

22 January 2019

ASX Announcement

QUARTERLY CASH FLOW STATEMENT

Quarter highlights

- Manufacturing of improved lead candidate, AD-214 on track, with initial results from cell-line yield reported at 1 gram per litre (1g/L) and further yield improvements seen since the October manufacturing announcement.
- Shareholder information sessions on manufacturing updates held in major Australian capital cities.
- Annual General Meeting held in Melbourne with all resolutions passed.
- A\$2.02m R&D tax incentive refund received in October 2018.
- Cash position of \$5.36m as at 31 December 2018, inclusive of R&D tax incentive funds received.

Summary of key operating developments

During the quarter, AdAlta released a manufacturing update for its lead candidate, AD-214. Based on current timelines, manufacturing remains on track to move AdAlta's lead program for the treatment of Idiopathic Pulmonary Fibrosis (IPF) into Phase 1 human clinical trials in January 2020.

Initial results from the AD-214 cell-line development, which is being developed with support from Selexis, were reported during the period. Manufacturing yields were in line with expectations at just more than 1g/L, and further yield improvements have been made since the October announcement.

Expression and purification optimisation activities have commenced at KBI Biopharma. Selexis and KBI - whose engagement was announced in the June 2018 quarter - are key manufacturing partners that are working together in an integrated manner to develop a process for manufacturing AD-214. AdAlta expects to receive the materials for its four-week non-human primate toxicology study in June 2019 and materials for the first-in-man clinical trial at the end of 2019.

Several non-human primate studies are underway, which will provide valuable dosing and safety information that will inform the AD-214 four-week toxicology study to be commenced in July 2019. The completion of these non-human primate studies, in parallel with the development of a manufacturing process for AD-214, will mean AdAlta is ready to commence its first-in-man clinical trial in January 2020.

Investor and Shareholder engagement

In October, AdAlta CEO Sam Cobb met with shareholders in major capital cities around Australia to provide an update on the manufacturing process for AD-214 and sessions were well attended. In November, the Company's 2018 Annual General Meeting was

held in Melbourne. All resolutions were passed and AdAlta thanks those shareholders that could attend the AGM and the information sessions.

The Company was present at several industry and investment conferences during the last quarter of CY2018. In October, Sam Cobb presented at two panel sessions at Australia's largest life science conference - Ausbiotech 2018 - on the topics: *Gender diversity in Australian biotech* and *From bench to bedside - GPCR drug discovery*.

The Company was also present at BIO Europe and the Jeffries Investival Showcase in November 2018, with both conferences providing an opportunity to meet with potential partners and investors. Discussions regarding the Fc-Fusion format of AD-214 and current progress with manufacturing were well received. A copy of the presentation delivered during the Investival Showcase can be viewed here: <http://adalta.com.au/ceo-sam-cobb-presents-invetival-showcase-2018/>.

In December, AdAlta presented an update to the Morgans Financial network. The video presentation can be viewed here: <http://adalta.com.au/ceo-sam-cobb-provides-update-morgans-network-2/>.

Post the reporting period, AdAlta attended the JP Morgan Healthcare week in San Francisco, the largest healthcare event in the annual calendar. At the conference, Sam Cobb met with potential investors and partners and updated existing shareholders on the Company's progress.

AdAlta named ATP MedTech and Pharma category winner

AdAlta was excited to receive the MedTech and Pharma award in the Australian Technologies Competition in November. This award recognises the global potential of the Company's i-body platform and its attractiveness to pharma companies as a drug discovery tool.

Financial update

In October, AdAlta received a R&D tax incentive refund of A\$2.02m in line with forecast, and in excess of the 2017 refund (\$1.78m). Combined with cash at bank, the Company's financial position was ~\$5.36m as at 31 December 2018.

Cash outflows for the period were ~\$0.21m, down from the previous quarter with the receipt of the R&D tax refund and expenses lower than expectations. The Company expects total cash outflows over the March quarter to be \$3.27m, as it optimises the manufacturing process of AD-214 with KBI Biopharma. In line with prior statements and given the activities required to progress AD-214 to the clinic, the Company anticipates the need to secure further sources of funding. The Board is currently considering its options in this regard.

Sam Cobb
CEO and Managing Director
January 2019

Copies of presentations and media are all available via the Company's website 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")

31/12/18

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	(1,724)	(2,249)
(b) product manufacturing and operating costs		
(c) advertising and marketing		
(d) leased assets		
(e) staff costs	(237)	(408)
(f) administration and corporate costs	(296)	(589)
1.3 Dividends received (see note 3)		
1.4 Interest received	24	31
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives	2,020	2,020
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(213)	(1,195)
2.0 Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(167)	(170)
(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	(167)	(170)

3.0	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	4,571
3.2	Proceeds from issue of convertible notes		
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	(310)
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 (Director participation in capital raise subject to shareholder approval at the Annual General Meeting)	-	157
3.10	Net cash from / (used in) financing activities	-	4,418

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	5,739	2,306
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(213)	(1,195)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(167)	(170)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	4,418
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of quarter	5,359	5,359

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	19	8
5.2	Call deposits	5,340	5,731
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)	5,359	5,739

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

161

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**Amount drawn at quarter end****\$A'000****\$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

(2,696)

9.2 Product manufacturing and operating costs

-

9.3 Advertising and marketing

-

9.4 Leased assets

-

9.5 Staff costs

(150)

9.6 Administration and corporate costs

(425)

9.7 Other (Capital raising costs)

-

9.8 Total estimated cash outflows**(3,271)**

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: 22 January 2019

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.