

27 July 2017

ASX Announcement

Quarterly Cash Flow Statement

Quarter highlights

- Completion of two non-human pre-clinical toxicology studies ahead of schedule with no adverse side effects
- Cash position of \$6.22m sufficient to progress AD-114 to the clinic for human trial
- Expected R&D tax credit of \$1.75m will further reinforce cash position

Summary of key developments

Immediately post the quarter, AdAlta announced that it had completed a number of key non-human primate studies, including the pharmacokinetic and dose escalating studies to look at preliminary safety of the lead i-body program, AD-114. Both studies demonstrated that the i-body is well tolerated and that there were no adverse effects.

Owing to short delay in manufacturing of the next batch of AD-114, the Company's Phase I trial is now estimated to be completed in the second half of 2018.

The Company remains focused on progressing AD-114 towards the clinic as a therapy for the unmet medical need of Idiopathic Pulmonary Fibrosis (IPF).

Financial update

AdAlta remains in a solid financial position with \$6.22m in the bank as at June 30, 2017. These funds are sufficient to continue the development of AdAlta's lead candidate AD-114 to first in human trials.

An R&D tax rebate in the order of \$1.75m is expected within the next few months, further supporting our cash position with non-dilutive funding.

Cash outflows for the period were \$1.24m, the same as the previous quarter and lower than forecast due to the delay in manufacturing scheduling announced in July. This spend included the two pre-clinical non-human studies which were completed ahead of schedule, and resulted in no adverse side effects.

The Company expects its total cash outflows to increase in the coming quarter to around \$1.7m as a direct reflection of manufacturing and pre-clinical activities required to further build the foundations for the AD-114 human clinical programs.

Manufacturing and Operations

Post the quarter, we announced the early results of two non-human primate studies, core to the preparation of AdAlta's Phase I clinical trial for AD-114 in Idiopathic Pulmonary Fibrosis. In the pre-clinical toxicology studies, AD-114 was seen to be active and have no adverse on or off target effects. Sufficient materials had previously been provided to complete these pre-clinical toxicology studies.

The formulation and manufacture of the Company's lead i-body molecule by our partner FujiFilm Diosynth Biotechnologies in the United Kingdom will provide materials for formulation studies and additional preclinical animal toxicology studies.

Meeting our milestones

We were pleased to complete our first two toxicology studies earlier than anticipated as reported immediately post the quarter with the Phase I trial, which is now estimated to be completed in the second half of 2018.

We also announced this month the awarding of a Science and Industry Endowment Fund (SIEF) Business Fellowship to Dr Chris Hosking, further strengthening the collaboration between AdAlta and La Trobe University. The Fellowship will provide a total of \$427,000 funding (\$210,000 from CSIRO), which will be used to screen the i-body library to identify and develop new i-body candidates against difficult to access drug targets such as complex signalling proteins called GPCRs.

International interest in AdAlta's i-body platform continues to grow, and Associate Professor, Mick Foley presented at the world's leading eye conference, Association for Research in Vision and Ophthalmology (ARVO) Annual Meeting in Baltimore, Maryland.

Looking ahead, CEO Sam Cobb has been invited to present with some of the world's largest companies at the inaugural IPF Summit in Boston, Massachusetts between August 21-23. Sam will also present to investors on the topic of fibrosis at the Bioshares Investment Summit in Queenstown, New Zealand between 21-22 July.

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.

Sam Cobb

CEO

July 2017

Further information can be found 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")

30/06/2017

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	(1,065)	(3,464)
(b) product manufacturing and operating costs		
(c) advertising and marketing		
(d) leased assets		
(e) staff costs	(85)	(422)
(f) administration and corporate costs	(221)	(730)
1.3 Dividends received (see note 3)		
1.4 Interest received	129	148
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives	-	758
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(1,242)	(3,710)
2.0 Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(3)	(6)
(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	1	1
(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	(2)	(5)

3.0	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	10,000
3.2	Proceeds from issue of convertible notes		
3.3	Proceeds from exercise of share options	-	59
3.4	Transaction costs related to issues of shares, convertible notes or options	-	(605)
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	-	9,454

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	7,469	486
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,242)	(3,710)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2)	(5)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	9,454
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of quarter	6,225	6,225

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	20	3
5.2	Call deposits	6,205	7,466
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)	6,225	7,469

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	

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	Total facility amount at quarter end	Amount drawn at quarter end
	Add notes as necessary for an understanding of the position	\$A'000	\$A'000
	8.1	Loan facilities	
	8.2	Credit standby arrangements	
	8.3	Other (please specify)	
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	(1,319)
9.2	Product manufacturing and operating costs	-
9.3	Advertising and marketing	-
9.4	Leased assets	-
9.5	Staff costs	(114)
9.6	Administration and corporate costs	(272)
9.7	Other (provide details if material)	-
9.8	Total estimated cash outflows	(1,705)

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: 27 July 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.