

29 January 2018

ASX Announcement

QUARTERLY CASH FLOW STATEMENT

Quarter highlights

- Commercial agreement signed with XL-protein GmbH for exclusive rights to technology extending the activity of AD-114 in the human body
- Australian patent grant provides positive indication for the validity of claims being pursued internationally, while strengthening portfolio
- December cash position of \$5.26m.

Summary of key operating developments

Having secured a research and evaluation license agreement in November 2016 with XL-protein GmbH for their PASylation technology, a commercial agreement was put in place between AdAlta and XL-protein GmbH in the December quarter. PASylated AD-114 has demonstrated an extended circulating half-life in the non-human primate studies completed to-date, promising less frequent administration of AD-114 in the clinic.

A key patent entitled “CXCR4 binding molecules” relating to AdAlta’s lead candidate, AD-114 was granted in Australia during the quarter. This patent provides positive indication for the validity of claims being pursued internationally and strengthens our overall patent portfolio around AD-114, vital for partnering and commercialisation discussions.

We appointed a new COO in October, Dr. Dallas Hartman, to strengthen our internal resources. Dr. Hartman has significant experience in preclinical development and manufacturing for scale-up over his 20-year career in drug development.

Through research collaboration agreements, AdAlta continues to gain grants to pursue additional clinical applications for lead indication, AD-114. In December AdAlta collaborator Professor Carol Pollock from the University of Sydney was selected for a grant by the National Health and Medical Research Council (NHMRC) totaling \$764k over 4-years. Beginning January 2018, the grant will build on work done to date examining the anti-fibrotic effects of AD-114 in the Kidney.

Post the quarter, in January 2018, Bioshares highlighted AdAlta as one of its four M&A ideas for 2018-2019. A copy of the report, which notes AdAlta as a Speculative Buy, Class A is available via the Company’s home page at www.adalta.com.au.

Financial update

AdAlta remains in a solid financial position with \$5.26m in the bank as at December 31, 2017. These funds are sufficient to continue the development of AdAlta’s lead candidate AD-114 to first in human trials.

Cash outflows for the period were \$1.6m, in-line with forecasts as we continue to invest in manufacturing and pre-clinical activities.

The Company expects its total cash outflows over the March quarter to be in line with planned expenditure at \$3.1m, as the Company manufactures materials to be used for pre-clinical and clinical trials. We expect the R&D spending to be significantly reduced into the June quarter. Furthermore, we anticipate an R&D tax refund in the September 2018 quarter in excess of last year's refund (2017: \$1.78m).

Meeting our milestones

As noted last quarter three non-human primate safety studies are now complete, with each study demonstrating the safety and tolerability of AD-114. The remaining hurdle for our pre-clinical safety package is a four-week non-human primate toxicology study slated for the first half of 2018.

In the meantime commercial agreements with the likes of XL-protein for PASylation and the strengthening of our overall patent position add to the commercial package that is brought to the table in partnering discussions.

International interest in AdAlta's i-body platform continues to be strong, with Professor Carol Pollock from the University of Sydney presenting at the American Society of Nephrology's (ASN) kidney week in New Orleans in November.

CSO Associate Professor, Dr Mick Foley presented to international pharma and biotech companies at the Anti-Fibrotic Drug Development Summit in Boston (USA) about the broad anti-fibrotic application of AD-114.

CEO Sam Cobb presented in San Francisco at the JP Morgan, Biotech Showcase Investor conference in January 2018 to an international audience of investors and pharmaceutical companies. Copies of all past presentations as well as our latest corporate presentation are available via the AdAlta website.

AdAlta will also host an Investor/Analysts briefing on February 2 2018, with a mix of investors, clinicians and drug development experts discussing the next wave of innovative therapeutics.

With the support of the Company's shareholders, employees and partners, AdAlta is creating a commercially successful and growing enterprise.

The business is well positioned to continue to make clinical and commercial progress and AdAlta is grateful for the ongoing support of our shareholders.

Sam Cobb

CEO

January 2018

Further information can be found at: www.adalta.com.au

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

+Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

ADALTA LIMITED

ABN

92 120 332 925

Quarter ended ("current quarter")

31/12/17

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1.0 Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) research and development	(1,169)	(1,892)
(b) product manufacturing and operating costs		
(c) advertising and marketing		
(d) leased assets		
(e) staff costs	(141)	(305)
(f) administration and corporate costs	(314)	(612)
1.3 Dividends received (see note 3)		
1.4 Interest received	24	60
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives	-	1,777
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(1,600)	(972)

2.0 Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(3)	(3)
(b) businesses (see item 10)		
(c) investments		
(d) intellectual property		
(e) other non-current assets		
2.2 Proceeds from disposal of:		
(a) property, plant and equipment		
(b) businesses (see item 10)		
(c) investments		
(d) intellectual property		
(e) other non-current assets		

2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	Net cash from / (used in) investing activities	(3)	(3)

3.0	Cash flows from financing activities		
3.1	Proceeds from issues of shares		
3.2	Proceeds from issue of convertible notes		
3.3	Proceeds from exercise of share options	-	13
3.4	Transaction costs related to issues of shares, convertible notes or options		
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	-	13

4.0	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	6,866	6,225
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,600)	(972)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(3)	(3)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	13
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of quarter	5,263	5,263

Reconciliation of cash and cash equivalents		Current quarter	Previous quarter
5.0	at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	\$A'000	\$A'000
5.1	Bank balances	7	30
5.2	Call deposits	5,256	6,836
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	5,263	6,866

6.0 Payments to directors of the entity and their associates**Current quarter \$A'000**

6.1 Aggregate amount of payments to these parties included in item 1.2

158

6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Directors fees paid

7.0 Payments to related entities of the entity and their associates**Current quarter \$A'000**

7.1 Aggregate amount of payments to these parties included in item 1.2

7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

8.0 Financing facilities available*Add notes as necessary for an understanding of the position*

8.1 Loan facilities

8.2 Credit standby arrangements

8.3 Other (please specify)

Total facility amount at quarter end**\$A'000****Amount drawn at quarter end****\$A'000**

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

9.0 Estimated cash outflows for next quarter**\$A'000**

9.1 Research and development

(2,719)

9.2 Product manufacturing and operating costs

-

9.3 Advertising and marketing

-

9.4 Leased assets

-

9.5 Staff costs

(158)

9.6 Administration and corporate costs

(239)

9.7 Other (provide details if material)

-

9.8 Total estimated cash outflows**(3,116)**

10.0	Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1	Name of entity		
10.2	Place of incorporation or registration		
10.3	Consideration for acquisition or disposal		
10.4	Total net assets		
10.5	Nature of business		

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:



Company secretary

Date:

29 January 2018

Print name:

Cameron Jones

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
- 2 If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
- 3 Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.