5 April 2022

ASX Announcement

QUARTERLY CASH FLOW STATEMENT – MARCH QUARTER 2022

Quarter highlights

- **Development of comprehensive preclinical program for inhaled AD-214; many studies commenced with results expected during June and September quarters**
- **Chinese patent granted, protecting AD-214**
- **GE Healthcare (GZMB iPET imaging), Carina Biotech (iCAR-T) and internal discovery programs progressing**
- **Multiple important data readouts expected during the next two quarters**
- **$1.25 million raised via Entitlement Offer (total $5.0m including proceeds of Placement in prior quarter)**
- **$1.6 million draw down of second tranche of Victorian Government R&D Tax Cash Flow Loan Facility**
- **Strengthened $10.54 million cash position as at 31 March 2022 ($9.08 million as at 31 December 2021)**

MELBOURNE Australia, 5 April 2022: AdAlta Limited (ASX:1AD), the clinical stage drug discovery company developing novel therapeutic products from its i-body platform reports solid progress on the pre-clinical development of AD-214 and its other pipeline programs, and an improved cash balance of $10.54 million as at 31 March 2022.

Reflecting on progress in the quarter, AdAlta's CEO and Managing Director, Dr Tim Oldham commented:

"The third quarter of FY23 was one of solid progress, particularly for the AD-214 inhalation program. We further strengthened our cash position to secure the completion of this program and to support the progression of several important partnering discussions. We now have a comprehensive program of in vitro and in vivo studies mapped out, many already initiated, that will support multiple data readouts over the following two quarters.

We did expect the readout from a bleomycin mouse study through the quarter, however this has been delayed due to a technical issue with the study's set up. It will be rerun this quarter together with other studies, which all add value to our partnering package. Investors can expect almost monthly data readouts over the next two quarters as we work through the program.

We are grateful for the support of existing shareholders who participated in our $1.25 million Entitlement Offer, and for the ongoing support of the Victorian Government via the R&D Tax Cash Flow Loans Initiative."

A. Operations overview

1. AD-214

AdAlta is developing its lead product, AD-214, as a first in class, next generation antibody therapeutic for the treatment of Idiopathic Pulmonary Fibrosis (IPF) and Interstitial Lung Disease (ILD) with potential in other fibrotic diseases and cancer. An inhaled form of AD-214 is being prepared for Phase II studies in IPF, with development of this formulation accelerating during the reporting period.

AdAlta has finalised the pre-clinical development plan for the inhalation formulation of AD-214. The plan addresses three questions:

1. Delivery: can nebulised AD-214 reach the lower airways of the lungs intact?
2. Distribution and retention: can AD-214, once in the lower airways of the lungs, reach and be retained in fibrotic tissue?
3. Efficacy: can AD-214 moderate fibrotic disease progression when delivered directly to fibrotic lung tissue?

Further details on the development plan were announced separately (5 April 2022). Pre-clinical and formulation development is anticipated to be completed during the September quarter, followed by inhalation toxicology studies, commencing in the March 2023 quarter, in time for planned clinical studies to commence in the second half of 2023 as previously forecast.

AdAlta secured additional patent protection for AD-214 during the quarter, with the issuance of a Chinese patent. China is the second largest and fastest growing pharmaceutical market in the world and is encouraging new therapeutics for rare diseases such as IPF. AdAlta now has patents protecting AD-214 granted in USA, China, Japan, Australia and Singapore, while others are pending in other jurisdictions, including Europe and India.

2. Other programs

AdAlta's three other programs progressed during the quarter.

The Company continued screening its libraries to discover i-bodies with high specificity for a G-protein coupled receptor (GPCR) implicated in fibrotic disease (first announced in October 2021).

GE Healthcare progressed pre-clinical proof of concept studies using AdAlta's i-bodies binding to granzyme B as PET imaging (iPET imaging) agents to identify responders to immuno-oncology drugs. Results are anticipated in mid-2022.

Carina Biotech (Carina) continued to build CAR-T cells incorporating i-bodies (iCAR-T cells) against the first of five targets in collaboration with AdAlta. Initial in vitro cell killing results are expected in the mid-2022.

