



ACN 120 332 925

PROSPECTUS

For a non-renounceable pro rata entitlement issue of approximately 13,364,150 New Shares on the basis of 1 New Share for every 8.8 Shares held by Eligible Shareholders at the Record Date at an issue price of 15 cents per New Share, together with 1 free attaching New Option for every 2 New Shares subscribed for and issued to raise up to approximately \$2 million (before costs) (Entitlement Offer)

and

for a Placement Option Offer of up to 16,666,666 New Options on the basis of 1 free attaching New Option for every 2 New Shares subscribed for and issued under the Placement (Placement Option Offer).

The Entitlement Offer is currently expected to close at 5.00pm (AEST) on 12 June 2019. Valid Applications must be received before that time. Please read the instructions in this Prospectus and on the accompanying Entitlement and Acceptance Form regarding the acceptance of your Entitlement under the Entitlement Offer.

Eligible Shareholders may also apply for Shortfall Securities under the Shortfall Offer.

The Placement Option Offer is currently expected to close at 5.00pm (AEST) on 4 June 2019. Valid Applications must be received before that time. Please read the instructions in this Prospectus and on the accompanying Placement Option Application Form regarding the acceptance of your New Options under the Placement Option Offer.

The Entitlement Offer is not underwritten.

THIS IS AN IMPORTANT DOCUMENT WHICH REQUIRES YOUR IMMEDIATE ATTENTION AND SHOULD BE READ IN ITS ENTIRETY. IF YOU ARE IN DOUBT ABOUT WHAT TO DO, YOU SHOULD CONSULT YOUR STOCKBROKER, ACCOUNTANT, SOLICITOR, OR OTHER PROFESSIONAL ADVISER.

AN INVESTMENT IN THE SECURITIES OFFERED BY THIS PROSPECTUS SHOULD BE CONSIDERED HIGHLY SPECULATIVE IN NATURE.

IMPORTANT INFORMATION

General

This Prospectus is dated, and was lodged with ASIC on, 23 May 2019.

Neither ASIC, ASX nor their respective officers take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No Securities will be issued on the basis of this Prospectus any later than 13 months after the date of this Prospectus (being the expiry date of this Prospectus).

The Company will apply to ASX within seven days of the date of this Prospectus for Official Quotation by ASX of the New Shares offered under this Prospectus.

The Company may apply for Official Quotation by ASX of the New Options offered under this Prospectus in the future, but the decision will depend on the number of holders of New Options on completion of the Entitlement Offer and Placement. The Company will advise Shareholders of the decision after the close of the Offers.

A copy of this Prospectus is available for inspection at the registered office of the Company at Unit 15, 2 Park Drive, Bundoora, Victoria 3083 during normal business hours. The Company will provide a copy of this Prospectus to any person on request. The Company will also provide copies of other documents on request (refer to Sections 9.1 and 9.12). This Prospectus is also available electronically at www.adalta.com.au/investors/prospectus but without Application Forms.

No person or entity is authorised to give any information or to make any representation in connection with the Offers which is not contained in this Prospectus. Any information or representation not contained in this Prospectus should not be relied on as having been made or authorised by the Company or the Directors in connection with the Offers.

Application Forms

The Application Forms accompanying this Prospectus are important.

Application for New Securities under the Offers can only be submitted on an Application Form sent with a copy of this Prospectus by the Company. If acceptance is by BPAY® there is no need to return an Application Form.

The Entitlement and Acceptance Form sets out an Eligible Shareholder's Entitlement. Please refer to the instructions in Section 6 regarding the acceptance of your Entitlement and completion of the Entitlement and Acceptance Form. Applications for Shortfall Securities can be made using the Entitlement and Acceptance Form and the Shortfall Application Form.

The Placement Option Application Form sets out how to participate in the Placement Option Offer. Please refer to the instructions in Section 6 regarding the acceptance of the Placement Option Offer.

By returning an Application Form, you acknowledge that you have received and read this Prospectus and you have acted in accordance with the terms of the applicable Offer detailed in this Prospectus.

