. Chair of the WHO Malaria Policy Advisory Committee *(MPAC)*.
- **Dr Stephen Rulisa, MD, MMed (Obs/Gyn)** - Head of Obstetrics & Gynaecology, University of Rwanda, School of Medicine; and Principal Investigator for two clinical trials of ArTiMist™, including the successful Phase III trial in children with severe malaria

The Company appointed Torreya Partners (Torreya) to lead the negotiations to out-license or sell ArTiMist™. Torreya is an internationally renowned advisory company for pharmaceutical licensing and trade sales with offices in New York and London. The firm has carried out over 500 transactions in the healthcare sector.

A key customer for ArTiMist™ is expected to be the WHO via its large-scale procurement of antimalarial therapeutics for public health use. SUDA has engaged with the WHO to optimise the regulatory strategy to accelerate the inclusion of ArTiMist™ in the WHO Guidelines for the Treatment of Malaria. In addition, the WHO Guidelines are generally adopted by national healthcare agencies in malaria-endemic countries.

The WHO has recommended that SUDA firstly seek registration of ArTiMist™ with the US Food and Drug Administration (FDA) or the European Medicines Agency (EMA) under Article 58. In parallel, SUDA aims to pursue the WHO Prequalification of Medicines Programme (PQP) for ArTiMist™. PQP helps to ensure that medicines supplied by procurement agencies – such as UNICEF, the Global Fund to Fight AIDS, Tuberculosis and Malaria, and UNITAID - meet acceptable standards of quality, safety and efficacy.

In following this strategy, SUDA has a clearly defined path for adding value to the programme by working with the WHO to accelerate the adoption of ArTiMist™ into their treatment guidelines for malaria.

SUD-001: migraine headache

SUD-001 is a first-in-class honey-flavoured oral spray formulation of sumatriptan (marketed in tablet form and in a nasal spray by GlaxoSmithKline under the brand name Imitrex®). Sumatriptan is one of the most widely used drugs for the treatment of acute migraine in adults and works by narrowing the blood vessels in the brain.

Two clinical trials have been conducted to evaluate SUD-001. The first trial comprised 10 healthy male volunteers in a four-arm, crossover pharmacokinetic (PK) study comparing the performance of the SUD-001 (20mg and 30mg in fasting conditions, and 20mg in non-fasting conditions) with the 50mg sumatriptan tablet. The study demonstrated a statistically significantly faster rate of absorption with SUD-001 than tablets and up to a 50% increase in relative bioavailability of sumatriptan. The rate of drug absorption is believed to be predictive of the degree and speed of migraine relief. The initial PK data of SUD-001 approximate to those of a subcutaneous injection.

Although Imitrex® nasal spray was not included in this clinical study, time to the first peak plasma concentration of sumatriptan was approximately 70% faster with the 20mg dose of SUD-001 than has been reported in the literature for the same dose of Imitrex® nasal spray. In addition, the mean concentration level achieved during this critical first phase of absorption was approximately 30% greater for SUD-001 than has been observed in published studies of the nasal spray.

The second clinical trial evaluated efficacy and safety in migraineurs. This was a multi-centre, active control, open-label, dose-ranging study. All dosing was done on an outpatient basis and patients returned to the clinic between migraine attacks. Subjects received up to five treatments, comprising single doses of the following: sumatriptan 50mg and 100mg tablets, and SUD-001 20mg, 30mg and 40mg oral spray.

In the primary analysis of efficacy, the percentage of patients responding to treatment at or before 60 minutes post-dosing, the 30mg and 40mg dosages of SUD-001 provided a statistically significant greater reduction in headache pain compared to the 50mg tablet (42% and 46%, respectively, vs. 12%; P≤0.011), and were comparable to the higher (100mg) dose of the tablet formulation (42%).

Significantly more patients responded to all three doses of SUD-001 than to 50mg sumatriptan tablet by 90 minutes post-dosing (57% to 70% vs. 32%; P≤0.028), and all three SUD-001 doses were comparable to the 100mg tablet.

Overall, these results indicate that SUD-001 at doses of 30mg and 40mg may be significantly more effective than the 50mg sumatriptan tablet in reducing pain and other symptoms associated with migraine headaches and produce a degree of relief that is qualitatively similar to the 100mg sumatriptan tablet.

Migraine is a painful and debilitating condition that disrupts lives, impacts careers and costs employers in lost work and diminished productivity. According to the WHO, migraine affects at least one adult in every seven in the world (14.3%). The migraine market value is expected to reach US$5.8 billion in 2021 in the seven major markets where 75 million adults are affected [7].

In 2014, SUDA engaged Navigant, a leading US primary market research firm, to assess the revenue potential in the USA for SUD-001. Navigant conducted in-depth interviews and undertook an extensive survey with physicians and payers to assess the market need and opportunity. Prescribers see SUD-001 as filling an important need for patients with nausea and vomiting associated with their migraine; and also in patients with sudden onset migraine, who require the faster therapeutic effect offered by SUD-001. Payers similarly see the importance of SUD-001 and anticipate reimbursement without restrictions at up to a 15% premium to the leading branded intranasal therapy, equating to approx. US$455 per prescription. These results suggest that there is clear market need for an oral spray sumatriptan migraine treatment with rapid onset of action.

7 *Decision Resources Group, Inc*

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SUD-002: chemotherapy-induced nausea and vomiting

SUD-002 is a first-in-class mint-flavoured oral spray formulation of ondansetron (marketed in tablet form by GlaxoSmithKline under the brand name Zofran®), the most commonly prescribed antiemetic to treat nausea and vomiting induced by chemotherapy or radiotherapy and also other post-operative settings.

SUD-002 achieves therapeutic drug levels by delivering a micro-mist of concentrated ondansetron over the oral mucosa and may offer a desirable alternative to patients requiring antiemetic therapy who have difficulty in swallowing.

The product has been evaluated in over 300 patients in multiple clinical trials. These included four randomized studies in which the PK profile of 8mg of SUD-002 was compared with 8mg ondansetron tablet in about 100 subjects, including both men and women. Both gender group received the two treatments and were included in the PK analyses.

The studies successfully demonstrated that SUD-002 8mg dose was statistically bioequivalent to the current commercially available 8mg ondansetron tablet, was well tolerated and can be conveniently administered in multiple doses. In addition, SUD-002 delivered statistically faster absorption as defined by median time to detectible drug levels of ondansetron at 15 minutes versus 30 minutes for the tablet.

The most commonly reported adverse events (AEs) after treatment with SUD-002 compared with those for the tablet for all women/men were headache (14%/14% SUD-002; 27%/10% tablet) and dizziness (5%/5% SUD-002; 0%/10% tablet). The incidence of all other AEs was ≤ 5%, and there were no serious or unexpected AEs.

The global anti-emetics market is estimated to reach US$4.6 billion in 2018 [8].

8 *Visiongain: the anti-emetic drugs market analysis - 2014*

SUD-003: erectile dysfunction

SUD-003 (DuroMist™) is a first-in-class oral spray formulation of sildenafil (marketed in tablet form by Pfizer under the brand name Viagra®), sprayed directly in the mouth over the tongue for the treatment of erectile dysfunction (ED). The DuroMist™ dosage form is a metered spray that offers the potential for increased patient convenience, reduced food effect and lower dose.

Sildenafil is the largest selling drug globally for ED and is also approved to treat pulmonary arterial hypertension (see SUD-004). Sildenafil acts by inhibiting phosphodiesterase type 5 (PDE5), an enzyme that promotes degradation of cyclic guanosine monophosphate (cGMP), which regulates blood flow in the penis.

DuroMist™ has been evaluated in a pilot PK clinical trial comparing the lingual spray to oral sildenafil (Viagra®). The trial was designed to assess the relative bioavailability and safety of one, two and three sprays of 10mg/0.12ml of DuroMist™, compared to a 25mg Viagra® tablet. It was a single-centre, open-label, single-dose, randomised, four-period, four-treatment, crossover study under fasting conditions. There were 24 healthy adult male subjects enrolled in the study.

The results from the trial successfully demonstrated that the 20mg dose (two sprays) of DuroMist™ was bioequivalent to the 25mg Viagra® tablet with respect to systemic exposure. The mean systemic exposure with the 10mg dose (one spray) was approximately 40% of the 25mg Viagra tablet, as expected; and the 30mg dose (three sprays) was approximately 40% higher than the 25mg Viagra® tablet, which was about 20% higher than expected.

These data suggest that DuroMist™, as compared to the Viagra® tablet, provides effective absorption of sildenafil via the oral transmucosal route. Furthermore, DuroMist™ demonstrated an excellent safety profile and was well tolerated in the PK study at all dose levels.

The US FDA accepted an Investigational New Drug (IND) application following a successful pre-IND meeting to discuss the clinical plan for registration. In 2014, SUDA commenced formulation work on a second-generation version of DuroMist™, which has vanilla and peppermint flavouring, together with absorption enhancers to quicken the onset of action. Stability studies on the new formulation are underway, prior to further dialogue with the FDA.

The global erectile dysfunction market is estimated to reach US$3.4 billion in 2019 [9]. In the USA alone, more than 18 million individuals suffer from ED. The risk of developing ED increases with age. Primary market research conducted in the USA suggests that over two thirds of physicians would prescribe DuroMist™ to their patients if the oral spray achieved a quicker onset of action or reduced the side-effects associated with Viagra®.

9 *Transparency Market Research: erectile dysfunction drugs*

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SUD-004: pulmonary arterial hypertension

SUD-004 is based on the DuroMist™ oral spray formulation of sildenafil and is designed to treat pulmonary arterial hypertension (PAH) in adults. With PAH, the blood pressure in your lungs is too high and your heart has to work hard to pump blood into your lungs. Sildenafil improves the ability to exercise and slows down worsening changes in your physical condition. Sildenafil is marketed in tablet form as Revatio® for PAH by Pfizer.

Sildenafil works in the treatment of PAH by inhibiting PDE-5 produced in the lungs. This breaks down cyclic GMP, causing the blood vessels in the lungs to relax and widen. This, in turn, makes it easier for the heart to pump blood through the lungs and reduces blood pressure, which leads to improvement in patients' physical activity levels and well being.

The recommended dose for sildenafil as Revatio® in the pill form for treatment of PAH is 20 mg (one pill) taken orally three times a day. SUD-004 is formulated such that each actuation delivers 10mg of sildenafil, which is sprayed directly in the mouth over the tongue.

The PK data generated with DuroMist™ successfully demonstrated that the 20mg dose (two sprays) of sildenafil was effectively absorbed through the oral mucosa. Also, DuroMist™, and thus also SUD-004, demonstrated an excellent safety profile and was well tolerated in the PK study at all dose levels.

Sales of therapies to treat PAH, a rare but life-threatening disorder, reached $4.5 billion in 2013 [10].

SUD-005: pre-procedural anxiety and epileptic seizures

SUD-005 is a first-in-class strawberry/mint-flavoured oral spray formulation of midazolam (marketed in the USA as an injection or an oral syrup under the brand name Versed® by Roche) for the treatment of pre-procedure anxiety in imaging and dental procedures and also in the treatment of epileptic seizures.

Midazolam is one of the most frequently used agents for sedation in paediatric dentistry due to its potent anxiolytic, amnestic, hypnotic, anticonvulsant, skeletal muscle relaxant, and sedative properties. Midazolam has a fast recovery time and is the most commonly used benzodiazepine as a premedication for sedation.

Initial formulation work of SUD-005 has been completed and stability studies have been successful.

One major advantage of SUD-005 oral spray compared to an oral syrup or a tablet is the possible avoidance of first pass metabolism. This could offer other advantages such as an increase in the bioavailability of the drug, a reduction in dose variability; and more predictable pharmacological effects.

The market size for treatments of pre-procedure anxiety is estimated to be US$150-170 million. The epilepsy therapeutics market value in the top eight countries is expected to increase from US$3.4 billion in 2012 to US$4.5 billion by 2019 [11].

10 *Rare Disease Report*

11 *GBI Research*

Westcoast Surgical & Medical Supplies

Westcoast Surgical and Medical Supplies Pty Ltd (Westcoast) is a fully owned subsidiary of SUDA. It is a sales and logistics operation for medical devices and consumables with a key selling proposition of "Flexible Solutions, Innovative Service", reflecting its high level of service to customers. Westcoast has five core business units as follows:

i. Hospitals
ii. Aged Care
iii. Allied Health
iv. Mining
v. Federal Government-funded organisation

Westcoast's revenue in 2013/2014 increased by 115% compared to the previous year. In August 2013, Westcoast was successful in securing preferred supplier status for a Federal Government-funded organisation, through a tendering process for the supply of pharmaceuticals, consumables, equipment and vaccines. This generated sales in excess of $4 million during the financial year.

