AdAlta
next generation protein therapeutics

17 October 2018

ASX Announcement

QUARTERLY CASH FLOW STATEMENT

Quarter highlights

- Successful private placement and Share Purchase Plan (SPP) closed during quarter, securing funding of $4.73m which will take lead candidate, AD-214 through manufacturing
- Manufacturing of improved lead candidate, AD-214 on track, with initial results from cell-line yield reported post quarter, at a yield of 1 gram per litre
- September cash position of $5.74m, with $2m R&D tax rebate expected in the December 2018 quarter.

Summary of key operating developments

During the quarter, AdAlta announced the successful placement of 14,666,667 fully paid ordinary shares to sophisticated and institutional investors at a price of $0.30 per share, raising $4.25 million. A Share Purchase Plan (SPP) was also conducted under which eligible AdAlta shareholders could subscribe for up to A$15,000 of new AdAlta shares on the same terms as the placement. Directors intend to take up a total of 522,450 shares, the issue of which will be subject to shareholder approval at the Annual General Meeting. The SPP resulted in the issue of 1,592,011 shares, taking total funds raised to $4.73 m.

The combined SPP and Placement will fund manufacturing and pre-clinical studies of AD-214, AdAlta's lead therapeutic program for the treatment of Idiopathic Pulmonary Fibrosis (IPF). Funds will also be committed to internal research; pipeline development of new i-bodies and associated corporate costs.

Immediately post the quarter, the Company released a manufacturing update on AD-214. Based on the current timelines, manufacturing remains on track to move AdAlta into Phase 1 human clinical trials in 2019.

The first step of the manufacturing process is the development of a stable cell line. During the quarter, Selexis SA was appointed as the cell line developer. Initial results from the cell line development are in line with expectations at just over 1 gram per litre (1g/L).

Immediate next steps in the manufacturing process will see expression and purification optimized at KBI Biopharma. Selexis and KBI, key manufacturing partners whose engagement was announced in the June 2018 quarter are working together in an integrated manner to develop a process for manufacturing AD-214.

AdAlta expects to receive the materials for its four-week non-human primate toxicology study in June 2019 and materials for the first-in-man clinical at the end of 2019.

AdAlta Limited
15/2 Park Drive
Bundoora VIC 3083 Australia

T +61 3 9479 5159
E enquiries@adalta.com.au
ABN 92 120 332 925

adalta.com.au

Investor and Shareholder engagement
AdAlta provided an update to shareholders as well as the opportunity to speak with CEO Sam Cobb via the Company's first investor conference call hosted in August. During the call, participants were invited to ask questions regarding the development of AD-214 or how funding from the capital raising would be applied. AdAlta thanks those shareholders that could join, and those who listened to the audio after the fact.

Fund Manager, and AdAlta shareholder, Private Portfolio Managers (PPM) included a Q+A between Portfolio Manager Hugh McNally, and AdAlta's CEO, Sam Cobb in the September issue of the PPM Insights newsletter.

A presentation was delivered to existing and prospective investors during the period at Ausbiotech's Broker Meets Biotech event in Brisbane. During the same trip, CEO Sam Cobb provided a video update to the Morgans Financial (stockbroking) network via an interview with Senior Analyst, Scott Power. Also in the period, NDF Research's Senior Analyst, Stuart Roberts published an update on AdAlta entitled, "Smaller, smarter antibody-like drugs."

CSO, Professor Mick Foley presented in Boston, Massachusetts at the Discovery on Target conference, highlighting the potential of i-body therapeutics to more efficiently and effectively target GPCRs than the traditional small molecule drug approach. His presentation also explored the i-body's potential for 'biased' signaling, a highly selective way to modulate GPCR targets that could be the next major advancement in drug development.

The Company marked Pulmonary Fibrosis Awareness month by tracking the progress of Idiopathic Pulmonary Fibrosis (IPF) patient, Bill Van Nierop who kayaked for 42 days across 2,200 km from Albury in New South Wales to Murray Mouth in South Australia. Bill's mission was called *The Long Kayak for Lungs* and was designed to raise funds to donate to Lung Foundation Australia for IPF research. He completed this task, raising $88,424. The AdAlta team applauds Bill's efforts in bringing awareness to an often-neglected disease.

Financial update
With the close of the recent capital raising, AdAlta remains in a solid financial position with $5.74m in the bank as at September 30, 2018.

Cash outflows for the period were ~$0.98m, down from the previous quarter but well in line with expectations as manufacturing activities for AD-214 were commenced.

The Company expects total cash outflows over the September quarter to be $3.1m, as we optimize the cell line development and process for purification of AD-214 with KBI Biopharma. We continue to expect an R&D tax refund in the December 2018 quarter of approximately $2m, in excess of last year's refund (2017: $1.78m).

Sam Cobb
CEO and Managing Director
October 2018

Copies of presentations; media and a blog chronicling *The Long Kayak for Lungs* are all available via the Company's website 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	**Quarter ended ("current quarter")**
92 120 332 925	**30/9/18**

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	(525)	(525)
	(b) product manufacturing and operating costs		
	(c) advertising and marketing		
	(d) leased assets		
	(e) staff costs	(171)	(171)
	(f) administration and corporate costs	(293)	(293)
1.3	Dividends received (see note 3)		
1.4	Interest received	7	7
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Government grants and tax incentives		
1.8	Other (provide details if material)		
1.9	**Net cash from / (used in) operating activities**	**(982)**	**(982)**

2.0	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(3)	(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)**

3.0	**Cash flows from financing activities**		
3.1	Proceeds from issues of shares	4,571	4,571
3.2	Proceeds from issue of convertible notes		
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(310)	(310)
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 (Director participation in capital raise subject to shareholder approval at the Annual General Meeting)	157	157
3.10	**Net cash from / (used in) financing activities**	**4,418**	**4,418**

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	2,306	2,306
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(982)	(982)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(3)	(3)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	4,418	4,418
4.5	Effect of movement in exchange rates on cash held		
4.6	**Cash and cash equivalents at end of quarter**	**5,739**	**5,739**

	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	8	26
5.2	Call deposits	5,731	2,280
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)**	**5,739**	**2,306**

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	117
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*	Total facility amount at quarter end $A'000	Amount drawn at quarter end $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	(2,618)
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	(319)
9.7	Other (Capital raising costs)	-
9.8	**Total estimated cash outflows**	(3,095)

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: 17 October 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.