Eligibility

Eligible Shareholders can only take up their Entitlements by completing and returning the personalised Entitlement Acceptance Form accompanying this Prospectus. The personalised Entitlement Acceptance Form sets out an Eligible Shareholder's Entitlement to participate in the Entitlement Offer.

Placement Participants can only take up New Options by completing and returning the personalised Placement Option Application Form accompanying this Prospectus. The personalised Placement Option Application Form sets out a Placement Participant's entitlement to participate in the Placement Option Offer.

Overseas Shareholders

This Prospectus does not, and is not intended to, constitute an offer of securities in any place or jurisdiction in which, or to any person to whom, it would be unlawful to make such an offer or to issue this Prospectus.

The Entitlement Offer is not being extended, and Securities will not be issued, to Shareholders with a registered address which is outside Australia and New Zealand. It is not practicable for the Company to comply with the securities laws of overseas jurisdictions (other than New Zealand) having regard to the number of overseas Shareholders, the number and value of Securities these Shareholders would be offered and the cost of complying with regulatory requirements in each relevant jurisdiction.

No action has been taken to permit the Entitlement Offer to existing Shareholders in any jurisdiction other than Australia and New Zealand.

The Placement Option Offer is being made only to those persons who have participated in the Placement, being located in Australia and Hong Kong.

The distribution of this Prospectus in jurisdictions outside the above jurisdictions is restricted by law and persons outside of those jurisdictions should observe such restrictions. Any failure to comply with these restrictions may constitute a violation of applicable securities laws.

Nominees and custodians may not distribute this Prospectus and may not permit any beneficial shareholder to participate in the Offers, in any country outside Australia except where the Company has determined it is lawful and practical to make the Offers and provided its written consent.

New Zealand

The New Securities are not being offered to the public within New Zealand other than to existing Shareholders of the Company with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the *Financial Markets Conduct Act 2013* and the *Financial Markets Conduct (Incidental Offers) Exemption Notice 2016*.

This document has been prepared in compliance with Australian law and has not been registered, filed with or approved by any New Zealand regulatory authority. This document is not a product disclosure statement under New Zealand law and is not required to, and may not, contain all the information that a product disclosure statement under New Zealand law is required to contain.

Hong Kong

This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO"). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the New Securities have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO and any rules made under that ordinance).

No advertisement, invitation or document relating to the New Securities has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to New Securities that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors. No person allotted New Securities may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

If you (or any person for whom you are acquiring the New Securities) are in Hong Kong, you (and any such person) are a "professional investor" as defined under the Securities and Futures Ordinance of Hong Kong, Chapter 571 of the Laws of Hong Kong.

Continuously Quoted Securities

In preparing this Prospectus, regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and that certain matters may reasonably be expected to be known to investors and their professional advisers. This Prospectus is issued pursuant to section 713 of the Corporations Act. This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all information which would be included in a prospectus for an initial public offering.

Exposure Period

No exposure period applies to the Offers.

Speculative Investment

An investment in the New Securities should be considered highly speculative. Refer to Section 7 for details of the key risks applicable to an investment in the Company.

Persons wishing to apply for New Securities should read this Prospectus in its entirety in order to make an informed assessment of the assets and liabilities, financial position and performance, profits and losses and prospects of the Company and the rights and liabilities attaching to the Securities.

This Prospectus does not take into account the investment objectives, financial or taxation or particular needs of any Applicant. Before making any investment in the Company, each Applicant should consider whether such an investment is appropriate to his/her particular needs, their individual risk profile for speculative investments, investment objectives and individual financial circumstances. If persons considering applying for Securities have any questions, they should consult their stockbroker, solicitor, accountant or other professional adviser.

There is no guarantee that the New Securities will make a return on the capital invested, that dividends will be paid on the New Shares or that there will be an increase in the value of the New Securities in the future.