In January 2014, Westcoast signed an exclusive distributor of HemoStyp® in Australia, New Zealand, New Guinea and the Pacific Islands which launched a novel patented wound healing gauze, HemoStyp®, in the region. HemoStyp® is a unique haemostatic gauze that is specifically formulated to aid in the process of haemostasis (clotting) when positioned on a wound or cut. It has been shown to stop bleeding more rapidly than alternative products and, unlike other gauzes, HemoStyp® is hypoallergenic and contains no potentially harmful chemicals or animal by-products. The HemoStyp® gauze was developed and is manufactured by the US company, United Health Products, Inc (OTCQB: UEEC). The full benefit of this product is expected to be realised in the 2015 financial year.

In June 2014, Westcoast expanded to the East coast. Three of Westcoast's national clients, including the Federal Government-funded organisation, encouraged the company to supply them both in Western Australia and on the East coast. Westcoast has established a warehouse in Brisbane together with distribution capabilities on the Eastern seaboard to service this demand and source new business. This new market for Westcoast could increase annual revenue by $3 – 4 million commencing July 2014.

Westcoast continues to be a strong player in the supply of medical consumables within the Aged Care, Allied Health, Mining and Hospital sectors in Western Australia.

REVIEW OF OPERATIONS

Business & Commercial Strategies

Business Strategy

The Company's drug delivery business is in various stages of development and is adopting a staged business and marketing strategy as the Company moves along the growth path and remains abreast with developments in the pharmaceutical industry.

The Company intends to adopt steps to achieve financial, clinical, technical and regulatory risk reduction by combining the sale of certain assets and, in parallel, run in-house development of some projects and collaborate with partners on others. The number of active projects will vary over time and will depend primarily on the available resources. SUDA aims to strengthen its capital resources from the divestiture of projects and/or partnering activities and non-dilutive financing by applying for grants.

Future license agreements and research collaborations represent key strategic assets both from a financial and knowledge point of view, helping to finance other in-house projects.

The initial focus is on a partnership or divesture of ArTiMist™ and of at least one of the other lead development products. In addition, SUDA is pursuing collaborations to reformulate partner companies' current or developmental drugs, or extend their life cycle by developing OroMist formulations.

Development timelines of reformulated drugs are considerably shorter (3-7 years) when compared to the development of a New Chemical Entity (NCE) which can be up to 13.5 years from discovery to approval and development risks are considerably lower than a NCE thanks to the extensive amount of pre-existing data.

The regulatory strategy is to seek regulatory approval in the US by filing applications under the abbreviated FDA 505(b)(2) program and the equivalent program in Europe and in other jurisdictions.

Corporate value will be enhanced by revising the IP portfolio on a regular basis to align and expand it as existing projects progress and as new formulations are developed.

Commercial Strategy

The Company's project pipeline intends to adopt a multi-pronged commercial strategy providing income streams in the short to medium-term and the potential for a big upside in the future.

The aim is to develop products that can promptly answer the questions of potential partners *'what is the added value of this product?'* and *'what does this product do better when compared to what we already have or is available on the market?'* The scientific rationale behind the answers will highlight the notion of value, which is multi-dimensional and certainly goes beyond the demonstration of bioequivalence in the case of reformulated products, but will also show, for example, improved safety and efficacy profiles, ease of use leading to self-medication rather than reliance on medical personnel, improvements that will contribute to increase the rate of therapeutic adherence and facilitate reimbursement.

It is standard practice for companies like SUDA to enter into licensing agreements usually structured in a way to provide an up-front fee upon signature of the agreement, payments upon the achievement of development and regulatory milestones and royalties on net sales.

There are many ways a licensing agreement can be structured. We anticipate that, depending on the project, the licensing agreements entered into will be typically on product-by-product and territory-by-territory basis, although there are many other licensing strategies that can be applied depending on the countries and the projects. The terms of such agreements can differ markedly depending on the stage of the product development, therapeutic indication and addressed patient population. The management believes that out-licensing will take place once the development has reached such an inflection point to deliver a meaningful therapeutic/clinical value to patients, physicians and healthcare systems.

The Board of Directors is of the opinion that the Company's current strategy and activities will form the basis on which to realise the Company's maximum potential value.

List of Patents

Country	Title	Priority Date	Status	Application
France, Germany, Italy, Spain and United Kingdom	Buccal Non-Polar Spray	01-Oct-1997	Registered	00109347.5
Canada	Buccal Polar Spray or Capsule	12-Apr-1996	Registered	2,252,038
USA	Buccal Polar Spray Or Capsule	12-Apr-1996	Registered	09/199,380
Belgium, France, Germany, Greece, Italy, Netherlands, Spain, Sweden, Switzerland and United Kingdom.	Buccal, Non-Polar Spray Comprising Analgesics or Alkaloids	12-Apr-1996	Registered	02016165.9
Canada	Buccal, Non-Polar Spray or Capsule	12-Apr-1996	Registered	2,252,050
USA	Buccal, Non-Polar Spray or Capsule	12-Apr-1996	Registered	08/631,175
Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Monaco, Netherlands, Portugal, Sweden, Switzerland, United Kingdom	Buccal, Non-Polar Spray or Capsule	12-Apr-1996	Registered	97914780.8
Spain	Buccal, Non-Polar Spray or Capsule	12-Apr-1996	Registered	97914780.8
Europe	Buccal, Polar and Non-Polar Spray Containing Ondansetron	27-Sep-2004	Filed	04789153.6
USA	Buccal, Polar and Non-Polar Spray Containing Ondansetron	08-Jan-2009	Filed	13/445,331
USA	Buccal, Polar and Non-Polar Spray Containing Ondansetron	07-Dec-2009	Filed	13/450,987
USA	Buccal, polar and non-polar spray or capsule	24-Dec-2002	Registered	10/327,195
Canada	Buccal, Polar and Non-Polar Spray or Capsule	01-Oct-1997	Registered	2,306,024
USA	Buccal, Polar and Non-Polar Spray or Capsule	18-Mar-2002	Registered	10/100,156
USA	Buccal, Polar and Non-Polar Spray or Capsule Containing Drugs for Treating Disorders of the Central Nervous System	04-Dec-2003	Registered	10/726,585
USA	Buccal, Polar And Non-Polar Spray Or Capsule Containing Drugs For Treating Pain	04-Dec-2003	Registered	10/726,625
USA	Buccal, Polar And Non-Polar Spray Or Capsule Containing Drugs For Treating Pain	09-Jan-2009	Filed	13/467,441
Canada, Europe, Hong Kong, Australia, USA	Oral Spray Formulations and Methods for Administration of Sildenafil	07-Jun-2010	Filed	2,802,047
Israel, New Zealand, Canada, Europe, Australia, Russian Federation, China, Japan. Republic of Korea, Singapore, USA, South Africa, India and Brazil	Oral Spray Formulations and Methods for Administration of Sildenafil	05-Dec-2011	Filed	232970
Brazil	Oral Spray Formulations and Methods for Administration of Sildenafil	07-Jun-2010	Filed	BR1120120312979
Europe	Propellant-Free Spray Composition Comprising Anti-Emetic Agent	01-Oct-1997	Filed	08020267.4

REVIEW OF OPERATIONS

Country	Title	Priority Date	Status	Application
Canada	Stable Anti-nausea Oral Spray Formulations and Methods	22-Dec-2006	Filed	2,673,049
Canada	Stable Hydroalcoholic Oral Spray Formulations and Methods	19-Apr-2007	Registered	2,649,895
OAPI	Anti-Malarial Pharmaceutical Composition	25-Oct-2007	Registered	1201000141
Burundi	Anti-Malarial Pharmaceutical Composition	09-Mar-2009	Registered	279/BUR
China	Anti-Malarial Pharmaceutical Composition	27-Oct-2008	Registered	200880113338.0
Ethiopia	Anti-Malarial Pharmaceutical Composition	26-Feb-2009	Registered	ET/P/2009/116
Haiti	Anti-Malarial Pharmaceutical Composition	27-Mar-2009	Registered	007-HAI-DAJ-RE-6
Myanmar	Anti-Malarial Pharmaceutical Composition	09-Sep-2009	Registered	2796/2009
Rwanda	Anti-Malarial Pharmaceutical Composition	10-Mar-2009	Registered	123/ARK
Singapore	Anti-Malarial Pharmaceutical Composition	25-Oct-2007	Registered	201002621-9
United Kingdom	Anti-Malarial Pharmaceutical Composition	25-Oct-2007	Registered	GB0819559.6
Yemen	Anti-Malarial Pharmaceutical Composition	16-Dec-2008	Registered	424/2008
Australia	Anti-Malarial Pharmaceutical Composition	25-Oct-2007	Filed	2013201643
Indonesia	Anti-Malarial Pharmaceutical Composition	27-Oct-2008	Filed	W-00201303488
ARIPO	Anti-Malarial Pharmaceutical Composition	27-Oct-2008	Filed	AP/P/2013/006997
Bangladesh	Anti-Malarial Pharmaceutical Composition	29-Mar-2009	Filed	167/2013
Brazil	Anti-Malarial Pharmaceutical Composition	27-Oct-2008	Filed	BR122013005952-0
Cambodia	Anti-Malarial Pharmaceutical Composition	16-Jul-2013	Filed	KH/P/2013/00030
Democratic Republic of the Congo	Anti-Malarial Pharmaceutical Composition	04-Apr-2009	Filed	NP/013/EXT/2013
Eurasia	Anti-Malarial Pharmaceutical Composition	27-Oct-2008	Filed	201300151
Europe	Anti-Malarial Pharmaceutical Composition	27-Oct-2008	Filed	13176933.3
Malaysia	Anti-Malarial Pharmaceutical Composition	07-Oct-2008	Filed	PI 2013002816
Mexico	Anti-Malarial Pharmaceutical Composition	25-Oct-2008	Filed	MX/a/2013/008621
Philippines	Anti-Malarial Pharmaceutical Composition	27-Oct-2008	Filed	1-2013-501567
South Africa	Anti-Malarial Pharmaceutical Composition	25-Oct-2007	Filed	2010/02607
USA	Anti-Malarial Pharmaceutical Composition	27-Oct-2008	Filed	13/952,262
Vietnam	Anti-Malarial Pharmaceutical Composition	27-Oct-2008	Filed	1-2013-00873

DIRECTORS' REPORT

Your Directors present their report together with the financial statements of the Group consisting of SUDA Limited and the entities it controlled during the period for the financial year ended 30 June 2014. In order to comply with the provisions of the Corporations Act 2001, the Directors' report as follows:

Dividends

No dividends have been paid or declared since the start of the financial year and/or the Directors do not recommend the payment of a dividend in respect of the financial year.

Principal Activities

The principal activities of the entities within the Group during the year were:

- Pharmaceutical development of drug delivery technology; and
- Medical devices and consumables distribution

In August 2013, SUDA completed its acquisition of the NovaMist technology and has rebranded the technology to OroMist. OroMist is the proprietary system to deliver a broad range of marketed drugs through the highly absorptive lining of the mouth.

Review of operations

Operating results for the year

The Group reported revenue of $8,753,164 in 2013/2014 compared to $4,065,665 in the prior year, an increase of 115%. The revenue growth stemmed from SUDA's subsidiary company, Westcoast Surgical and Medical Supplies Pty Ltd (Westcoast).

The Consolidated loss for the Consolidated Group was $2,060,850 (2013 loss: $1,667,519) after providing for income tax. The profits of Westcoast were offset by an increase in expenditure for SUDA's oro-mucosal drug delivery operations. These costs include the expansion of in-house formulation, regulatory and business development activities.

SUDA ended the financial year with net cash of $3,990,397 versus $752,619 at 30 June 2013. During the year, SUDA issued a Convertible Note raising $1,900,000 and completed an institutional share placement raising $5,608,655. On 30 June 2014, SUDA announced that it raised a further $1,410,000 through the underwritten placement of unlisted 5 cent options that were due to expire. In addition, SUDA announced the termination, by mutual consent, of a funding agreement with Bergen Global Opportunity Fund, LP (Bergen). As part of the termination, Bergen advanced SUDA a final tranche amount of $100,000 in July 2014.

