

20 October 2017
ASX Announcement
QUARTERLY CASH FLOW STATEMENT

Quarter highlights

- Completion of ascending, repeat dose safety study in non-human primates, our third pre-clinical study with AD-114
- R&D tax incentive of \$1.777 million received for the 2017 financial year
- Cash position of \$6.866 million

Summary of key developments

An additional key non-human primate study was completed during the quarter, adding to the previous two non-human primate studies that were covered in the June quarterly report. The first two studies were pharmacokinetic and dose escalating studies which looked at the half-life and safety of the lead i-body program, AD-114. The third study, an ascending, repeat dose study, conducted over a period of seven days, was completed in September 2017. All studies to-date have demonstrated that the i-body is well tolerated and that there are no adverse effects with AD-114.

CEO Sam Cobb presented at the inaugural Idiopathic Pulmonary Fibrosis (IPF) Summit in Boston in August, connecting with a diverse range of key industry participants in the field and presenting with world experts and leaders in the field of IPF.

New Chief Operating Officer, Dallas Hartman commenced with AdAlta on 9th October 2017, bringing significant experience in biologics manufacturing and preclinical drug development.

The Company remains focused on progressing AD-114 towards the clinic as a therapy for IPF which has a significant unmet medical need.

Financial update

Total expenditure for the September quarter was \$1.22 million, which was balanced by a cash injection from the Australian Federal Government's Research and Development tax incentive, of \$1.777 million. Net proceeds for the quarter therefore totalled inflows of \$580k, leaving AdAlta in a solid financial position with \$6.866 million in the bank as at September 30, 2017. These funds are sufficient to continue the development of AdAlta's lead candidate AD-114 to first in human trials.

The Company expects its total cash outflows to be \$1.8 million for the December quarter as manufacturing and pre-clinical activities required to further build the foundations for the AD-114 human clinical programs are completed.

Operations update

In September, we announced the results of our third pre-clinical study in non-human primate studies, core to the preparation of AdAlta's Phase I clinical trial for AD-114 for the treatment of Idiopathic Pulmonary Fibrosis (IPF). The ascending, repeat

dose study examined the safety and pharmacokinetic activity of AdAlta's lead program, AD-114, when delivered daily for a period of seven-days through subcutaneous and intravenous routes at multiple dose levels.

Dosing was well tolerated at each of the levels with no study mortalities or adverse effects relating to AD-114.

Immediately post the quarter, on 9th October, AdAlta appointed an experienced executive, Dr Dallas Hartman to the new role of Chief Operating Officer (COO). Dr Hartman will bring his significant knowledge in manufacturing and preclinical drug development to this newly created COO role.

Prior to joining AdAlta, Dr Hartman has held a 20 year career in drug development, and was most recently Vice President of Product Development for NASDAQ-listed Nexvet Biopharma (NASDAQ: NVET), a company focused on developing and commercialising novel biologic therapies for companion animals. Prior to that role, Dr Hartman was Director of Analytical Biochemistry for CS (ASX:CSL).

Meeting our milestones

With three non-human primate safety studies now complete and all demonstrating safety and tolerability, the remaining hurdle for our pre-clinical safety package is a four-week non-human primate toxicology study, expected to be completed during the first half of 2018.

We continue to be encouraged by the international interest in AdAlta's i-body platform following our presentation at the inaugural IPF Summit in Boston, USA which followed on from a presentation at the world's leading eye conference, Association for Research in Vision and Ophthalmology (ARVO) Annual Meeting in Baltimore, USA.

Looking ahead, CEO Sam Cobb will present in Melbourne at Ausbiotech's Australia Biotech Invest conference on 24th October and AdAlta's CSO Mick Foley will present at the Anti-Fibrotic Drug Development conference in Boston, USA on the 13th November.

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.

Our AGM will take place on 14th November 2017 at 14/330 Collins St, Melbourne and we look forward to updating shareholders then.

Sam Cobb

CEO

October 2017

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")

30/9/17

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1.0 Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) research and development	(723)	(723)
(b) product manufacturing and operating costs		
(c) advertising and marketing		
(d) leased assets		
(e) staff costs	(164)	(164)
(f) administration and corporate costs	(298)	(298)
1.3 Dividends received (see note 3)		
1.4 Interest received	36	36
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives	1,777	1,777
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	628	628
2.0 Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment		
(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	-	-

3.0	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	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	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	6,225	6,225
4.2	Net cash from / (used in) operating activities (item 1.9 above)	628	628
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	13	13
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of quarter	6,866	6,866

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	30	20
5.2	Call deposits	6,836	6,205
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)	6,866	6,225

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

149

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 bonus paid to 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

(1,462)

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

(215)

9.7 Other (provide details if material)

-

9.8 Total estimated cash outflows

(1,835)

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: 20 October 2017

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.