Forward-looking Statements

This Prospectus contains forward-looking statements which may be identified by words such as 'believes', 'estimates', 'expects', 'intends', 'may', 'will', 'would', 'could', or 'should' and other similar words that involve risks and uncertainties. These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the Directors and management of the Company. Key risks associated with an investment in the Company are detailed in Section 7. These and other factors could cause actual results to differ materially from those expressed in any forward-looking statements.

The Company has no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

The Company cannot and does not give assurances that the results, performance or achievements expressed or implied in the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

The pro forma financial information provided in this Prospectus is for illustrative purposes only and is not represented as being indicative of the Company's view on its future financial condition and/or performance.

Website

No document or information included on the Company's website is incorporated by reference into this Prospectus.

Data

Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the date of this Prospectus.

Currency

All financial amounts contained in this Prospectus are expressed as Australian dollars unless otherwise stated.

Rounding

Any discrepancies between totals and sums and components in tables contained in this Prospectus are due to rounding.

Time

All references to time in this Prospectus are references to AEST, unless otherwise stated.

Glossary

Defined terms and abbreviations used in this Prospectus are detailed in the glossary of terms in Section 11.

Enquiries

If you have any questions in relation to the Offers, please contact your stockbroker, solicitor, accountant or other professional adviser.

If you have questions in relation to the calculation of your Entitlement, how to complete an Application form or how take up your Entitlement, please call the Company's Share Registry, Automic, on 1300 288 664 (local call cost) or +61 2 9698 5414 between 8.30am and 5.30pm (Sydney time) Monday to Friday until the Closing Date.

CORPORATE DIRECTORY

Directors

Mr Paul MacLeman	Chairman
Ms Samantha Cobb	Managing Director & CEO
Ms Liddy McCall	Non Executive Director
Mr James Williams	Non Executive Director
Mr Robert Peach	Non Executive Director
Mr John Chiplin	Non Executive Director

Lawyers

Lander & Rogers
Level 12,
600 Bourke Street
Melbourne, VIC 3000, Australia

Company Secretary

Mr Cameron Jones

Registered Office

Unit 15, 2 Park Drive
Bundoora VIC 3083
Tel: +61 3 9479 5159
Email: enquiries@adalta.com.au
Website: adalta.com.au

Share Registry

Automic Pty Ltd
Address: Level 5, 126 Phillip Street, Sydney, NSW, Australia, 2000
Tel: +61 2 9698 5414 or 1300 288 664
Email: hello@automic.com.au

ASX Listing

The Company is listed on the ASX with the ticker code: 1AD

Co - Lead Managers

Aurenda Partners Pty Ltd
Level 11
2 Bulletin Place
Sydney NSW 2000, Australia

Bell Potter Securities Limited
Level 29,
101 Collins Street
Melbourne, VIC 3000, Australia

INDICATIVE TIMETABLE FOR OFFERS

Event	Date*
Lodgement of Prospectus with ASIC and ASX	23 May
Company sends letters to re Entitlement Offer Option holders	23 May
Company sends letters re Entitlement Offer to Shareholders	24 May
"Ex" Date	27 May
Record Date (at 7:00pm)	28 May
Offers Opening Date	29 May
Prospectus and Entitlement and Acceptance Form dispatched to Eligible Shareholders	31 May
Prospectus and Placement Option Application Form dispatched to Placement Participants	
Placement Option Offer Closing Date	4 June
Issue of New Options under Placement Option Offer	5 June
Last day to extend the Entitlement Offer Closing Date	6 June
Entitlement Offer Closing Date (at 5:00pm)	12 June
Notification of results of Entitlement Offer	14 June
Issue of New Shares and New Options under Entitlement Offer and Deferred Settlement Trading Ends	17 June
Anticipated date for despatch of holding statements for New Shares and New Options under Entitlement Offer	17 June
Anticipated trading of New Shares under Entitlement Offer on ASX commences	19 June

*All dates are 2019.