As a result of these transactions, the Group's pro-forma 30 June 2014 year-end cash position was approximately $5.4 million. This capital ensures that SUDA is well positioned to deliver on its objectives.

Group overview

SUDA has achieved the following key milestones during the period, as follows:

- The final ArTiMist™ Phase III results confirmed the product's superiority to intravenous quinine for the treatment of severe malaria in children and opened dialogue with the global organisations; Medicines for Malaria Venture and World Health Organisation;
- SUDA restructured the ownership of the ArTiMist™ project as a key prerequisite for commercialisation via a trade sale or global partnership.
- The Company completed the acquisition of the NovaDel assets, which include a broad patent portfolio and clinical-stage oral sprays for migraine, nausea, erectile dysfunction, hypertension and anxiety;
- SUDA's subsidiary, Westcoast Surgical & Medical Supplies, achieved a greater than 100% increase in revenue, having secured a number of new contracts and strategic alliances.

1. Malaria Research Company Pty Ltd (MRC)

The final results from the ART004 Phase III trial in 150 patients across multiple sites in Africa confirmed that ArTiMist™ was convincingly superior to the current gold standard, being intravenous quinine treatment. MRC is now making good progress towards the completion of the Common Technical Document (CTD). This comprehensive report will form the basis of applications for marketing approval.

In September 2013, SUDA commenced dialogue with the global partnership, Medicines for Malaria Venture. They are assisting the Company in raising the profile of ArTiMist™ with global funds and groups such as the World Health Organisation (WHO).

In November 2013, SUDA restructured the collaboration with UK-based ProtoPharma Ltd for ArTiMist™. Under the new agreement with ProtoPharma, all of the intellectual property and global rights in relation to ArTiMist™ are owned by Malaria Research Company Pty Ltd (MRC). SUDA controls the new entity with 80% ownership and ProtoPharma owns the balance. All territorial rights to ArTiMist™ for the entire field of malaria are now consolidated into MRC.

SUDA convened the inaugural meeting of its Clinical Advisory Board in March 2014 to discuss the design of a trial of ArTiMist™ as an early interventional treatment in the pre-referral setting. SUDA does not intend to initiate further trials without a partner, but will present the protocol to the WHO and philanthropic funds that have indicated an interest in supporting further clinical evaluation of ArTiMist™.

2. Oro-Mucosal drug delivery platform

SUDA made good progress in the 2014 financial year, building on the strong foundations established in 2013. With the successful completion of the NovaDel acquisition in August 2013, the Company owns a world leading technology (trademarked as OroMist), for delivering drugs through the oral mucosa, together with a broad pipeline of new programmes.

A detailed review of each of the key projects has been discussed in the Review of Operations on pages 8 to 13.

3. Westcoast Surgical and Medical Supplies Pty Ltd

In August 2013, Westcoast secured a preferred supplier status for a major, federal government-funded organisation, through a tendering process for the supply of pharmaceuticals, consumables, equipment and vaccines. The sales, as a preferred supplier status, are subject to seasonal factors as well as government directives. As a result, the sales for the 6 months to December 2013 were $3,861,485 whereas the sales in the 6 months to 30 June 2014 were approximately $225,619.

DIRECTORS' REPORT

Westcoast signed an exclusive distributor of HemoStyp® in Australia, New Zealand, New Guinea and the Pacific Islands which launched a novel patented wound healing gauze, HemoStyp®, in the region. The gauze was approved by the Australian Therapeutic Goods Administration in early 2014. The full benefit of this product is expected to be realised in the next financial year.

On June 2014, Westcoast expanded to the East coast. Three of Westcoast's national clients, including a Federal Government funded organisation, have encouraged the company to supply them both in WA and on the East coast. Westcoast has established a warehouse in Brisbane together with distribution capabilities on the Eastern seaboard to service this demand and source new business. This new market for Westcoast could increase annual revenue by $3 – 4 million commencing July 2014.

4. HC Berlin Pharma AG (in liquidation)

As reported last year, the Company has had discussions with various parties related to HC Berlin Pharma regarding the manufacturing rights. The Directors have legal advice that confirms that the rights are the property of SUDA, however, the Company is still resolving issues with the liquidator in Germany and it is the opinion of the Directors that the settlement of these issues will not be materially detrimental to the shareholders of SUDA Ltd.

Significant changes in the state of affairs

The significant events during the 2013-14 financial year were:

i. Completed the Phase III clinical trial of ArTiMist™

In July 2013 SUDA received the final report for the ArTiMist™ Phase III African Malaria Trial in children with severe malaria. The results demonstrated that ArTiMist™ is superior to the standard of care, which was intravenous quinine, in the treatment of severe paediatric malaria.

ii. Acquired oro-mucosal drug delivery intellectual property from NovaDel Pharma Inc

In August 2013, SUDA completed the acquisition of a worldwide patent portfolio covering approximately 300 drug reformulations that provides the Company with a pipeline of first-in-class, patented oral sprays in various stages of development.

iii. Successfully raised $1,900,000 in convertible notes (2013 Convertible Note)

In September 2013, the Company raised $1,900,000 in convertible notes of which the directors of SUDA took $420,000 of the convertible note issue.

iv. Successfully raised $5.6m in a placement in November 2013.

The purpose of the capital raising was to fund the in-house formulation laboratory, expand its management team and business development activities.

v. Postponed and terminated its funding facility with US-based group Bergen Global Opportunity Fund, LP (Bergen).

The funding facility provided the Company with a $7.6m facility over a 2-year period. The Company drew down a total $2.2 million before postponing the facility in December 2013 and then terminating the facility in July 2014.

vi. Commenced business development outreach

In March and June 2014, SUDA's CEO and Chief Business Officer attended business development conferences in Europe and the United States to commence the outreach to prospective partners in the pharmaceutical industry.

vii. Maturity of 2012 convertible notes and the underwriting of options

In June 2014, the 2012 Convertible Notes matured and all convertible notes were converted into shares by 30 June 2014. The attaching options were fully underwritten and the Company raised $1.4m before fees in July 2014.

Significant events after balance date

i. Resignation of a Non-Executive Director

Mr Ken Robson resigned on 7 August 2014

ii. Termination of the Bergen agreement

The Bergen facility was terminated in July 2014 and the final issue of shares to Bergen occurred in August 2014.

iii. Exercise of options

The options that expired on 30 June 2014 were fully underwritten and the Company received $1.4m and issued shares in respect of the exercise of options in July 2014.

Likely developments and expected results

The Company's drug delivery business is in various stages of development and is adopting a staged business and marketing strategy as the Company moves along the growth path and remains abreast with developments in the pharmaceutical industry.

The Company intends to adopt steps to achieve financial, clinical, technical and regulatory risk reduction by combining the sale of certain assets and, in parallel, run in-house development of some projects and collaborate with partners on others.

Future license agreements and research collaborations represent key strategic assets both from a financial and knowledge point of view, helping to finance other in-house projects.

The initial focus is on a partnership or divesture of ArTiMist™ and of at least one of the other lead development products. In addition, SUDA is pursuing collaborations to reformulate partner companies' current or developmental drugs, or extend their life cycle by developing OroMist formulations.

The Company's project pipeline intends to adopt a multi-pronged commercial strategy providing income streams in the short to medium-term and the potential for a big upside in the future.

The Board of Directors is of the opinion that the Company's current strategy and activities will form the basis on which to realise the Company's maximum potential value.

Environmental legislation

The Group is not subject to any significant environmental legislation.

Indemnification and insurance of Directors and Officers

The Company has agreed to indemnify all the directors of the Company for any liabilities to another person (other than the Company or related body corporate) that may arise from their position as directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith.

During the financial year the Company paid a premium in respect of a contract insuring the directors and officers of the Company and its controlled entities against any liability incurred in the course of their duties to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Directors

The names of directors who held office during or since the end of the year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Mr Michael Stewart *Chairman*

Qualifications: Bachelor of Applied Science (GeoPhysics), Associateship (Geology)

Description of experience: Michael Stewart joined the Board of Suda Ltd on 11 June 2009. He has a broad corporate and management background and has been extensively involved in both the securities industry and in bilateral donor funded and World Bank co-financed Aid Projects in under-developed countries.

Michael Stewart is a member of the Group's Audit and Risk Committee and Remuneration Committee.

In the 3 years immediately before the end of the financial year, Michael Stewart did not serve as a director of other public companies.

Mr Stephen Carter

Managing Director, Chief Executive Officer

Qualifications: Bachelor of Science

Description of experience: Stephen Carter has extensive pharmaceutical industry experience and has held a variety of senior positions with listed public companies including roles as both Chairman and Managing Director. He has extensive contacts and experience in the financial markets and the pharmaceutical industry and is well equipped to lead executive management through the Company's product commercialisation phase. He is an Australian citizen and resides in Perth, Western Australia.

Stephen Carter is a member of the Group's Audit and Risk Committee and Remuneration Committee.

In the 3 years immediately before the end of the financial year, Stephen Carter did not serve as a director of other public companies.

Mr Joseph Ohayon

Director, Chief Financial Officer, Company Secretary

Qualifications: Chartered Accountant, Masters of Business Administration: International Business

Description of experience: Joseph Ohayon joined the company in July 2010 as the Chief Financial Officer and in March 2011 he took over the role of Company Secretary and then became an Executive Director and member of the Board in December 2012. He has over 20 years experience in financial roles. Joseph resides in Perth, Western Australia.

Joseph Ohayon is a member of the Group's Audit and Risk Committee.

In the 3 years immediately before the end of the financial year, Joseph Ohayon did not serve as a director of other public companies.

Mr Ken Robson

Non-executive director (resigned 7 August 2014)

Qualifications: BJuris (Hons) LLB(Hons) (UWA)

Description of experience: Ken Robson joined the company in March 2013. His background includes extensive experience as a Corporate Lawyer and Advisor, specialising in fundraising, market compliance and Mergers & Acquisitions. He also has a background as a barrister in the High Court of Australia and Courts of Appeal.

Ken has an excellent knowledge of international fundraising and compliance having worked for clients based in the US, Britain, Switzerland, New Zealand and Australia. Ken resides in Perth, Western Australia.

Ken Robson was a member of the Group's Audit and Risk Committee and Remuneration Committee.

In the 3 years immediately before the end of the financial year, Ken Robson did not serve as a director of other public companies.

Company Secretary

Joseph Ohayon held the position as Company Secretary at the financial year end.

DIRECTORS' REPORT

Interests in the shares and options of the Company and related bodies corporate

The following relevant interests in shares and options of the Company or a related body corporate were held by the Directors as at the date of this report.

Directors	Number of fully paid ordinary shares	Number of options over ordinary shares	Number of performance rights
Michael Stewart	10,483,334	5,000,000	2,712,820
Stephen Carter	-	-	4,069,231
Joseph Ohayon	-	-	-

Details of ordinary shares issued by the Company during, or since the end of, the financial year as a result of the exercise of an option are:

Date of issue	Number of shares	Amount paid per share
29 Nov 2013	1,000,000	5 cents
21 Feb 2014	400,000	5 cents
7 Mar 2014	400,000	5 cents
14 Mar 2014	400,000	5 cents
	2,200,000	
11 Jul 2014	28,200,000	5 cents
	30,400,000	

There are no unpaid amounts on the shares issued.

Expiry date	Exercise price	Details	Number of shares
6 June 2015	5 cents	Bergen Global Opportunity Fund, LP under the terms of the Share Purchase and Convertible Security Agreement	7,500,000
31 December 2015	5 cents	NovaDel: part settlement of acquisition	10,000,000
20 July 2015	5 cents	Under an ESOP	4,000,000
11 May 2017	7.2 cents	Under an ESOP to M Stewart	5,000,000
			26,500,000

REMUNERATION REPORT (AUDITED)

This report, which forms part of the directors' report, outlines the remuneration arrangements in place for the key management personnel ("KMP") of SUDA Limited (the "Company") for the financial year ended 30 June 2014. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

The remuneration report details the remuneration arrangements for KMP who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent Company.

Key Management Personnel

Directors

Michael Stewart	Chairman (non-executive)
Stephen Carter	Chief Executive Officer
Joseph Ohayon	Chief Financial Officer
Ken Robson	Non-executive (resigned 7 August 2014)

Executives

Nick Woolf	Chief Business Officer
John Billingham	General Manager – Westcoast

Remuneration philosophy

The performance of the Company depends upon the quality of the directors and executives. The philosophy of the Company in determining remuneration levels is to:

- set competitive remuneration packages to attract and retain high calibre employees;
- link executive rewards to shareholder value creation; and
- establish appropriate, demanding performance hurdles for variable executive remuneration.

