

23 April 2018

ASX Announcement

QUARTERLY CASH FLOW STATEMENT

Quarter highlights

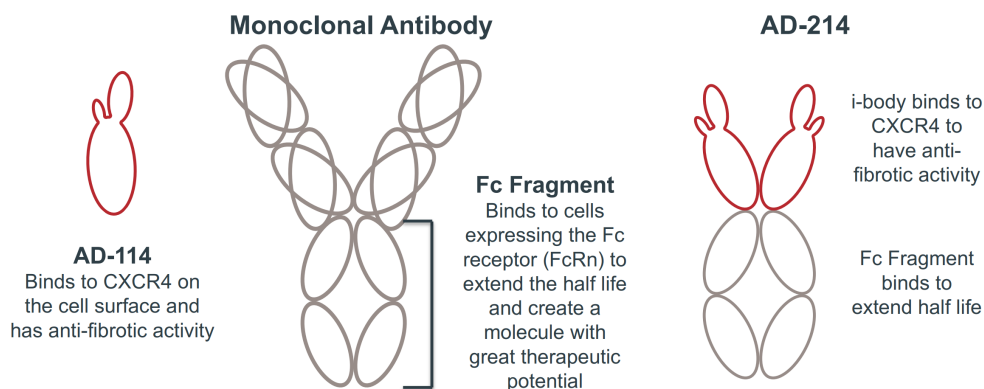
- New molecule, AD-214 will supersede AD-114, offering enhanced activity and significantly improved half-life.
- Our second investment symposium was well attended by a wide range of industry participants.
- March cash position of \$3.63m, with \$2m R&D tax rebate expected in Q1 FY 19.

Summary of key operating developments

Post quarters end, AdAlta announced a redesigned version of AD-114, which has been named AD-214. AD-214 retains the unique therapeutic benefits of AD-114 and leverages all the development effort applied to date, but delivers enhanced activity and significantly improved half-life.

AD-214 is an Fc-Fusion protein that contains two AD-114 i-body molecules at the front end, that bind with high affinity to the human target, CXCR4. At the back end of AD-214 is the Fc fragment or tail region of a traditional monoclonal antibody that will extend the half-life or duration of time in which the i-body will stay in the body.

When combined, the i-body and Fc Fragment create a superior drug, with improved therapeutic benefit for patients and for potential commercial partners



The redesign will delay entering the clinic by approximately 12-months, but AdAlta believes the shift in timeline will be more than offset by the creation of a superior drug, with improved therapeutic benefit for patients and for potential commercial partners.

During the quarter we hosted our second investment symposium in Melbourne. Along with AdAlta representatives presenters had a mix of financial and drug development backgrounds, while attendees were predominantly industry analysts and shareholders.

Topics included next generation antibodies and their role in drug discovery, ion channels and GCPR's.

A copy of the material presented during the investor briefing can be viewed on the AdAlta website, via this link: <http://adalta.com.au/commercial-potential-targeting-complex-proteins-gpcrs-ion-channels/>

Publication of scientific data

In February, the prestigious scientific journal, *Scientific Reports*, a *Nature* publication, published a paper on the Company's lead program.

The paper demonstrated the ability of AdAlta's lead i-body candidate to selectively target and bind to the chemokine receptor CXCR4, which is expressed at higher levels in patients with IPF. CXCR4 is believed to play a role in the recruitment of fibrotic cells to the lung, which is thought to contribute to the progression of IPF.

The research also demonstrated that AD-114 slows the migration of diseased fibroblasts, but has no effect on healthy cells, and that it reduces the over-production of collagen, a protein that is known to contribute to the disease pathology of IPF.

The published data clearly demonstrates the therapeutic potential of the i-body in the case of IPF and show strong promise as a future therapeutic option. To view more information, please view our announcement from 19 February 2019, entitled, "*Scientific Reports* publishes paper on AD-114 and fibrosis."

Financial update

AdAlta remains in a solid financial position with \$3.63m in the bank as at March 31, 2018.

Cash outflows for the period were \$1.6m, in-line the previous quarter but well below forecast as some manufacturing and pre-clinical toxicology activities were postponed while the Board considered the next steps with regards to moving AD-214 into further development.

The Company expects total cash outflows over the June quarter to be \$1.4m, slightly lower than the March quarter while planning is underway for AD-214 manufacturing and pre-clinical studies.

We continue to expect an R&D tax refund in the September 2018 quarter of approximately \$2m, in excess of last year's refund (2017: \$1.78m).

Given the expanded timeline and activities required for the development of AD-214, the Company anticipates the need to secure further sources of funding. The Board is currently considering its options in this regard.

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")

31/3/18

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1.0 Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) research and development	(1,272)	(3,164)
(b) product manufacturing and operating costs		
(c) advertising and marketing		
(d) leased assets		
(e) staff costs	(150)	(455)
(f) administration and corporate costs	(223)	(835)
1.3 Dividends received (see note 3)		
1.4 Interest received	15	75
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	(1,630)	(2,602)
2.0 Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	(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)

3.0	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	5,263	6,225
4.2	Net cash from / (used in) operating activities (item 1. above)	(1,630)	(2,602)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(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	3,633	3,633

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	2	7
5.2	Call deposits	3,631	5,256
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)	3,633	5,263

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

138

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

(1,021)

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

(240)

9.7 Other (provide details if material)

-

9.8 Total estimated cash outflows

(1,419)

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: 23 April 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.