

16th July 2018

ASX Announcement

QUARTERLY CASH FLOW STATEMENT

Quarter highlights

- Successfully raised \$4.25m in Placement with institutional and high net worth investors, completed post quarter's end, securing funding for AD-214 to end of manufacturing
- Share Purchase Plan (SPP) announced for AdAlta shareholders on terms as per the Placement
- Improved version of lead candidate, named AD-214, identified as therapeutic to take through to clinical studies
- Manufacturing agreements executed with Selexis and KBI for improved lead candidate, AD-214
- June cash position of \$2.3m, with ~\$2m R&D tax incentive expected in Q1 FY 19

Summary of key operating developments

Post quarters end, AdAlta announced the successful placement of 14,666,667 fully paid ordinary shares to sophisticated investors and institutional investors at a price of \$0.30 per share to raise \$4.25 million. AdAlta also announced a Share Purchase Plan (SPP) for eligible AdAlta shareholders to subscribe for up to A\$15,000 of new AdAlta shares on the same terms as the placement.

This funding will be used for manufacturing and pre-clinical studies of AD-214 as well as internal research and development of new i-bodies and corporate costs.

During the quarter AdAlta announced the securing of key manufacturing agreements for the development of lead i-body candidate, AD-214. Selexis SA has been appointed for cell line development and KBI Biopharma will complete process development, analytical development, formulation development, and clinical manufacturing services.

The appointment of manufacturing partners follows the announcement of second-generation lead i-body candidate, AD-214, in April 2018. AD-214 is a significantly improved Fc-fusion version of AD-114, which contains two AD-114 molecules joined by the Fc fragment of a monoclonal antibody. AD-214 has increased potency and is expected to exhibit a significantly extended half-life, making it applicable to a wider range of fibrotic disease and hence more attractive to commercial partners.

Selexis and KBI were appointed following a lengthy tender process of 12 potential partners and have a strong track-record of working in an integrated manner to develop Fc-fusion protein-based drugs, having jointly developed more than 10 manufacturing projects.

With these agreements executed, Selexis has now initiated cell line development and AdAlta expects to receive the materials for the four-week non-human primate toxicology study in the second half of 2019 and materials for the first-in-man clinical study in the first quarter of 2020.

Investor and Shareholder engagement

AdAlta provided an update to shareholders as well as the opportunity to speak with CEO Sam Cobb during a series of Shareholder Briefing sessions held in Melbourne, Sydney, Brisbane and Perth in April. AdAlta also presented to prospective investors at 121 Tech Investment in Hong Kong and at the Gold Coast Investment Showcase held in June.

Research analysis following the announcement of improved lead candidate, AD-214, was completed by Patersons, BioShares and more recently NDF Research and key publications wrote coverage, with mentions in Small Caps, Stockhead and Biotech Daily.

Financial update

AdAlta remains in a solid financial position with \$2.3m in the bank as at June 30, 2018. Subsequent to the quarter, an additional \$4.25m in new Placement funding was raised, and a Share Purchase Plan was announced.

Cash outflows for the period were ~\$1.3m, down from the previous quarter but well below forecast as manufacturing activities for AD-114 were ceased with the move to the improved i-body AD-214.

The Company expects total cash outflows over the September quarter to be \$2.6m, as we commence manufacturing and in the first instance cell line development with Selexis for AD-214. 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) and a cash injection from the finalization of the recent Placement and SPP.

Sam Cobb

CEO and Managing Director

July 2018

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")

30/06/2018

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	(940)	(4,104)
(b) product manufacturing and operating costs		
(c) advertising and marketing		
(d) leased assets		
(e) staff costs	(161)	(616)
(f) administration and corporate costs	(234)	(1,069)
1.3 Dividends received (see note 3)		
1.4 Interest received	8	83
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	(1,327)	(3,929)
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	3,633	6,225
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,327)	(3,929)
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	2,306	2,306

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	26	2
5.2	Call deposits	2,280	3,631
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)	2,306	3,633

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	148
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	Total facility amount at quarter end	Amount drawn at quarter end
	<i>Add notes as necessary for an understanding of the position</i>	\$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.		

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9.0	Estimated cash outflows for next quarter	\$A'000
9.1	Research and development	(1,726)
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	(468)
9.7	Other (Capital raising costs)	(255)
9.8	Total estimated cash outflows	(2,607)

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:

16/07/2018

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.