Remuneration Committee

The Remuneration Committee of the Board of Directors of the Company is responsible for determining and reviewing compensation arrangements for the directors, the CEO and the executive team.
The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of directors and executives on a periodic basis by reference to relevant employment market conditions with an overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

Relationship between remuneration policy and company performance

The remuneration policy has been tailored to increase goal congruence between shareholders, Directors and executives. The methods implemented are discussed below.

The following lists the performance of the company since the 2010 financial year:

	2010	2011	2012	2013	2014
	$	$	$	$	$
Revenue	3,965,283	3,089,342	4,001,951	4,065,665	8,753,164
Net Loss	(4,856,312)	(4,423,195)	(4,437,023)	(1,667,519)	(2,060,850)
Share Price at year-end	0.03	0.03	0.013	0.025	0.05
Dividends Paid	0.00	0.00	0.00	0.00	0.00

DIRECTORS' REPORT

Non-executive director remuneration

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

The ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. The latest determination was at the Annual General Meeting held on 25 November 2010 when shareholders approved an aggregate remuneration of $200,000 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers advice from external shareholders as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Each Director receives a fee for being a Director of the Company.

Senior manager and executive director remuneration

Remuneration consists of fixed remuneration and variable remuneration (comprising short-term and long-term incentive schemes).

Fixed Remuneration

Fixed remuneration is reviewed annually by the Remuneration Committee. The process consists of a review of relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices. The Committee has access to external, independent advice where necessary.

The fixed remuneration component of the key management personnel is detailed in Table 2.

Variable Remuneration

The Directors considered that it was desirable to establish various employee incentive plans, in order to:

(a) reward employees of the Company;

(b) assist in the retention and motivation of employees of the Company; and

(c) provide an incentive to employees of the Company to grow shareholder value by providing them with an opportunity to receive an ownership interest in the Company.

Accordingly, on 6 March 2014, the Directors adopted the:

(a) Employee Share Option Plan (Option Plan) under which Directors and executives and other employees may be offered the opportunity to be granted Options;

(b) Employee Performance Rights Plan (Performance Rights Plan) under which Directors, executives, contractors and consultants and other employees may be offered the opportunity to be granted Performance Rights;

(c) Tax Exempt Plan under which eligible employees may be issued up to $1,000 of Shares; and

(d) Short Term Incentive Scheme under which executive Directors, executives and other eligible employees may be offered an award upon satisfaction of performance conditions, of which a maximum of 30% the award may be received as Performance Rights at the participant's election, with the balance to be received in cash.

The plans are designed to provide incentives to the employees and Directors of the Company and to recognise their contribution to the Company's success. Under the current circumstances the Directors consider that the incentive plans are a cost effective and efficient incentive for the Company as opposed to alternative forms of incentives such as increased cash based remuneration. To enable the Company to secure employees and Directors who can assist the Company in achieving its objectives, it is necessary to provide remuneration and incentives to such personnel. The plans are designed to achieve this objective, by encouraging continued improvement in performance over time and by encouraging personnel to acquire and retain shareholdings in the Company.

As Directors of the Company may receive securities in the Company under the Option Plan or Performance Rights Plan, prior shareholder approval will therefore be required before a Director or related party of the Company can participate in an issue of Options under the Option Plan or an issue of Performance Rights under the Performance Rights Plan. Directors will not participate in the Tax Exempt Plan.

Short-Term Incentive (STI) Plan

The objective of the short term incentive program is to link the achievement of the Group's operational targets with the remuneration received by the executives charged with meeting those targets. The total potential short term incentive available is set at a level so as to provide sufficient incentive to the senior manager to achieve the operational targets and such that the cost to the Group is reasonable in the circumstances.

Actual payments granted to each senior manager depend on the extent to which specific operating targets set at the beginning of the financial year are met.

Aspect	Plan Rules, Offers and Comments
Measurement Period	The Company's financial year, i.e. from 1 July to the following 30 June, with a review after 6 months.
Award Opportunities	During the reporting period, the CBO had the opportunity to earn 1% on total sale value of a project. The GM of Westcoast had the opportunity to earn up to 30% of Fixed Remuneration. The STI plan for other executives becomes effective in from 1 July 2014.

Executive Long-Term Incentive (LTI) Plan

Aspect	Plan Rules and Offers
Measurement Period	The LTI Plan is for 3 years from March 2014.
LTI Offer	Options and Performance Rights were offered under the Plan during the financial year with the relevant policies and Plan rules.
Eligible participants	Executive directors, non-executive directors and senior management are eligible for the LTI.
Performance conditions	The Directors are of the opinion that the performance conditions of Options and Performance Rights should be linked to shareholder return and consider that the most appropriate measure is the market capitalisation of the Company. The market capitalisation on the date of approval of the Option Plan and Performance Rights Plan by the Board on 6 March 2014, was $60,089,390 ($MC_0$). The intention of the Directors is that the market capitalisation of the Company increase by 100% during the life of the Option Plan and Performance Rights Plan in order for the Directors to receive the full benefit of the Options or Performance Rights. The performance conditions are also linked to continuous employment so that the Directors have to be employed by the company for a minimum of 12 months before any Options or Performance Rights vest.
Terms of Options	Each Option will be granted to eligible employees under the Option Plan for nil consideration. The exercise price of an Option shall be 145% of the VWAP of Shares sold on ASX during the five trading days up to and including the grant date, or such other period as determined by the Board in its discretion.
Vesting	The Options will vest following satisfaction of the performance conditions or such other date as determined by the Board in its discretion.
Cashless Exercise Facility	Participants may, at their election, elect to pay the exercise price for an Option by setting off the exercise price against the number of Shares which they are entitled to receive upon exercise (**Cashless Exercise Facility**). By using the Cashless Exercise Facility, the participant will receive Shares to the value of the surplus after the exercise price has been set off.
Disposal restrictions	A participant may not transfer an Option granted under the Option Plan without the prior consent of the Board.
Terms of Performance Rights	Each Performance Right will be granted to eligible employees under the Performance Rights Plan for nil consideration.
Vesting	The Performance Rights will vest following satisfaction of the performance conditions or such other date as determined by the Board in its discretion.
Disposal restrictions	A participant may not transfer a Performance Right granted under the Performance Rights Plan without the prior consent of the Board.
	A participant may not transfer a Share issued under the Performance Rights Plan for a period of two years after the date of issue without the prior consent of the Board or such other period as determined by the Board in its discretion.
Lapse	A Performance Right will immediately lapse upon the first to occur of: (i) its expiry date; (ii) the performance condition(s) (if any) not being satisfied prior to the end of the performance period(s); (iii) the transfer or purported transfer of the Performance Right in breach of the Performance Rights Plan rules; (iv) if the Performance Right has not vested, the day that is 30 days following the date the participant voluntarily or for a bona fide reason ceases to be employed or engaged by the Company or an associated body corporate; (iv) termination of the participant's employment or engagement with the Company or an associated body corporate for cause; or (vi) 6 months after an event which gives rise to a vesting under the Performance Rights Plan rules.

The aggregate of annual payments available for executives across the Group is subject to the approval of the Remuneration Committee.

The Company also makes long term incentive payments to reward senior executives in a manner that aligns this element of remuneration with the creation of shareholder wealth.

DIRECTORS' REPORT

Employment Contracts

The details of the executives' employment contracts are:

Executive	Period of notice
Stephen Carter	3 months
Joseph Ohayon	3 months
Nicholas Woolf	3 months
John Billingham	3 months

Remuneration of Key Management Personnel

Key Management Personnel remuneration for the years ended 30 June 2014 and 30 June 2013

	Short-term employee benefits				Other long-term benefits			Equity
	Salary & fees	Bonus	Other	Super-annuation	Share options	Performance Rights	Total	Performance related
30 June 2014	$	$	$	$	$	$	$	$
Michael Stewart	55,000	-	57,000	5,087	75,838	74,060	266,985	56.1%
Stephen Carter	238,431	-	-	22,055	-	111,090	371,576	29.9%
Joseph Ohayon	193,750	-	-	17,922	-	-	211,672	0.0%
Ken Robson	40,000	-	6,364	3,700	-	-	50,064	0.0%
Executives								
Nick Woolf	115,962	-	-	10,726	-	-	126,688	0.0%
John Billingham	120,000	13,849	-	12,381	60,852	-	207,082	29.4%

	Short-term employee benefits				Other long-term benefits			Equity
	Salary & fees	Bonus	Other	Super-annuation	Share options	Performance Rights	Total	Performance related
30 June 2013	$	$	$	$	$	$	$	$
Michael Stewart	40,000	-	24,500	3,600	-	-	68,100	0.0%
Stephen Carter	233,220	-	-	20,090	-	-	253,310	0.0%
Joseph Ohayon	106,244	-	72,556	9,562	-	-	188,362	0.0%
Ken Robson	12,796	-	-	1,152	-	-	13,948	0.0%
Executives								
John Billingham	100,000	-	-	9,000	-	-	109,000	0.0%
Peter Jooste QC	22,917	-	-	2,062	-	-	24,979	0.0%

No member of key management personnel appointed during the period received a payment as part of his or her consideration for agreeing to hold the position.

Option plans in existence during the financial year

	Option grant date	Expiry date	Grant date fair value	Vesting date
ESOP	12 May 2014	11 May 2016	155,565	Note i
ESOP	21 July 2013	20 July 2015	60,852	20 July 2013

(i) For details on the valuation of the options, including models and assumptions used, please refer to Note 15. There were no alterations to the terms and conditions of options granted as remuneration since their grant date.

Bonuses

During the period, the Company introduced a bonus scheme for the General Manager and staff of its subsidiary company, Westcoast Surgical and Medical Supplies Pty Ltd. The calculation of the cash bonus was based on the EBIT for Westcoast on a quarterly basis and each eligible participant received a portion as determined by the General Manager and the CEO.

Share-based payments granted as compensation to key management personnel during the current financial year

There were no Options granted as compensation to key management personnel

Options granted, exercised or lapsed during the year.

	Value of options granted at the grant date	Value of options exercised at the exercised date	Value of options lapsed at the date of lapse
	$	$	$
Directors			
Michael Stewart	75,838	-	-
Stephen Carter	-	-	-
Joseph Ohayon	-	-	-
Ken Robson	-	-	-
Executives			
Nick Woolf	-	-	-
John Billingham	60,852	-	-

Performance Rights granted, exercised or lapsed during the year.

	Value of PRs granted at the grant date	Value of PRs exercised at the exercised date	Value of PRs lapsed at the date of lapse
	$	$	$
Directors			
Michael Stewart	74,060	-	-
Stephen Carter	111,090	-	-
Joseph Ohayon	-	-	-
Ken Robson	-	-	-
Executives			
John Billingham	-	-	-

DIRECTORS' REPORT

Shareholdings of Key Management Personnel

	Balance at beginning of period	Granted as remuneration	On Exercise of Options or conversion of convertible note	Net Change Other	Balance at end of period	Balance held nominally
30 June 2014	**Number**	**Number**	**Number**	**Number**	**Number**	**Number**
Directors						
Michael Stewart	1,983,334	-	7,500,000	1,000,000	10,483,334	10,483,334
Stephen Carter	-	-	-	-	-	-
Joseph Ohayon	-	-	-	-	-	-
Ken Robson	-	-	-	-	-	-
Executives						
Nick Woolf	-	-	-	-	-	-
John Billingham	684,972	-	-	369,041	1,054,013	1,054,013

	Balance at beginning of period	Granted as remuneration	On Exercise of Options	Net Change Other	Balance at end of period	Balance held nominally
30 June 2013	**Number**	**Number**	**Number**	**Number**	**Number**	**Number**
Directors						
Michael Stewart	1,983,334	-	-	-	1,983,334	1,983,334
Stephen Carter	-	-	-	-	-	
Joseph Ohayon	-	-	-	-	-	-
Ken Robson	-	-	-	-	-	-
Executives						
John Billingham	320,000	-	-	364,972	684,972	684.972

All equity transactions with key management personnel other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