The above timetable is indicative only and subject to change. Subject to the Listing Rules, the Directors reserve the right to vary these dates, including the Closing Date, without prior notice. Any extension of the Closing Date will have a consequential effect on the anticipated date for issue of the New Securities under the Entitlement Offer. The Directors also reserve the right not to proceed with the whole or part of any of the Offers at any time prior to allotment. In that event, the relevant Application Monies will be returned without interest.

LETTER FROM THE CHAIRMAN

Dear Shareholder

On behalf of the Board, I am pleased to present this Prospectus and to offer you to acquire new securities in AdAlta Limited (**AdAlta** or **Company**) through participation in this Entitlement Offer and Placement Option Offer.

As announced to ASX on 23 May 2019, the Company has just received commitments to raise \$5,000,000, through the issue of New Shares at \$0.15, together with free attaching New Options (on a 1 for 2 basis). The Placement is split into two tranches, with the first tranche to raise \$2,940,113, to complete on or about 28 May 2019; and the second tranche to raise \$2,059,887, being subject to approval of shareholders at an Extraordinary General Meeting to be held on or about 27 June 2019. Further, Placement Participants are to acquire their entitlement to New Options under the Placement by completing and lodging a Placement Option Application Form.

As a result, the Company is pleased to offer Eligible Shareholders the opportunity to participate in the Entitlement Offer on the basis of 1 New Share for every 8.8 existing Shares held at the Record Date at the same price as under the Placement. Eligible Shareholders will also receive free attaching New Options on the same basis as under the Placement, being 1 New Option for every 2 New Shares subscribed for under the Entitlement Offer.

The Board intends to use the proceeds of the Entitlement Offer and Placement Option Offer to progress AD-214 to a major value inflection point, a Phase I study, demonstrating the safety of our lead i-body candidate. The Entitlement Offer and Placement Option Offer will also be used to provide GMP materials for the clinical studies and pre-clinical studies of AD-214. As we progress AD-214 to the clinic, an important milestone for the Company, we also look forward in tandem to expanding our i-body pipeline with additional new candidates that further demonstrate the advantages of our powerful i-body platform with challenging targets. This funding will also be used for general working capital purposes. Further details on the proposed use of funds is set out in Section 2.4. Please refer to Section 7 for further risks associated with an investment in the Company.

Further information about the Group and its operations is contained in publicly available documents lodged by the Company with ASIC and ASX. This Prospectus should be read in conjunction with this material.

Accompanying this Prospectus is your personalised Entitlement and Acceptance Form or Placement Option Application Form. Please refer to Section 6 for further information on how to take up your entitlement.

If you have any questions, please call the Company's share registry, Automic on +61 2 9698 5414 or 1300 288 664 between 8.30am and 5.30pm (Sydney time) Monday to Friday until the Closing Date.

We are pleased that new and existing investors continue to support the Company's development of life-changing medicines for lethal diseases. On behalf of the Board, I would like to thank you for considering the Entitlement Offer and Placement Option Offer. We greatly appreciate your continued support.