3. *Near term milestones*

AdAlta anticipates multiple data read-outs across its portfolio of programs during the next three quarters. These include:

June quarter

- Binding of AD-214 to CXCR4 and anti-fibrotic effects *in vitro* in cultured human lung tissue

Mid-2022

- Antifibrotic effects of AD-214 in human lung airway cells
- Distribution and retention of inhaled, nebulised AD-214 in sheep (PET imaging and pathology studies)
- Manufacture of AD-214 for toxicology studies
- iCAR-T cells against Target A complete initial screening for *in vitro* cell killing of cancer cell lines at Carina
- Pre-clinical proof of concept results for granzyme-B PET imaging in GE Healthcare collaboration

September quarter

- Efficacy of inhaled AD-214 in bleomycin mouse model of IPF
- Selection of lead AD-214 inhalation formulation
- iCAR-T targets B and C selected

December quarter

- Preparation for AD-214 inhalation toxicology studies – assay development
- Initiate cGMP manufacturing of AD-214 for clinical studies
- *In vitro* cell killing of iCAR-T cells against Target A complete; *in vivo* proof of concept studies commenced

B. Corporate updates

AdAlta's laboratories have experienced some minor delays to in house projects due to isolation of staff under COVID-safe protocols. Vendors and suppliers are experiencing similar delays. The impact of these delays has been incorporated, using the most current information available, in the anticipated program milestones above, however any future impacts of COVID-19 cannot be reliably predicted.

C. Financial position

Operating cash outflows for the quarter were A$2,134,791 (A$2,257,961 in the prior quarter). The outflows are broadly in line with the prior quarter and include commencement of several inhalation formulation development projects for AD-214, increased salaries, wages and consumables costs associated with expansion of AdAlta's discovery pipeline and increased business development and marketing costs, offset by reductions in AD-214 and GE Healthcare manufacturing costs.

During the quarter, AdAlta received operating cash inflows from customers of $802,602 ($185,752 in the prior quarter), comprising primarily research fees and reimbursement of pass-through expenses from GE Healthcare and proceeds of the BTB grant.

AdAlta also drew down a second and final tranche of $1,600,000 from a facility under the Victorian Government R&D Tax Cash Flow Incentive scheme (Facility), bringing total proceeds of the Facility to $4,000,000. The Facility is repayable from the proceeds of the FY23 R&D Tax Incentive Rebate, expected by 31 October 2023.

During the quarter, AdAlta issued 17,169,940 ordinary shares under a 1 for 8 Entitlement Offer to existing shareholders, raising $1,253,411 before costs. Shares were issued at $0.073, the same price as a Placement to existing and new institutional investors in December 2021 that raised $3,750,000 before costs, bringing the total new funds raised under the combined Placement and Entitlement Offer to $5,003,411.

The funds raised under the Placement, Entitlement Offer and Facility will enable AdAlta to complete pre-clinical development of the inhaled formulation of AD-214, progress its other programs and maximise the strategic options open to the Company following the completion of preclinical development of the inhaled formulation of AD-214.

During the period 1,600,000 unlisted options were issued to employees with an exercise price of $0.076 and 620,535 unlisted options over AdAlta ordinary shares expired unexercised.

The cash balance at the end of the quarter was $10.54 million, up from $9.08 million at the end of the previous quarter.

In accordance with Listing Rule 4.7C, payments made to related parties and their associates included in item 6.1 of the Appendix 4C ($139,087) includes Director fees plus the salary (including superannuation) for the CEO and Managing Director.

Authorised for lodgement by:

Tim Oldham
CEO and Managing Director
April 2022

Notes to Editors

About AdAlta

AdAlta Limited is a clinical stage drug development company headquartered in Melbourne, Australia. The Company is using its proprietary i-body technology platform to solve challenging drug targeting problems and generate a promising new class of single domain antibody protein therapeutics with the potential to treat some of today's most challenging medical conditions.