Option holdings of Key Management Personnel

	Opening balance	Granted as remuneration	Options exercised	Net change Other (i)	Closing balance	Vested but not exercisable	Vested and exercisable	Options vested during year
30 June 2014	**Number**	**Number**	**Number**	**Number**	**Number**	**Number**	**Number**	**Number**
Directors								
Michael Stewart	6,000,000	5,000,000	(3,000,000)	(3,000,000)	5,000,000	-	-	-
Stephen Carter	-	-	-	-	-	-	-	
Joseph Ohayon	-	-	-	-	-	-	-	-
Ken Robson	-	-	-	-	-	-	-	-
Executives								
Nick Woolf	-	-	-	-	-	-	-	-
John Billingham	-	4,000,000	-	-	4,000,000	-	4,000,000	4,000,000

	Opening balance	Granted as remuneration	PRs exercised	Net change Other	Closing balance	Vested but not exercisable	Vested and exercisable	PRs vested during year
30 June 2013	**Number**	**Number**	**Number**	**Number**	**Number**	**Number**	**Number**	**Number**
Directors								
Michael Stewart	7,740,000	-	-	(1,740,000)	6,000,000	-	6,000,000	-
Stephen Carter	7,500,000	-	-	(7,500,000)	-	-	-	-
Joseph Ohayon	-	-	-	-	-	-	-	-
Ken Robson	-	-	-	-	-	-	-	-
Executives								
John Billingham	-	-	-	-	-	-	-	-

Performance Rights of Key Management Personnel

	Opening balance	Granted as remuneration	PRs exercised	Net change Other	Closing balance	Vested but not exercisable	Vested and exercisable	PRs vested during year
30 June 2014	**Number**	**Number**	**Number**	**Number**	**Number**	**Number**	**Number**	**Number**
Directors								
Michael Stewart	-	2,712,820	-	-	2,712,820	-	-	-
Stephen Carter	-	4,069,231	-	-	4,069,231	-	-	-
Joseph Ohayon	-	-	-	-	-	-	-	-
Ken Robson	-	-	-	-	-	-	-	-
Executives								
Nick Woolf	-	-	-	-	-	-	-	-
John Billingham	-	-	-	-	-	-	-	-

Convertible Note holdings of Key Management Personnel

	Opening balance	Granted as remuneration	Received on exercise of options	Net change Other (i)	Closing balance	Balance held nominally
30 June 2014	**Number**	**Number**	**Number**	**Number**	**Number**	**Number**
Directors						
Michael Stewart	150,000			200,000	350,000	350,000
Stephen Carter				50,000	50,000	50,000
Joseph Ohayon	-	-	-	20,000	20,000	20,000
Ken Robson	-	-	-	-	-	-
Executives						
Nick Woolf	-	-	-	-	-	-
John Billingham	-	-	-	-	-	-

DIRECTORS' REPORT

	Opening balance	Granted as remuneration	Received on exercise of options	Net change Other	Closing balance	Balance held nominally
30 June 2013	**Number**	**Number**	**Number**	**Number**	**Number**	**Number**
Directors						
Michael Stewart	200,000	-	-	(50,000)	150,000	150,000
Stephen Carter	-	-	-	-	-	-
Joseph Ohayon	-	-	-	-	-	-
Ken Robson	-	-	-	-	-	-
Executives						
John Billingham	-	-	-	-	-	-

Transactions and balances with Key Management Personnel

	Consolidated	
	2014	2013
	$	**$**
Key Management Personnel		
Mr Michael Stewart – consulting services	57,000	24,500
Mr Michael Stewart – interest on convertible notes	18,699	12,000
Mr Stephen Carter – interest on convertible notes	1,011	-
Mr Joseph Ohayon – interest on convertible notes	404	-
Balance on Convertible Notes		
Mr Michael Stewart	350,000	150,000
Mr Stephen Carter	50,000	-
Mr Joseph Ohayon	20,000	-

END OF REMUNERATION REPORT

Directors' Meetings

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director was as follows:

	Directors' meetings	Audit committee	Remuneration committee
Number of meetings held:	8	2	1
Number of meetings attended:			
Michael Stewart	8	2	1
Stephen Carter	8	2	1
Joseph Ohayon	8	2	(i)
Ken Robson	8	2	1

(i) Not a member of the relevant committee

Proceedings on behalf of the Company

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

Auditor Independence and Non-Audit Services

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the Directors of the Company with an Independence Declaration in relation to the audit of the annual report. This Independence Declaration is set out on page 31 and forms part of this Directors' Report for the year ended 30 June 2014.

Non-Audit Services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 21 to the financial statements. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services do not compromise the auditor's independence as all non-audit services have been reviewed to ensure that they do not impact the impartiality and objectivity of the auditor and none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110: *Code of Ethics for Professional Accountants* issued by the Accounting Professional & Ethical Standards Board.

Corporate Governance

The Corporate Governance Statement can be found on the Company's website, www.sudaltd.com.au under the Corporate section.

Signed in accordance with a resolution of the Directors.

Stephen Carter

Director

Perth 25 September 2014

AUDITOR'S INDEPENDENCE DECLARATION

HLB Mann Judd

Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Suda Limited for the year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b) any applicable code of professional conduct in relation to the audit.

Perth, Western Australia
25 September 2014

N G Neill
Partner

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
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Liability limited by a scheme approved under Professional Standards Legislation

HLB Mann Judd (WA Partnership) is a member of HLB International, a worldwide organisation of accounting firms and business advisers.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2014

	Notes	Consolidated 2014	2013
Revenue	2	8,753,164	4,065,665
Other income	2	-	4,216
Raw materials and consumables used		(6,112,710)	(3,260,467)
Employee benefits expense		(2,111,294)	(1,258,897)
Depreciation and amortisation expense		(67,147)	(33,573)
Finance costs		(158,641)	(67,507)
Other expenses	2	(2,544,595)	(1,291,173)
Loss before income tax expense	2	(2,241,223)	(1,841,736)
Income tax benefit	3	180,373	174,217
Loss for the year		**(2,060,850)**	**(1,667,519)**
Total comprehensive loss for the year		**(2,060,850)**	**(1,667,519)**
Loss and total comprehensive loss attributable to:			
Owners of the parent		(2,051,794)	(1,667,519)
Non-controlling interests		(9,056)	-
		(2,060,850)	(1,667,519)
Basic earnings per share (cents per share)	5	(0.25)	(0.28)
Diluted earnings per share (cents per share)	5	(0.25)	(0.28)

The accompanying notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2014

	Notes	Consolidated 2014	Consolidated 2013
Assets			
Current assets			
Cash and cash equivalents	6	3,990,397	752,619
Trade and other receivables	7	930,565	635,350
Inventories	8	1,787,897	803,293
Other assets		776,273	240,533
Total current assets		7,485,132	2,431,795
Non-current assets			
Property, plant and equipment	9	312,439	116,876
Intangible assets	10	12,549,453	8,180,275
Total non-current assets		12,861,892	8,297,151
Total assets		20,347,024	10,728,946
Liabilities			
Current liabilities			
Trade and other payables	11	2,480,468	2,876,866
Borrowings	12	-	562,000
Total current liabilities		2,480,468	3,438,866
Non-current liabilities			
Borrowings	12	1,875,000	600,000
Total non-current liabilities		1,875,000	600,000
Total liabilities		4,355,468	4,038,866
Net assets		**15,991,556**	**6,690,080**
Equity			
Issued capital	13	48,944,557	40,128,687
Reserves	14	569,958	74,846
Accumulated losses		(35,565,247)	(33,513,453)
Equity attributable to owners of the parent		13,949,268	6,690,080
Non-controlling interests		2,042,288	-
Total equity		**15,991,556**	**6,690,080**

The accompanying notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2014

	Consolidated					
	Issued capital	Accumulated losses	Share-based payment reserve	Share Redemption Reserve	Non-controlling interests	Total equity
Balance at 1 July 2012	38,857,967	(33,109,555)	1,259,999	3,622	-	7,012,033
Loss for the year	-	(1,667,519)	-	-	-	(1,667,519)
Shares issued during the year	1,508,856	-	-	-	-	1,508,856
Share issue costs	(238,136)	-	-	-	-	(238,136)
Issue of share options	-	-	74,846	-	-	74,846
Transfer from Share-based payments reserve to Retained Earnings	-	1,259,999	(1,259,999)	-	-	-
Transfer from Share Redemption Reserve to Retained Earnings	-	3,622	-	(3,622)	-	-
Balance as at 30 June 2013	40,128,687	(33,513,453)	74,846	-	-	6,690,080
Balance as at 30 June 2013	40,128,687	(33,513,453)	74,846	-	-	6,690,080
Non-controlling interest arising on project development of subsidiary company	-	-	-	-	2,051,344	2,051,344
Shares issued during the year	9,160,803	-	-	-	-	9,160,803
Share issue costs	(344,933)	-	-	-	-	(344,933)
Loss for the year attributable to members of the parent entity	-	(2,051,794)	-	-	-	(2,051,794)
Loss for the year attributable to non-controlling interest	-	-	-	-	(9,056)	(9,056)
Share-based payments	-	-	495,112	-	-	495,112
Balance as at 30 June 2014	48,944,557	(35,565,247)	569,958	-	2,042,288	15,991,556

The accompanying notes form part of these financial statements

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2014

	Notes	Consolidated 2014	2013
Cash flows from operating activities			
Receipts from customers		8,848,985	4,241,676
Receipts for R&D tax incentive		174,217	304,243
Payments to suppliers and employees		(11,554,803)	(6,113,969)
Interest received		49,129	20,604
Finance costs		(132,158)	(61,842
Net cash outflows from operating activities	**6**	(2,614,630)	(1,609,288)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		-	4,000
Payments for property, plant and equipment		(288,366)	(78,243)
Payments for intangible assets		(1,715,595)	(833,186)
Net cash outflows from investing activities		(2,003,961)	(907,429)
Cash flows from financing activities			
Proceeds from issue of shares		6,393,655	1,000,856
Payments for share issue costs		(448,867)	(13,290)
Receipt of funds for future issue of shares		-	100,000
Proceeds from borrowings		1,900,000	968,000
Repayments of borrowings		-	(392,000)
Net cash inflows from financing activities		7,844,788	1,663,566
Net increase/(decrease) in cash and cash equivalents		3,226,197	(853,151)
Cash and cash equivalents at the beginning of the year		752,619	1,590,003
Effect of exchange rate fluctuations on cash held		11,581	15,767
Cash and cash equivalents at the end of the year	**6**	3,990,397	752,619

The accompanying notes form part of these financial statements

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

These financial statements are general purpose financial statements, which have been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Interpretations and comply with other requirements of the law.

The accounting policies detailed below have been consistently applied to all of the years presented unless otherwise stated. The financial statements are for the Group consisting of SUDA Limited and its subsidiaries.

The financial statements have been prepared on a historical cost basis, except for available-for-sale investments and derivative financial instruments which have been measured at fair value. Cost is based on the fair values of the consideration given in exchange for assets.

The Company is a listed public Company, incorporated in Australia. The entity's principal activities are:

- Pharmaceutical development of drug delivery technology
- Medical devices and consumables distribution

(b) Adoption of new and revised standards

Standards and Interpretations applicable to 30 June 2014

In the year ended 30 June 2014, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the current annual reporting period.

As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Company and, therefore, no material change is necessary to Group accounting policies.

Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2014. As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Company and, therefore, no material change is necessary to Group accounting policies.

(c) Statement of compliance

The financial report was authorised for issue on 25 September 2014

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

(d) Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Suda Limited ('Company' or 'parent entity') as at 30 June 2014 and the results of all subsidiaries for the year then ended. SUDA Limited and its subsidiaries are referred to in this financial report as the Group.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-Group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Control exists where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing when the Group controls another entity.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the controlling interest having a deficit balance.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Critical accounting estimates and judgements

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Impairment of intangibles with indefinite useful lives:

The Group determines whether intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating units to which the intangibles with indefinite useful lives are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and intangibles with indefinite useful lives are discussed in Note 10.

Share-based payment transactions:

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a Black and Scholes model or a Binomial model, using the assumptions detailed in Note 15.

(f) Going concern

The financial report has been prepared on the going concern basis which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. This includes the continued development and commercialisation of the Company's current projects.

The consolidated entity has reported a net loss from operations for the period of $2,060,850 (2013: $1,667,519) and a cash outflow from operating activities of $2,614,630 (2013: $1,609,288). The directors are of the opinion that the Company is a going concern for the following reasons.

The cash balance as at 30 June 2014 was $3,990,397 (2013: $752,619) and options that expired on 30 June 2014 were fully underwritten and raised an additional $1,410,000 before fees in July 2014. Subsequent to the year end, the Company also terminated its funding agreement with Bergen Global Opportunity Fund, LP on the basis of the Company's strong financial position.