Yours faithfully



Paul MacLeman
Chairman

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1. Investment Overview

Topic	Summary	Further information
What is the Entitlement Offer?	A pro rata offer of 1 New Shares for every 8.8 Shares held by Eligible Shareholders at the Record Date at an issue price of 15 cents per New Share together with 1 free attaching New Option for every 2 New Shares subscribed for and issued to raise up to approximately A\$2 million (before costs). The Entitlement Offer is non-renounceable which means that Entitlements cannot be traded.	Section 3.1
What is the Shortfall Offer?	Eligible Shareholders who take up their Entitlement to New Securities in full are able to apply for additional New Securities on the same basis. New Securities which are not taken up Eligible Shareholders and Ineligible Shareholders will be allocated to those Eligible Shareholders who have applied under the Shortfall Offer.	Section 3.5
What is the Placement Option Offer?	The offer to issue Placement Options is a separate offer made pursuant to this Prospectus. Under this Prospectus, the Company offers to issue up to approximately 16,666,666 New Options to Placement Participants, on the basis of 1 free attaching New Option for every 2 New Shares subscribed for and issued under the Placement.	Section 3.7
What is the Placement?	The Placement is a placement of New Shares and New Options to various institutional investors to raise up to A\$5 million (before costs). The placement was undertaken on 22 May 2019 and will be completed in two tranches, with Tranche Two subject to Shareholder approval at the EGM.	Section 3.7
What is the purpose of the Entitlement Offer?	The purpose of the Entitlement Offer is to raise up to approximately \$2 million (before costs). The funds raised from the Placement and the Entitlement Offer will be used to contribute to: • completing the manufacturing of AD-214 to GMP (good manufacturing practice) standard; • AD-214 pre-clinical studies including non-human primates toxicology studies; • AD-214 phase 1 trial; • Expansion of i-body pipeline and partnering transactions; • General working capital; and • Costs of the offer.	Section 2.4
What is the Strategic Plan?	AdAlta's strategic plan is to commercialise its i-body platform, which includes its lead candidate AD-214, by undertaking the activities described in the use of funds.	Section 2.2

Topic	Summary	Further information
Who can participate in the Entitlement Offer?	The Entitlement Offer is being extended to Shareholders on the Record Date with a registered address in Australia and New Zealand.	Section 3.15
Who can participate in the Shortfall Offer?	The Shortfall Offer is only extended to Eligible Shareholders who take up their Entitlement to New Securities in full. Upon invitation from the Company or the Lead Managers, other investors may also apply for Shortfall Securities.	Section 3.5
Who can participate in the Placement Option Offer?	The Placement Option Offer is only extended to Placement Participants.	Section 3.7
What is the effect of the Offers on control of the Company?	If Shareholders do not participate in the Entitlement Offer, Shareholders may have their shareholding diluted by up to a maximum of 39.17% through the effect of the Entitlement Offer and Placement (assuming all Entitlements are taken up or acquired through the Shortfall Offer and Tranche Two of the Placement is approved). Depending on the level of acceptance by Shareholders of their Entitlements and the take up of Shortfall Securities under the Shortfall Offer, the effect on the ownership by Yuuwa, is that its Voting Power in the Company may fall to 32.90% through the effect of the Entitlement Offer and Placement (assuming all Entitlements are taken up or acquired through the Shortfall Offer and Tranche Two of the Placement is approved).	Section 4
What are key risks associated with an investment in the Company?	Some of the key risks of investing in the Company are detailed below. The list of risks is not exhaustive and further details of these risks and other risks associated with an investment in the Company are detailed in Section 7. In undertaking its business activities, the Company will be exposed to risks, which include, but are not limited to: • Clinical trial risk: Clinical trials can be impacted by a number of factors and there is no guarantee that future trials will demonstrate that the Company's products are successful. • Insufficient funding: AdAlta will not have sufficient capital from the Offers to progress through to marketing approval with its lead candidate and may need to raise further capital. • Manufacturing risk: AdAlta's products have not yet been produced on a pharmaceutical scale. Insufficient quantities may impact its ability to conduct appropriate clinical tests to prove its product as well as its ability to profitably price its products for commercial sale. • Protection of intellectual property: AdAlta gives no guarantee that further development of its intellectual property will be successful. • Costs of development program: The proposed development program may cost more than that budgeted for and as a result the Company may need to obtain additional funds to complete the program.	Section 7

