

31 July 2019

ASX Announcement

QUARTERLY CASH FLOW STATEMENT

Quarter highlights

- AdAlta successfully raised \$7m via a Placement to new and existing sophisticated and institutional investors and an Entitlement Offer to existing shareholders and institutional investors.
- Major milestone achieved with key toxicology study commencing for lead fibrosis-focused therapeutic, AD-214, post quarter end.
- The study is the final step before initiation of the phase I human clinical trial for AD-214, expected in January 2020.
- Follows accomplishment of another major development milestone during the June quarter, with completion of a manufacturing demonstration run to supply AD-214 materials for this key non-human primate study.
- Cash position of \$5.56m as at 30 June 2019, excluding Tranche 2 of the Placement received in July, with an R&D tax refund expected in the September quarter of approximately \$3.3m.

Summary of key operating developments

During the quarter, AdAlta raised A\$7 million through a Placement to new and existing sophisticated and institutional investors and an Entitlement Offer to existing shareholders.

The funds raised will be used by AdAlta to hit several key value inflection points with AD-214. These include taking AdAlta's potential new treatment for Idiopathic Pulmonary Fibrosis (IPF) into a phase I study, demonstrating the safety of its lead i-body candidate, further development of the AdAlta pipeline and the progression of several partnering opportunities.

Post the quarter end, AdAlta achieved a significant development milestone, commencing its key toxicology study with its lead fibrosis candidate AD-214. The study, which will be run in non-human primates, represents the final step before initiation of the phase I human clinical trial for AD-214.

The four-week non-human primate study will evaluate the safety and toxicology of AD-214, which is being completed under Good Laboratory Practice (GLP) conditions. Data from this toxicology study is expected in the second half of 2019 and will inform the dosing regimen and safety readouts for AdAlta's human clinical trial, which is expected to commence in January 2020.

The study is being undertaken with AD-214 materials from a recently completed a demonstration run; another significant manufacturing milestone which was achieved during the June quarter.

Placement and Rights Issue

AdAlta completed a Placement and Entitlement Offer during the quarter, raising \$7m of new funding, enabling the Company to reach a number of key commercial milestones.

The Placement raised A\$5m from new and existing sophisticated and institutional investors. This was completed over two tranches, with the second tranche settled post the quarter end, following approvals required at the Extraordinary General Meeting on 27 June 2019. The Entitlement Offer raised a further ~A\$730K from existing shareholders and institutional investors took up the remaining shortfall to raise the complete \$2m.

The Placement and Entitlement Offer raised funds at 15 cents per new share, representing a 18.9% discount to the last closing price (18.5 cents) on 21 May 2019 and a 16.9% discount to the 15-day Volume Weighted Average Price (VWAP). Placement and Entitlement Offer participants also received 1 free attaching new option for every 2 new subscribed shares.

The Company thanks those new and existing shareholders who were able to participate in the capital raise. All materials related to the raise are available via adalta.com.au.

Financial update

Cash outflows for the period were ~\$2.31m, up from the previous quarter as forecast. The increased costs were a result of manufacturing AD-214 material required for the Company's key toxicology study, which commenced in July. As noted earlier, this is one of the final activities required ahead of AdAlta's phase I human trial initiation in January. These outflows were balanced by cash inflows of \$4.816m from Tranche 1 of the Placement and Entitlement Offer that raised \$7m.

The cash balance at the end of the quarter was \$5.56m. Post the end of the quarter, a further \$1.78m in funding was received under Tranche 2 of the Placement and Entitlement Offer. A further cash injection is expected in the September quarter via an R&D tax refund for FY2019 of approximately \$3.3m, in excess of last year's refund (2018: \$2.02m).

The Company expects total cash outflows over the September quarter to be \$4.55m, due to manufacturing and pre-clinical toxicology study costs as AdAlta completes these major milestones. These funds see the Company through multiple data read-outs and value inflection points, including commencement of the AD-214 phase I human trial. AdAlta is also in advanced business development negotiations with potential partners for its i-body platform and is targeting 1-2 deals within the next 6-12 months.

Sam Cobb
CEO and Managing Director
July 2019

Copies of presentations and media are all available via the Company's website at www.adalta.com.au.

Appendix 4C

+Rule 4.7B

Quarterly report for entities subject to Listing 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")

30/06/2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1.0 Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) research and development	(1,822)	(5,956)
(b) product manufacturing and operating costs		
(c) advertising and marketing		
(d) leased assets		
(e) staff costs	(186)	(752)
(f) administration and corporate costs	(303)	(1,221)
1.3 Dividends received (see note 3)		
1.4 Interest received	6	51
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives	-	2,020
1.8 Other (provide details if material)	-	44
1.9 Net cash from / (used in) operating activities	(2,305)	(5,814)
2.0 Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	(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	-	(170)

3.0	Cash flows from financing activities		
3.1	Proceeds from issues of shares	4,945	9,673
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	(409)	(719)
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 (Participation in capital raise subject to shareholder approval at Extraordinary General Meeting- shares issued 3 July 2019)	280	280
3.10	Net cash from / (used in) financing activities	4,816	9,234

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	3,045	2,306
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,305)	(5,814)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(170)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	4,816	9,234
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of quarter	5,556	5,556

5.0	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	125	9
5.2	Call deposits	5,431	3,036
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)	5,556	3,045

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

168

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 (including Managing Director & CEO Samantha Cobb)

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

3,746

9.2 Product manufacturing and operating costs

-

9.3 Advertising and marketing

-

9.4 Leased assets

-

9.5 Staff costs

254

9.6 Administration and corporate costs

398

9.7 Other (Capital raising costs)

153

9.8 Total estimated cash outflows**4,551**

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:

31/07/2019

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.