(g) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of SUDA Limited.

(h) Foreign currency translation

Both the functional and presentation currency of Suda Limited and its subsidiaries is Australian dollars.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date.

All exchange differences in the consolidated financial report are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

(i) Revenue recognition

Revenue is measured at fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, and volume rebates.

Sale of goods

Revenue is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be reliably measured. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that assets' net carrying amount on initial recognition.

(j) Borrowing costs

Borrowing costs are capitalised that are directly attributable to the acquisition, construction or production of qualifying assets where the borrowing cost is added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(k) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised at their fair value or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the general policy on borrowing costs, refer Note 1(j).

Finance lease assets are depreciated on a straight line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary difference and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Tax consolidation legislation

SUDA Limited and its 100% owned Australian resident subsidiaries have implemented the tax consolidation legislation. Current and deferred tax amounts are accounted for in each individual entity as if each entity continued to act as a taxpayer on its own.

SUDA Limited recognises its own current and deferred tax amounts and those current tax liabilities, current tax assets and deferred tax assets arising from unused tax credits and unused tax losses which it has assumed from its controlled entities within the tax consolidated Group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts payable or receivable from or payable to other entities in the Group. Any difference between the amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) controlled entities in the tax consolidated Group.

(m) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(n) Impairment of tangible and intangible assets other than goodwill

The Group assesses at each balance date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each balance date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(o) Cash and cash equivalents

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(p) Trade and other receivables

Trade receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method, less any allowance for impairment. Trade receivables are generally due for settlement within periods ranging from 15 days to 60 days.

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Group in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Group.

The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term discounting is not applied in determining the allowance.

The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition is accounted for as follows:

- Finished goods and work-in-progress – cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(r) Financial assets

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end. All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(s) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

Land and buildings are measured at fair value less accumulated depreciation on buildings and less any impairment losses recognised after the date of the revaluation.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Leasehold improvements	5 years
Plant and equipment	5 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Impairment

The carrying values of plant and equipment are reviewed for impairment at each balance date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to approximate fair value.

An impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For plant and equipment, impairment losses are recognised in the statement of comprehensive income in the cost of sales line item. However, because land and buildings are measured at revalued amounts, impairment losses on land and buildings are treated as a revaluation decrement.

Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

Intangible assets

Intangible assets acquired separately are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis over their estimated useful lives when available for use. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period, with any changes in these accounting estimates being accounted for on a prospective basis.

Internally generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period as incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(t) Trade and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

(u) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

The fair value of the liability portion of a convertible note is determined using a market interest rate for an equivalent non-convertible note. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the note. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(v) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

Provisions are measured at the present value or management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

(w) Employee leave benefits

Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the balance date are recognised in other payables in respect of employees' services up to the balance date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the balance date. Consideration is given to expected future wage and salary levels, experience of employee departures, and period of service. Expected future payments are discounted using market yields at the balance date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

FOR THE YEAR ENDED 30 JUNE 2014

(x) Share-based payment transactions

Equity settled transactions

The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

There are currently three plans in place to provide these benefits:

- the Employee Share Option Plan (ESOP), which provides benefits to directors and senior executives;
- the Employee Performance Rights Plan (EPRP); and
- the Tax Exempt Plan under which eligible employees may be issued up to $1,000 of shares, excluding senior executives and directors.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a Black-Scholes model or an external valuer using the Binomial model, further details of which are given in Note 15.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of SUDA Limited (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each balance date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest.

No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The statement of comprehensive income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share, refer Note 5.

(y) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a new business are not included in the cost of acquisition as part of the purchase consideration.

(z) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(aa) Parent entity financial information

The financial information for the parent entity, SUDA Limited, disclosed in Note 19 has been prepared on the same basis as the consolidated financial statements, except as set out below.

Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the parent entity's financial statements. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

Share-based payments

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

NOTE 2: REVENUE AND EXPENSES

	Consolidated	
	2014	2013
Revenue		
Sales revenue		
- Sale of goods	8,648,187	4,045,060
Other revenue – interest received	104,977	20,605
	8,753,164	4,065,665
Other income		
- Gain on disposal of property, plant and equipment	-	4,000
- Other income	-	216
	-	4,216
Other expenses		
Foreign exchange losses/(gain)	188,295	(68,732)
Interest expense	158,642	67,507
Write down of inventory to net realisable value	-	2,496
Write-off of obsolete stock	62,314	46,791
Depreciation of non-current assets	67,147	33,573
Operating lease rental expense	9,953	9,953
Share-based payment expense	365,655	-
Legal fees (net of recoveries)	682,203	292,544
Professional fees	303,884	176,760

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 3: INCOME TAX

Income tax recognised in profit or loss

The major components of tax expense are:

	Consolidated 2014	2013
Current tax (expense)/income	180,373	174,217
Total tax (expense)/income	180,373	174,217

The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

Accounting loss before tax from continuing operations	(2,060,850)	(1,841,735)
Accounting loss before income tax	(2,060,850)	(1,841,735)
Prima Facie tax expense/(benefit) calculated at 30%	(618,255)	(552,521)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
• Share-based payments	302,723	152,490
	(315,532)	(400,031)
Research and development tax incentive	(180,373)	(174,217)
Less:		
Tax effect of:		
Temporary differences and tax losses not brought to account	315,532	400,031
Income tax benefit reported in the consolidated statement of comprehensive income	(180,373)	(174,217)

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in this tax rate since the previous reporting period.

Amounts recognised directly in equity

Unrecognised deferred tax balances of Australian income tax consolidated group:

• Unrecognised deferred tax asset – revenue losses	7,115,770	6,526,640
• Unrecognised deferred tax asset – capital losses	1,677,659	1,652,885
• Unrecognised deferred tax asset – other	161,468	91,035
• Unrecognised deferred tax equity	92,258	19,032
• Unrecognised deferred tax asset liabilities	-	(485)
	9,047,154	8,289,107

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 4: SEGMENT REPORTING

Description of segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and in determining the allocation of resources.

The Group is managed primarily on the basis of product category and service offerings as the diversification of the Group's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determine on the same basis.

The Group has 3 main types of products and services by segment:

i. Suda

Suda is the pharmaceutical development segments and performs research and development to create new human pharmaceutical products by combining proven drugs with innovated, patented, delivery technologies.

ii. Westcoast Surgical & Medical Supplies (Westcoast)

Westcoast is a sales and logistics operation for medical devices and consumables.

iii. Malaria Research Company (MRC)

MRC is the pharmaceutical development segment for the treatment of malaria, i.e. ArTiMist™ project.

Segment information

The following tables present revenue and profit information and certain asset and liability information regarding business segments for the years ended 30 June 2014 and 30 June 2013.

	Suda	Westcoast	MRC	Other	Consolidated
30 June 2014					
Revenue					
Sales to external customers	-	8,648,187	-	-	8,648,187
Inter-segment sales (i)	124,962		-	-	124,962
Total segment revenue	124,962	8,648,187	-	-	8,773,149
Segment net operating profit (loss) after tax	(2,984,950)	969,379	(45,279)	-	(2,060,850)
Interest revenue	103,473	1,504	-	-	104,977
Interest expense	(127,493)	(31,149)	-	-	(158,642)
Depreciation and amortisation	(36,314)	(30,833)	-	-	(67,147)
Segment assets	8,672,997	2,642,913	10,425,385	-	21,741,295
Capital expenditure	147,125	138,502	-		285,627
Other assets	2,172,589	-	2,247,110		4,419,699
Segment liabilities	3,286,017	2,222,677	241,045		5,749,739
Cash flow information					
Net cash flow from operating activities	(2,691,178)	88,129	-	(11,581)	(2,614,630)
Net cash flow from investing activities	(1,881,461)	(129,721)	7,221		(2,003,961)
Net cash flow from financing activities	7,844,788	-			7,844,788

(i) Intersegment revenue is recorded at amounts equal to competitive market prices charged to external customers for similar goods and is eliminated on consolidation.

FOR THE YEAR ENDED 30 JUNE 2014

	Suda	Westcoast	MRC	Other	Consolidated
30 June 2013					
Revenue					
Sales to external customers		4,045,060			4,045,060
Inter-segment sales (i)	68,795				68,795
Total segment revenue	68,795	4,045,060			4,113,855
Segment net operating profit after tax	(9,528,852)	(356,943)	8,178,275	40,001	(1,667,519)
Interest revenue	20,604				20,604
Interest expense	(61,329)	(6,178)			(67,507)
Depreciation and amortisation	(16,700)	(16,873)			(33,573)
Segment assets	2,345,637	1,415,318	8,178,275	-	11,939,230
Capital expenditure	79,281	10,997	8,178,275		8,268,553
Intersegment eliminations			(6,640,001)		(6,640,001)
Segment liabilities	2,122,688	1,964,461			4,087,149
Cash flow information					
Net cash flow from operating activities	(1,236,840)	(256,589)		(115,859)	(1,609,288)
Net cash flow from investing activities	(1,144,239)	236,810			(907,429)
Net cash flow from financing activities	1,663,566	-			1,663,566

(i) Intersegment revenue is recorded at amounts equal to competitive market prices charged to external customers for similar goods and is eliminated on consolidation.

Other segment information

Segment revenue reconciliation to the statement of comprehensive income

	Consolidated	
	2014	2013
Total segment revenue	8,773,149	4,113,855
Inter-segment sales elimination	(124,962)	(68,795)
Total revenue	8,648,187	4,045,060

Revenue from external customers by geographical locations is detailed below. Revenue is attributed to geographical location based on the location of customers. The Company does not have external revenues from external customers that are attributable to any foreign country other than shown.

Australia	8,648,187	4,045,060
Total revenue	8,648,187	4,045,060

Segment net operating profit reconciliation to the statement of comprehensive income

Segment net operating loss after tax	(2,060,850)	(1,667,519)
Inter-segment sales elimination	(2,060,850)	(1,667,519)

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 4: SEGMENT REPORTING *(continued)*

	Consolidated 2014	2013
Reconciliation of segment operating assets to total assets:		
Segment operating assets	21,741,295	11,939,230
Intersegment eliminations	(1,394,271)	(1,210,284)
Total assets per the statement of financial position	20,347,024	10,728,946

Segment liabilities reconciliation to the statement of financial position

Segment liabilities include trade and other payables and debt. The Group has a centralised finance function that is responsible for raising debt and capital for the entire operations. Each entity or business uses this central function to invest excess cash or obtain funding for its operations. The executive management committee reviews the level of debt for each segment in the monthly meetings.

Reconciliation of segment operating liabilities to total liabilities:		
Segment operating liabilities	5,749,739	5,249,149
Intersegment eliminations	(1,394,271)	(1,210,284)
Total liabilities per the statement of financial position	4,355,468	4,038,865

The Group has a number of customers to whom it provides both products and services. The Group supplies a single external customer in the medical devices and consumables segment who accounts for 47% of external revenue (2013: 29%). The next most significant client accounts for 6% (2013: 17%) of external revenue.

NOTE 5: EARNINGS PER SHARE

	Consolidated 2014	2013
	Cents per share	**Cents per share**
Total basic earnings per share	(0.25)	(0.28)
Diluted earnings per share	(0.25)	(0.28)

Basic earnings per share and Diluted earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share and diluted earnings per share is as follows:

	Consolidated 2014	2013
	$	**$**
Earnings	(2,060,850)	(1,667,519)
	Number	**Number**
Weighted average number of ordinary shares for the purpose of basic earnings per share	835,955,632	610,997,895
Weighted average number of ordinary shares for the purpose of diluted earnings per share	835,955,632	610,997,895

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NOTE 6: CASH AND CASH EQUIVALENTS

	Consolidated 2014	2013
	$	$
Cash at bank and on hand	490,397	752,619
Short-term deposits	3,500,000	-
	3,990,397	752,619

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between three and six months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

At 30 June 2014, the Group had available $450,000 (2013: $Nil) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

Reconciliation to the Statement of Cash Flows:

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand and at bank and investments in money market instruments, net of outstanding bank overdrafts.