Topic	Summary	Further information
	• R&D incentives may change: A change in the Company's status or the terms of the Australian Government's R&D tax incentive may reduce the tax refunds it receives meaning it may need to obtain additional funds to complete its development program. • Regulator risk: Data obtained from pre-clinical and clinical activities are susceptible to varying interpretations, which could delay, limit or prevent regulatory approval or clearance. • Product liability risk: The future sales of the Company's products will expose it to product liability risks inherent in the research and development, manufacturing, marketing and use of its products. • Key personnel risk: There can be no assurance that the Company will be able to attract or retain sufficiently qualified personnel to commercialise its products and maintain its research programs. • Third party service provider risk: All contracts carry a risk that the respective parties will not comply with their obligations. This may adversely affect the Company's ability to achieve its objectives. • Currency risk: If there are adverse currency fluctuations against the Australian dollar, there is a risk that the foreign work items in the proposed development program may cost more than that budgeted for and as a result the Company may need to obtain additional funds to complete the program. • Competition: The Company's competitors may succeed in developing products that are safe, more effective or otherwise commercially superior than those being developed by AdAlta. • Healthcare insurers and reimbursement: The amount and/or timely availability of insurance or government health care reimbursements may not be sufficient to enable the Company to sell its products on a profitable basis. • Limited history in drug development: The Company has limited history in drug development and cannot guarantee that the i-body platform, will result in the development of any products, or that such products will be commercialized successfully. • Reputational risk: Reputation damage or negative publicity around AdAlta or its products could adversely impact its business preventing it from attracting and retaining personnel, engaging with licensing partners and/or raise funds in the broader market. • Concentration of shareholding: On completion of the Offer, the Company will have a major Shareholder (Yuuwa) that is in a position to exert significant influence over the outcome of matters relating to AdAlta. The sale of Shares by that Shareholder could adversely affect the market price and liquidity of the Company's Shares. • Inherent risks in drug development: The development and commercialisation of pharmaceutical products is subject to the inherent risk	

Topic	Summary	Further information
	of failure which could adversely affect the Company's ability to meet its objectives. • Regulatory changes: Any changes to the regulatory environment applicable to the Company may increase the cost of compliance and may have an impact on the Company's profitability in the future. • Infringement of intellectual property: There is an inherent risk of third parties claiming involvement in technological and medical discoveries which may lead to lead to expensive and lengthy disputes for which there can be no guaranteed outcome. • Trading in Shares may not be liquid: The market price of the Shares can rise and fall and may be subject to varied and unpredictable influences on the share market. • Financial Reporting Standards may change: Changes to accounting standards may adversely affect the financial performance and position reported in the Company's financial statements. • Taxation changes may negatively affect AdAlta: changes to tax laws, the way those laws are interpreted or the current tax rates imposed by those laws, are likely to affect the returns to Shareholders.	
What is the effect of the Offers on the Company?	The maximum number of Securities that will be issued under the Entitlement Offer and Shortfall Offer is 13,364,150 New Shares and 6,682,075 New Options (subject to rounding). Under the Placement Option Offer, a maximum of 9,800,376 New Options will be issued under Tranche One, and a maximum of 6,866,290 New Options will be issued under Tranche Two subject to Shareholder approval. The above are in addition to the 19,600,753 New Shares to be issued under Tranche One and 13,732,580 New Shares to be issued under Tranche Two (if approved) under the Placement	Section 5.1
Is the Entitlement Offer subject to a minimum subscription?	No	Section 3.3
Is the Entitlement Offer underwritten?	No	Section 1
What has been the response to the Entitlement Offer by major Shareholders?	The Company's major shareholder, Yuuwa, has indicated to the Company that it is unable to participate in the Entitlement Offer as under the terms of operation of its fund it has allocated the maximum permitted investment amount for its current shareholding in AdAlta. Platinum Investment Management Limited has made a commitment to acquire 2,666,667 New Shares and 1,333,333 New Options under the Placement and may also participate in the Entitlement Offer.	Section 4.2

