

31 January 2017

Company Announcements/Australian Securities Exchange

AdAlta Limited (ASX:1AD)

Quarterly Cash Flow Statement

Highlights

- Received FDA Orphan Drug Designation for AD-114 in IPF
- Positive Pre-clinical data showing AD-114 prevents fibrosis in a mouse model of liver fibrosis
- International biotech executive Dr Robert Peach joins the Board
- Commercialisation agreement with The Netherlands's Crossbeta Biosciences to explore use of AdAlta's technology as a treatment for Alzheimer's disease
- Collaboration Agreement with Germany's XL-Protein to extend the therapeutic action of AD-114
- Positive investor and pharma engagement at key International meetings

Summary of key developments

AdAlta continues to meet its commercial and development milestones and is making excellent progress towards its stated goal of initiating Phase I human clinical trials for its lead candidate AD-114 as a therapy for the unmet medical need of idiopathic pulmonary fibrosis (IPF), including securing Orphan Drug Designation from the FDA. The Company is also developing AD-114 for Non-alcoholic steatohepatitis (NASH), a pandemic, metabolic disease which has both inflammatory and fibrotic components.

Financial update

The Company remains in a solid cash position with about \$8.77 million in cash in the bank at 31 December 2016.

These funds are sufficient to continue to progress development of AdAlta's lead candidate AD-114 to first human trials.

As expected, R&D expenditure for the quarter was \$867K, representing an increase of 179% from \$482K in the previous quarter. The Company expects this figure to remain at the current rate as a direct reflection of AdAlta's manufacturing and pre-clinical activities and engagement with multiple suppliers who are helping lay the foundations for AdAlta's clinical programs.

Aside from the rise in R&D expenditure, all other operating expenses remain the same as in previous quarters.

Personnel

In November US-based international biotechnology executive Dr Robert Peach joined the board as a non-executive director. Robert is a co-founder of Receptos Inc which is developing new drugs for autoimmune diseases. Receptos Inc was listed on NASDAQ before it was acquired by Celgene Corporation in 2015 for US\$7.8 billion. AdAlta shareholders will benefit from his experience commercializing innovative new therapies for global markets.

Manufacturing and Operations

During the quarter the Company announced two new agreements to license AdAlta's proprietary technology, which further validate AdAlta's technology. These agreements will help expand AdAlta's clinical knowledge across a number of applications as well as deliver potential future royalties.

AdAlta's agreement with the privately owned German company XL-Protein GmbH will extend the therapeutic action of our lead candidate AD-114 for idiopathic pulmonary fibrosis and other fibrotic and inflammatory diseases.

A commercialization agreement with Crossbeta Biosciences in The Netherlands is exploring use of AdAlta's technology and its therapeutic and diagnostic potential as a treatment for Alzheimer's disease and other neurodegenerative diseases. Importantly, AdAlta will receive royalties from commercially successful outcomes.

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

AdAlta continues to build a network of relationships with investors, collaborators and pharma through attendance at International meetings in Europe and the USA. Most recently, at Biotech Showcase in the US in January, there was interest from a number of companies.

Meeting our milestones

AdAlta continues to deliver on its projected development and commercial milestones.

International market interest in our valuable i-body technology platform continues to grow and we continue to attract commercially beneficial partnerships that validate our technology platform and its potential to address multiple medical needs caused by fibrosis.

The team is focused on delivery of clinical data that validates the safety and efficacy of the Company's platform for idiopathic pulmonary fibrosis while simultaneously investigating its potential application in other major markets, including non-alcoholic steatohepatitis (NASH) and wet-AMD.

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
January 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

92120332925

Quarter ended ("current quarter")

31-12-16

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1.0 Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) research and development	(867)	(1,349)
(b) product manufacturing and operating costs		
(c) advertising and marketing		
(d) leased assets		
(e) staff costs	(159)	(247)
(f) administration and corporate costs	(25)	(335)
1.3 Dividends received (see note 3)		
1.4 Interest received	8	13
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives	0	758
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(1,043)	(1,161)
2.0 Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(2)	(2)
(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	(2)	(2)

3.0	Cash flows from financing activities		
3.1	Proceeds from issues of shares	0	10,000
3.2	Proceeds from issue of convertible notes		
3.3	Proceeds from exercise of share options	15	59
3.4	Transaction costs related to issues of shares, convertible notes or options	0	(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)		
3.1	Net cash from / (used in) financing activities	15	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	9,808	486
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,043)	(1,161)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2)	(2)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	15	9,454
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of quarter	8,777	8,777

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	13	36
5.2	Call deposits	8,764	9,772
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)	8,777	9,808

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

82

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*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	Amount drawn at quarter end
\$A'000	\$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

(767)

9.2 Product manufacturing and operating costs

9.3 Advertising and marketing

9.4 Leased assets

9.5 Staff costs

(116)

9.6 Administration and corporate costs

(152)

9.7 Other (provide details if material)

9.8 Total estimated cash outflows

(1,035)

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: 31 January 2017

Print name:

Ian Hobson

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.