Cash and cash equivalents as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

Cash and cash equivalents	3,990,397	752,619

Reconciliation of profit for the year to net cash flows from operating activities

	Consolidated 2014	2013
	$	$
Profit for the year	(2,060,850)	(1,667,519)
Foreign exchange (gain)/loss		
Share-based payment expense	365,655	-
Depreciation	67,147	33,573
Write-off of obsolete stock	62,314	49,287
Net (gain)/loss on disposal of property, plant and equipment	-	(4,000)
Change in net assets and liabilities, net of effects from acquisition and disposal of businesses		
(Increase)/decrease in assets:		
Trade and other receivables	(114,842)	(138,264)
Prepayments	(535,740)	68,620
Inventories	(984,604)	(87,345)
Increase/(decrease) in liabilities:		
Trade and other payables	586,290	123,825
Provisions	-	12,535
Net cash from operating activities	(2,614,630)	(1,609,288)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 7: TRADE AND OTHER RECEIVABLES

	Consolidated 2014	2013
	$	$
Trade receivables (i)	769,018	479,959
Allowance for impairment	(18,826)	(18,826)
	750,192	461,133
R&D tax incentive receivable	180,373	174,217
	930,565	635,350

(i) the average credit period on sales of goods and rendering of services is 45 days. An allowance has been made for estimated irrecoverable trade receivable amounts.

Aging of past due but not impaired

30 – 60 days	94,632	14,541
60 – 90 days	3,638	-
90 – 120 days	13,670	-
Total	111,940	14.541

Movement in the allowance for doubtful debts		
Balance at the beginning of the year	18,826	18,826
Impairment losses recognised on receivables	-	-
Balance at the end of the year	18,826	18,826

In determining the recoverability of a trade receivable, the Group considers any changes in the credit quality of the trade receivable from the date credit was initially granted up to the balance date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for impairment.

NOTE 8: INVENTORIES

	Consolidated 2014	2013
	$	$
Finished goods – at net realisable value	1,565,563	803,293
Raw materials	222,334	-
	1,787,897	803,293

Inventory write-downs charged to cost of sales totalled $62,314 (2013: $46,791).

NOTE 9: PROPERTY, PLANT AND EQUIPMENT

	Consolidated 2014	2013
	$	$
Cost	435,926	382,551
Accumulated depreciation and impairment	(123,487)	(265,675)
Net carrying amount	312,439	116,876

Plant and equipment with a carrying amount of $312,439 (2013: $116,876) for the Group and $167,928 (2013: $82,774) for the parent are pledged as securities for current and non-current liabilities as disclosed in Note 12.

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NOTE 10: INTANGIBLE ASSETS

	Development Costs	Total
	$	$
Gross carrying amount		
Balance at 1 July 2012	6,640,001	6,640,001
Additions	1,540,274	1,540,274
Balance at 1 July 2013	8,180,275	8,180,275
Additions	484,422	484,422
Acquisitions	1,833,412	1,833,412
Distribution rights acquired	2,051,344	2,051,344
Balance at 30 June 2014	12,549,453	12,549,453

No impairment loss was recognised for continuing operations in the 2014 financial year.

NOTE 11: TRADE AND OTHER PAYABLES (CURRENT)

	Consolidated	
	2014	2013
	$	$
Trade payables (i)	1,680,986	967,557
Sundry payables and accrued expenses	769,696	1,886,509
Interest payable (ii)	29,786	22,800
	2,480,468	2,876,866

(i) Trade payables are non-interest bearing and are normally settled on 30-day terms.

(ii) Interest payable is normally settled six-monthly throughout the financial year.

Information regarding the interest rate, foreign exchange and liquidity risk exposure is set out in Note 16.

NOTE 12: BORROWINGS

	Consolidated	
	2014	2013
Current	$	$
Secured		
Convertible Notes	-	562,000
Total secured borrowings	-	562,000
Non-current		
Secured		
Convertible Notes	1,875,000	600,000
Total secured borrowings	1,875,000	600,000

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 12: BORROWINGS *(continued)*

Fair value disclosures

Details of the fair value of the Group's borrowings are set out in Note 22.

Summary of borrowing arrangements

The key terms of the Convertible Notes are:

i. Convertible at $0.03 per share
ii. Interest rate at 6% paid semi-annually
iii. Maturity date is 30 September 2015
iv. Security is a general security interest subordinated to the 2012 convertible notes and a debtor finance facility.
v. Redemption, if not converted at expiry, the Convertible Notes will be redeemed at 105% of the face value

Financing facilities available

At balance date, the following financing facilities had been negotiated and were available:

	Consolidated 2014	Consolidated 2013
	$	$
Total facilities		
• Debtor Finance Facility	450,000	-
Facilities used at balance date		
• Debtor Finance Facility	-	-
Facilities unused at balance date		
• Debtor Finance Facility	450,000	-

Assets pledged as security

The carrying amounts of assets pledged as security for current and non-current interest bearing liabilities are:

Current		
Floating charge		
Receivables	559,692	461,133
Inventories	1,834,347	803,293
Total current assets pledged as security	2,394,039	1,264,426
Non-Current		
Property, plant and equipment	312,439	116,876
Intangible assets	12,549,454	8,180,275
Total non-current assets pledged as security	12,861,892	8,297,151
Total assets pledged as security	15,255,931	9,561,577

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 13: ISSUED CAPITAL

	Consolidated	
	2014	2013
	$	$
950,262,913 (2013: 653,648,691) fully paid ordinary shares	48,944,557	40,128,687

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

	2014		2013	
	Number	$	Number	$
Balance at beginning of year	653,648,691	40,128,687	594,394,120	38,857,967
Shares issued during the year:			59,254,571	1,270,720
- Share placement	169,959,250	5,608,655		
- Employee share scheme	268,026	3,663		
- Pursuant to Share Purchase and Convertible Security Agreement	23,347,631	1,200,000		
- Conversion of convertible notes	50,363,541	587,000		
- Settlement of acquisition of intellectual property	50,000,000	1,450,000		
- Settlement of interest on convertible notes	475,774	26,484		
- Exercise of options	2,200,000	285,000		
Share issue costs		(344,932)		
Balance at end of year	950,262,913	48,944,557	653,648,691	40,128,687

Share options

The Company has two share based payment option schemes under which options to subscribe for the Company's shares have been granted to certain executives and other employees, refer Note 15.

NOTE 14: RESERVES

Nature and purpose of reserves

Share based payments reserve

This reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration. Refer to note 15 for further details of these plans.

Transactions with non-controlling interests

This reserve is used to record the differences described in note 1(d) which may arise as a result of transactions with non-controlling interests that do not result in a loss of control.

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 15: SHARE-BASED PAYMENT PLANS

Employee Share Option Plan (ESOP)

On 6 March 2014, the Directors adopted the following plans:

i. Employee Share Option Plan (Option Plan) under which Directors and executives and other employees may be offered the opportunity to be granted Options;

ii. Employee Performance Rights Plan (Performance Rights Plan) under which Directors, executives, contractors and consultants and other employees may be offered the opportunity to be granted Performance Rights;

iii. Tax Exempt Plan under which eligible employees may be issued up to $1,000 of Shares

The vesting of Options and Performance Rights under the terms of the Plans is dependent on both of the following performance conditions being satisfied:

i. Market capitalisation, and

ii. Continuous employment

The contractual life of each option granted is 3 years. Options can be settled by payment at the exercise price or a cashless exercise facility is available.

The expense recognised in the statement of comprehensive income in relation to share-based payments is disclosed in note 2.

The following share-based payment arrangements were in place during the current and prior periods:

	Number	Grant date	Expiry date	Exercise price $	Fair value at grant date $	Vesting date
Options	5,000,000	12 May 2014	11 May 2017	7.2 cents	$75,838	Subject to performance conditions
Performance Rights	6,782,051	12 May 2014	11 May 2017	n/a	$185,150	Subject to performance conditions
Options under employment agreement	4,000,000	21 July 2013	20 July 2015	5.0 cents	$60,852	21 July 2013

There has been no alteration of the terms and conditions of the above share-based payment arrangement since grant date.

The following table illustrates the number and weighted average exercise prices of and movements in share options issued during the year:

	2014		2013	
		Weighted average exercise price		Weighted average exercise price
	Number	$	Number	$
Outstanding at the beginning of year	30,400,000	0.050	75,996,864	0.053
Granted during the year	26,500,000	0.054	30,400,000	0.050
Exercised during the year	(30,400,000)	0.05	-	-
Expired during the year	-		(75,996,864)	0.053
Outstanding at the end of year	26,500,000	0.054	30,400,000	0.050
Exercisable at the end of year	26,500,000	0.054	30,400,000	0.050

The following share options were exercised during the year:

	Exercised	Exercise date	Share price at exercise date
30 June 2014	Number		$
Expiry date 30/6/14 @ $0.05	30,400,000	30/6/2014	0.05

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The share options outstanding at the end of the year had an exercise price of $0.054 (2013: $0.050) and a weighted average remaining contractual life of 492 days (2013: 365 days).

The weighted average fair value of options granted during the year was $0.054 (2013: $0.050).

The fair value of the equity-settled share options granted under both the option and the performance rights plans is estimated as at the date of grant using the Black and Scholes model and the Binomial model taking into account the terms and conditions upon which the options were granted.

	ESOP under employment agreement	ESOP under long term incentive plans
30 June 2014		
Dividend yield (%)	0.00%	0.00%
Expected volatility (%)	105.15%	95.10%
Risk-free interest rate (%)	3.29%	3.04%
Expected life of option (years)	2 years	3 years
Exercise price (cents)	5.0	7.2
Grant date share price (cents)	3.3	5.6

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

The carrying amount of the liability relating to the cash-settled share-based payment at 30 June 2014 is $729,332 (2013: $74,846)

NOTE 16: FINANCIAL INSTRUMENTS

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Group's overall strategy remains unchanged from 2013.

The capital structure of the Group consists of debt, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

None of the Group's entities are subject to externally imposed capital requirements.

Operating cash flows are used to maintain and expand operations, as well as to make routine expenditures such as tax, dividends and general administrative outgoings.

Gearing levels are reviewed by the Board on a regular basis in line with its target gearing ratio, the cost of capital and the risks associated with each class of capital.

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NOTE 16: FINANCIAL INSTRUMENTS *(continued)*

Categories of financial instruments

	Note	Consolidated 2014	Consolidated 2013
		$	$
Financial assets			
Cash and cash equivalents	6	3,990,397	752,619
Loans and receivables	7	750,192	635,350
		4,740,589	1,387,969
Financial liabilities			
Trade and other payables	11	2,480,468	2,876,866
Borrowings	12	1,875,000	1,162,000
		4,355,468	4,038,866

Financial risk management objectives

The Group is exposed to market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group seeks to minimise the effect of these risks, by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by management on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, commodity prices and exchange rates. The Group enters into a variety of derivative financial instruments to manage its exposure to foreign currency and commodity price risk including foreign exchange forward contracts to hedge the exchange rate and commodity price risk arising on its production.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk from the previous period.

Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the balance date expressed in Australian dollars are as follows:

	Liabilities 2014	Liabilities 2013	Assets 2014	Assets 2013
	$	$	$	$
GBP	911,466	(1,239,942)	17,595	-
CAD	-	(75,805)	-	-
US Dollars	43,054	-	63,820	-
	954,520	(1,315,747)	81,415	-

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Foreign currency sensitivity analysis

The Group is exposed to US Dollar (USD) and GB Pounds (GBP) currency fluctuations.

The following table details the Group's sensitivity to a 10% increase and decrease in the Australian dollar against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number indicates an increase in profit or loss and other equity where the Australian Dollar strengthens against the respective currency. For a weakening of the Australian Dollar against the respective currency there would be an equal and opposite impact on the profit and other equity and the balances below would be negative.

	Consolidated	
	Profit	Equity
	$	$
Year ended 30 June 2014		
+/- 2% interest rates	(37,500)	37,500
+/- 5% in AUD / GBP	(47,972)	43,403
+/- 5% in AUD / USD	(2,411)	2,181
Year ended 30 June 2013		
+/- 2% interest rates	(11,240)	11,240
+/- 5% in AUD / GBP	(81,471)	90,046
+/- 5% in AUD / CAD	(3,987)	4,406

The Group's sensitivity to foreign currency during the period has increased due to the commencement of production and entering into of forward foreign currency transactions.

Forward foreign exchange contracts

It is the policy of the Group to enter into forward foreign exchange contracts to cover specific foreign currency payments within 70% to 80% of the exposure generated. Basis adjustments are made to the carrying amounts of non-financial hedged items when the anticipated sale or purchase transaction takes place.

The following table details the forward foreign currency contracts outstanding as at balance date:

	Consolidated							
	Average exchange rate		Foreign currency		Contract value		Fair value	
	2014	2013	2014	2013	2014	2013	2014	2013
Outstanding contracts	$	$	GBP	GBP	AUD$	AUD$	AUD$	AUD$
Buy GB Pounds								
Less than 3 months	0.565	-	500,000	-	961,538	-	961,538	-
Sell GB Pounds								
Less than 3 months	0.565	-	250,000	-	480,769		480,769	-

The Group has entered into forward contracts in respect of GBP liabilities.