Topic	Summary	Further information
What are the terms of the New Options	The New Options have an exercise price of \$0.25 and will expire on 30 June 2021. The terms and conditions of the New Options are detailed in Section 8.2.	Section 8.2
How do I accept my Entitlement?	If you wish to accept all or part of your Entitlement and you are an Eligible Shareholder, you must complete your Entitlement and Acceptance Form that accompanies this Prospectus and send it to the Share Registry together with payment by cheque, bank draft or money order or follow the instructions to pay via BPAY®.	Section 6.1
Can I sell or transfer my Entitlement under the Entitlement Offer?	No, Entitlements are non-renounceable, which means that Eligible Shareholders who do not wish to exercise all or a portion of their Entitlements may not sell their Entitlements (in which case those Entitlements will be forfeited).	Section 3.2
Can I subscribe for more than my Entitlement?	Yes, if you take up your Entitlement in full, you can apply for additional New Securities under the Shortfall Offer. There is no limit to the amount of New Securities you may subscribe for under the Shortfall Offer. The allocation of additional New Securities applied for under the Shortfall Offer will be subject to the Shortfall (if any) that exists.	Section 3.5
How will Shortfall be allocated?	The Company will allocate Shortfall Securities based on the following priority: • to each Eligible Shareholder who has applied for Shortfall Securities through the Shortfall Offer; and • if following the allocation in the paragraph above there remains a Shortfall, to those investors who apply for Shortfall Securities following an invitation from the Company or the Lead Managers. Shortfall Securities will be allocated within three (3) months after the Closing Date. Eligible Shareholders may apply for Shortfall Securities by completing the relevant section of their Entitlement and Acceptance Form.	Sections 3.5 and 3.6
Who are the Lead Managers?	Bell Potter and Aurenda Partners have been appointed as joint Lead Managers.	Section 0
Enquiries concerning Prospectus	Enquiries relating to this Prospectus should be directed to the Share Registry on +61 2 9698 5414 or 1300 288 664.	Section 3.20

2. Company Overview

2.1 Overview

AdAlta's proprietary technology platform generates a new class of protein therapeutics known as i-bodies, which the Company believes have the potential to be used as drugs to treat a range of diseases.

The first program being developed under the i-body platform is called AD-214, a first-in class treatment for Idiopathic Pulmonary Fibrosis (IPF) and other fibrotic diseases. Significant progress has been made to date on the development of AD-214, including peer reviewed pre-clinical work which shows the i-body has activity in fibrotic diseases of the lung, eye, liver, kidney and skin; as well as several non-human primate and toxicology studies. The Company has also developed a manufacturing process for this new potential medicine.

AdAlta intends to undertake manufacturing scale up of its lead drug candidate AD-214, to commence clinical trials for the treatment of IPF and other human fibrotic diseases, for which current therapies are sub-optimal and there is a high unmet medical need.

While the primary focus of AdAlta is taking AD-214 through a Phase 1 human clinical trial, the Company also plans to expand its pipeline of i-body candidates. This will involve using the Company's novel platform technology to identify unique binders to drug targets that have proven difficult for currently available therapeutics.

The Company also aims to partner its technology and its lead candidate with multiple partners to generate up front, milestone and royalty payments.

The Company is based in Melbourne, Australia.

2.2 Strategic Plan

AdAlta is committed to developing its i-body technology and related platforms. The i-body provides drug developers with a new class of therapeutics that combines the advantages of small molecules and antibodies. The i-body platform provides an opportunity for the expansion of the pipeline of i-body drug candidates in multiple therapeutic areas as well as partnerships with biotechnology and pharmaceutical companies in multiple therapeutic areas.

On the basis of strong pre-clinical data, AdAlta is committed to developing its first i-body drug candidate, AD-214, for the treatment of fibrosis. AdAlta's strategy is to further develop and then license its lead candidate to a pharmaceutical or biotechnology company, potentially earning up-front, milestone payments and licensing revenues.

AdAlta intends to implement this strategy through:

- completing the required pre-clinical, manufacturing and Phase 1 human clinical trial of its lead i-body candidate, AD-214;
- continuing research and development activities in other therapeutic areas with the i-body technology and related platforms; and
- partnering and licensing of the lead drug candidate, AD-214, the i-body technology platform and future drug candidates through business development activities.

2.3 Funding

(a) Placement

The Company has received commitments under the Placement to raise \$5,000,000, through the issue of New Shares at \$0.15, together with free attaching New Options (on a 1 for 2 basis).