The i-body technology mimics the shape and stability of a unique and versatile antigen binding domain that was discovered initially in sharks and then developed as a human protein. The result is a range of unique proteins capable of interacting with high selectivity, specificity and affinity with previously difficult to access targets such as G-protein coupled receptors (GPCRs) that are implicated in many serious diseases. i-bodies are the first fully human single domain antibody scaffold and the first based on the shark motif to reach clinical trials.

AdAlta has completed Phase I clinical studies for its lead i-body candidate, AD-214, that is being developed for the treatment of Idiopathic Pulmonary Fibrosis (IPF) and other human fibrotic diseases for which current therapies are sub-optimal and there is a high unmet medical need. AdAlta has a second target in discovery research, also in the field of fibrosis and inflammation.

The Company is also entering collaborative partnerships to advance the development of its i-body platform. It has an agreement with GE Healthcare to co-develop i-bodies as diagnostic imaging agents against Granzyme B, a biomarker of response to immuno-oncology drugs, a program now in preclinical development. It also has a collaboration with Carina Biotech to co-develop precision engineered, i-body enabled CAR-T cell therapies to bring new hope to patients with cancer.

AdAlta's strategy is to maximise the products developed using its next generation i-body platform by internally discovering and developing selected i-body enabled product candidates against GPCRs implicated in fibrosis, inflammation and cancer and partnering with other biopharmaceutical companies to develop product candidates against other classes of receptor, in other indications, and in other product formats.

Further information can be found at: https://adalta.com.au

For more information, please contact:

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Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity	
ADALTA LIMITED	
ABN	**Quarter ended ("current quarter")**
92 120 332 925	31 March 2022

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (9 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	803	1,165
1.2	Payments for	-	-
	(a) research and development	(972)	(3,350)
	(b) product manufacturing and operating costs	-	-
	(c) advertising and marketing	-	-
	(d) leased assets	-	-
	(e) staff costs	(592)	(1,459)
	(f) administration and corporate costs	(571)	(1,189)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	(2)	(90)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	2,664
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**(1,334)**	**(2,259)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(2)	(13)
	(d) investments	-	-
	(e) intellectual property	-	-

Consolidated statement of cash flows		Current quarter $A'000	Year to date (9 months) $A'000
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) 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**	**(2)**	**(13)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	1,253	5,003
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	1
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(14)	(266)
3.5	Proceeds from borrowings	1,600	4,000
3.6	Repayment of borrowings		(1,682)
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**	**2,839**	**7,056**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	9,078	5,791
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,334)	(2,259)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2)	(13)

Consolidated statement of cash flows		Current quarter $A'000	Year to date (9 months) $A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,839	7,056
4.5	Effect of movement in exchange rates on cash held	(43)	(37)
4.6	**Cash and cash equivalents at end of period**	**10,538**	**10,538**

5.	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	890	1,175
5.2	Call deposits	9,648	7,903
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)**	**10,538**	**9,078**

6.	Payments to related parties of the entity and their associates	Current quarter $A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	139
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

The amount at 6.1 includes Director fees and CEO and Managing Director salary (including superannuation).

7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	4,000	4,000
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	**4,000**	**4,000**

7.5	**Unused financing facilities available at quarter end**	-

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

Loan facility in place as at 31 March 2022 is a non-dilutive funding facility of up to $4.0million with Treasury Corporation of Victoria (TCV) as part of the Victorian Government's R&D Cash Flow Loan Initiative. The Facility was received in two tranches: the first of $2.4 million was received in September 2021; and the second of $1.6 million was received in the quarter ending 31 March 2022. Interest on Facility advances is variable at the "TCV 11am" loan interest rate (currently 0.265%). Repayment of the Facility is timed to coincide with receipt of AdAlta's FY2023 RDTI refund, expected by 31 October 2023, but may be repaid earlier. The Facility is secured by the FY2022 and FY2023 RDTI refunds. As at 31 March 2022 the total loan facility was $4.0million, being fully drawn.

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (Item 1.9)	(1,334)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	10,538
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	10,538
8.5	**Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**	**7.9**

Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

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.

5 April 2022

Date: .....

By the Board

Authorised by: .....
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow 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 cash flow 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.

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.