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 16: FINANCIAL INSTRUMENTS *(continued)*

Interest rate risk management

The Company and the Group have minimised their exposure to interest rate risk as entities in the Group borrow funds at fixed interest rates.

The Company and Group's exposures to interest rate on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Credit risk management

Credit risk refers to the risk that a counter-party will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses publicly available financial information and its own trading record to rate its major customers.

The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

The Group does not have any significant credit risk exposure to any single counterparty or any Group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 12 is a listing of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

NOTE 17: COMMITMENTS AND CONTINGENCIES

Property leases

The property leases are non-cancellable leases with either on a one-year term or a three-year term, with rent payable monthly in advance. Contingent rental provisions within the lease agreement require that minimum lease payments shall be increased by the greater of change in the consumer price index (CPI) or 4%. An option exists to renew the leases at the end of the term for an additional term of one or three years. The leases allow for subletting of all lease areas.

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

	2014	2013
	$	$
Within one year	216,598	187,373
After one year but not more than five years	164,282	351,654
	380,879	539,027

Legal claim

Employee disputes

A former director has instigated various actions against the Company over the last few years. The ex-director has been unsuccessful in these various actions to date, however, various actions are still pending. The Company has received legal advice that it has strong cases and will defend the various actions. The outcome of litigation is always uncertain and there is a risk that an outcome adverse to the Company will result in a judgment against the Company for damages, interest and costs.

HC Berlin Pharma

The Company is currently in discussions with the liquidator of HC Berlin Pharma in regards a contribution in-kind made in 2008. Since 2010, this claim has been subject to ongoing dispute and recently, negotiation. The Company is unable to determine the amount, if any, of any settlement in the resolution of a claim that has not been actioned.

Guarantees

SUDA Limited has the following guarantee at 30 June 2014:

The parent entity and its subsidiary company, Westcoast Surgical and Medical Supplies Pty Ltd, have provided security to third parties in relation to the convertible notes. The security is for the term of the facility. The period covered by the security is until maturity of the convertible notes on 30 September 2015.

At the end of the reporting period, the balance on the convertible notes was $1,875,000 (refer to Note 12).

NOTE 18: RELATED PARTY DISCLOSURE

The consolidated financial statements include the financial statements of SUDA Limited and the subsidiaries listed in the following table.

	Country of incorporation	% Equity interest 2014	2013
Westcoast Surgical and Medical Supplies Pty Ltd	Australia	100%	100%
Malaria Research Company Pty Ltd	Australia	80%	100%
Eastland CN Nominees Pty Ltd	Australia	100%	100%

SUDA Limited is the ultimate Australian parent entity and ultimate parent of the Group.

Transactions with Key Management Personnel

Refer to Note 21 for details of transactions with key management personnel.

Terms and conditions of transactions with related parties

Sales to and purchases from related parties are made in arm's length transactions both at normal market prices and on normal commercial terms. Outstanding balances at year-end are unsecured, interest free and settlement occurs in cash.

Guarantees provided or received for any related party receivables or payables have been disclosed in note 16

For the year ended 30 June 2014, the Group has not made any allowance for doubtful debts relating to amounts owed by related parties. An impairment assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates to determine whether there is objective evidence that a related party receivable is impaired. When such objective evidence exists, the Group recognises an allowance for the impairment loss.

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 19: PARENT ENTITY DISCLOSURES

Financial position	2014	2013
	$	$
Assets		
Current assets	4,965,846	1,117,932
Non-current assets	3,707,151	1,227,708
Total assets	8,672,997	2,345,637
Liabilities		
Current liabilities	1,411,017	2,684,688
Non-current liabilities	1,875,000	600,000
Total liabilities	3,286,017	3,284,688
Equity		
Issued capital	48,944,557	40,128,687
Reserves		
• Share-based payments	569,958	74,846
Retained earnings	(44,127,535)	(41,142,584)
Total equity	5,386,980	(939,051)
Financial performance		
Total loss and total comprehensive loss	(2,984,950)	(9,528,852)

Guarantees

Suda Ltd has not entered into any guarantees, in the current or previous financial year, in relation to the debts of its subsidiaries

Contingent liabilities of the parent entity

For details on commitments, see note 17.

NOTE 20: EVENTS AFTER THE REPORTING PERIOD

Other than the following, the Directors are not aware of any significant events since the end of the reporting period:

i. Exercise of Options

Suda Ltd issued 28,200,000 shares in respect of the exercise of unlisted options that had been fully underwritten. Total funds received by the Company were $1,410,000.

ii. Resignation of a director

Mr Ken Robson resigned from the Board on 7 August 2014.

iii. Termination of the Bergen agreement

The Bergen Global Opportunity Fund, LP (Bergen) facility was terminated in July 2014 and the final issue of 2,583,979 shares to Bergen occurred in August 2014.

In December 2012, the Company had entered into an up to 24 month funding agreement to provide up to $7,600,000 to fund its projects. The agreement was terminated by mutual consent of both parties.

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 21: AUDITOR'S REMUNERATION

The auditor of SUDA Limited is HLB Mann Judd.

	Consolidated 2014	Consolidated 2013
	$	$
Auditor of the parent entity		
Audit or review of the financial statements	54,000	50,000
	54,000	50,000

NOTE 22: DIRECTORS AND EXECUTIVES DISCLOSURES

Details of Key Management Personnel

Directors

Michael Stewart	Chairman (non-executive)
Stephen Carter	Chief Executive
Joseph Ohayon	Chief Financial Officer / Company Secretary

Executives

Nick Woolf	Chief Business Officer
John Billingham	General Manager - Westcoast Surgical & Medical Supplies

Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report.

Other transactions and balances with Key Management Personnel

	Consolidated 2014	Consolidated 2013
	$	$
Key Management Personnel		
Mr Michael Stewart – consulting services	57,000	24,500
Mr Michael Stewart – interest on convertible notes	18,699	12,000
Mr Stephen Carter – interest on convertible notes	1,011	-
Mr Joseph Ohayon – interest on convertible notes	404	-
Balance on Convertible Notes		
Mr Michael Stewart	350,000	150,000
Mr Stephen Carter	50,000	-
Mr Joseph Ohayon	20,000	-

The aggregate compensation made to Directors and other key management personnel of the Group is set out below:

Short-term employee benefits	912,227	657,699
Other long-term benefits	321,840	-
	1,234,067	657,699

DIRECTORS' DECLARATION

1. In the opinion of the directors of SUDA Limited (the 'Company'):
   a. the accompanying financial statements and notes are in accordance with the Corporations Act 2001 including:
      i. giving a true and fair view of the Group's financial position as at 30 June 2014 and of its performance for the year then ended; and
      ii. complying with Australian Accounting Standards, the Corporations Regulations 2001, professional reporting requirements and other mandatory requirements.
   b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
   c. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.
2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2014.

This declaration is signed in accordance with a resolution of the Board of Directors.

Stephen Carter
Director

Dated this 25 day of September 2014

INDEPENDENT AUDITOR'S REPORT

HLB Mann Judd

Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REPORT

To the members of Suda Limited

Report on the Financial Report

We have audited the accompanying financial report of Suda Limited ("the company"), which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In Note 1 (c), the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
Level 4, 130 Stirling Street Perth WA 6000. PO Box 8124 Perth BC 6849 Telephone +61 (08) 9227 7500. Fax +61 (08) 9227 7533.
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INDEPENDENT AUDITOR'S REPORT

HLB Mann Judd
Accountants | Business and Financial Advisers

Auditor's opinion

In our opinion:

(a) the financial report of Suda Limited is in accordance with the *Corporations Act 2001*, including:
   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1 (c).

Report on the Remuneration Report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion the remuneration report of Suda Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

HLB Mann Judd
Chartered Accountants

N G Neill
Partner

Perth, Western Australia
25 September 2014

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

The following information is current as at 2 September 2014:

1. Shareholding

a. Distribution of Shareholders

Category (size of holding)	Ordinary
1 – 1,000	64
1,001 – 5,000	157
5,001 – 10,000	310
10,001 – 100,000	1,266
100,001 – and over	1,032
	2,829

b. The number of shareholdings held in less than marketable parcels is 531

c. The names of the substantial shareholders listed in the holding company's register are:

Shareholder	Number of ordinary shares
Bank of America Corporation and its related bodies corporate	77,806,856

As announced on 17 July 2014.

d. Voting Rights

The voting rights attached to each class of equity security are as follows:
Ordinary shares: Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

e. 20 Largest Shareholders — Ordinary Shares

	Name	Number of Ordinary Fully Paid Shares Held	% Held Of Issued Ordinary Capital
1	Citicorp Nominees Pty Ltd	66,886,197	6.82
2	J P Morgan Nominees Australia Limited	43,010,740	4.38
3	UBS Nominees Pty Ltd	42,462,378	4.33
4	Brispot Nominees Pty Ltd	32,661,808	3.33
5	Bamber Investments Pty Ltd	14,550,000	1.48
6	Kamala Holdings Pty Ltd	13,483,334	1.37
7	CS Fourth Nominees Pty Ltd	12,081,152	1.23
8	Merrill Lynch (Australia) Nominees Pty Ltd	11,593,000	1.18
9	Mr T P McGellin & Ms T M Karal	9,554,665	0.97
10	M & S Brooke Pty Ltd	8,581,000	0.87
11	Ms Giovanna Lina Gan	8,000,000	0.82
12	Dr P A Porter & Dr Ti-Wan Ng	7,950,000	0.81
13	Peto Pty Ltd	7,440,000	0.76
14	BNP Paribas Noms Pty Ltd	6,816,999	0.69
15	National Nominees Ltd	6,633,999	0.68
16	Somerset Corporation Pty Ltd	6,007,450	0.61
17	Zerrin Investments Pty Ltd	5,850,000	0.6
18	Mr R Byrne & Mrs M A Byrne	5,600,000	0.57
19	Sempai Investments Pty Ltd	5,500,000	0.56
20	Chelsea Investments (WA) Pty Ltd	5,028,940	0.51
		319,691,662	**32.59**

2. The name of the company secretary is Joseph Ohayon.

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

3. The address of the principal registered office in Australia is Level 1, Unit 12, 55 Howe Street, Osborne Park, Western Australia 6017. Telephone (08) 6142 5555.

4. Registers of securities are held at the following addresses

Advanced Share Registry: 110 Stirling Hwy, Nedlands, WA 6009

5. Stock Exchange Listing

Quotation has been granted for all the ordinary shares of the Company on all Member Exchanges of the Australian Securities Exchange Limited. The stock code is SUD.

6. Unquoted Securities

Convertible Notes

1,875,000 convertible notes are on issue and are held by: Foskin Pty Ltd, J&L Stevenson, Engineering Supplies (WA) Pty Ltd, RC Williams, T McGellin, Pivic Pty Ltd, Glenn Brown Pty Ltd, Greanseas Investments Pty Ltd, M Quinsee, Chelsea Investments (WA) Pty Ltd, Zerrin Investments Pty Ltd, Mr & Mrs Ryan, Transcontinental Asset Management, FM Wolf Pty Ltd, Lakehouse Securities Pty Ltd, Glenfare Investments Pty Ltd, Jasforce Pty Ltd, NI Consulting Pty Ltd, Weringa Nominees Pty Ltd, Giokir Pty Ltd, Beirne Trading Pty Ltd, Kamala Holdings Pty Ltd, Pearlcove Consulting Group Pty Ltd and J Ohayon

Options over Unissued Shares

A total of 26,500,000 options are on issue. 7,500,000 options are on issue to Bergen Global Opportunity Fund, LP pursuant to Share Purchase and Convertible Security Agreement; 10,000,000 options are on issue to NovaDel Pharma Inc pursuant to Sale and Purchase Agreement; 4,000,000 options are on issue to John Billingham under an employment agreement; 5,000,000 options are on issue to Michael Stewart under the Executive Long-Term Incentive Plan.

Performance Rights

A total of 6,782,051 performance rights are on issue to Michael Stewart and Stephen Carter under the Executive Long-Term Incentive Plan

7. Annual General Meeting

The Annual General Meeting of the Company will be held at 10:30am (WST) on 20 November 2014 at The Boulevard Centre, 99 The Boulevard, Floreat, WA.