The Placement is split into two tranches:

- The first tranche will raise \$2,940,113 by the issue of 19,600,753 New Shares (**Tranche One**); and
- The second tranche will raise \$2,059,887 by the issue of 13,732,580 New Shares (**Tranche Two**).

Tranche Two is subject to approval of Shareholders at the EGM to be held on or about 27 June 2019.

(b) Entitlement Offer

The Entitlement Offer will raise up to approximately \$2 million, depending on the level of acceptances.

(c) R&D Tax incentive

The Company has in the past, and intends in the future, to utilise the Federal Government research and development tax incentives, assuming they remain available.

The Company expects to receive an amount of approximately \$3 million in respect of the 2018-2019 tax year through that incentive program, and a similar amount in the 2019-2020 tax year, based on planned eligible expenditure and continuation of the incentive program in its current form.

2.4 Use of funds

The Company proposes to use the funds raised through the Placement and the Offers as follows and as set out in Table 2.4.1:

- completing the manufacturing of AD-214 to GMP (good manufacturing practice) standard;
- AD-214 pre-clinical studies including non-human primate toxicology studies;
- AD-214 phase 1 trial;
- Expansion of i-body and related technology pipeline and partnering transactions;
- General working capital; and
- Costs of the offer.

Table 2.4.1 - Use of Funds

Use of funds	Tranche 1 & 2	Entitlement Offer	Total
Manufacturing (GMP only)	3,400,000	-	3,400,000
GLP Toxicology studies	600,000	-	600,000
Phase 1 studies	3,000,000		3,000,000
Pipeline Build	1,000,000	700,000	1,700,000
Working Capital	2,570,000	1,150,000	3,720,000
Capital Raising Costs	430,000	150,000	580,000
R&D Tax Refund ⁽¹⁾	(6,000,000)	-	(6,000,000)
Total Funds Raised	5,000,000	2,000,000	7,000,000

(1) The Company expects to receive an amount of approximately \$3 million in respect of the 2018-2019 tax year through the R&D tax incentive program, and a similar amount in the 2019-2020 tax year, based on planned eligible expenditure and continuation of the incentive program in its current form

2.5 Future of AdAlta

AdAlta's strategy is to develop, validate and monetise its i-body technology and the funding from this Placement and Entitlement Offer will see AdAlta progress this strategy and achieve several value inflection points.

The proceeds of the Placement and Entitlement Offer will be used to progress AdAlta's first i-body candidate AD-214 to a major value inflection point: taking AdAlta's potential new IPF treatment into a phase I study, demonstrating the safety of our lead i-body candidate. The proceeds will also be used to provide Good Manufacturing Practice (GMP) materials for these clinical studies well as pre-clinical studies of AD-214.

The proceeds of the Placement and Entitlement Offer will be used to progress the development of the i-body and related technology platform, including development of an internal pipeline of i-body products and partnering the i-body technology platform with external parties.

AdAlta's strategy is to generate up-front, milestone payments and licensing revenues from the i-body platform through the development and licensing of its lead candidate to a pharmaceutical or biotechnology company as well as through partnering with pharmaceutical or biotechnology companies with a partner nominated target.

2.6 Information disclosed under section 713(5)

AdAlta is currently in business development discussions with a number of potential partners to utilise the Company's i-body platform, two of which are in advanced stages. Discussions are ongoing, however, a final agreement with either party has not been reached.

AdAlta is currently completing non-human primate studies including the pharmacokinetic and pharmacodynamic evaluation of the i-body AD-214. The data analysis is in progress and these studies have not been completed.

AdAlta is currently completing the manufacturing of its i-body AD-214. A demonstration run is in process and data analysis has not been completed.

3. Details of the Offers

3.1 Entitlement Offer

The Entitlement Offer is a non-renounceable pro rata entitlement issue of 1 New Share for every 8.8 Shares held by Eligible Shareholders on the Record Date at an issue price of 15 cents per New Share together with one free attaching New Option for every two New Shares subscribed for and issued, to raise up to approximately \$2 million (before costs) (**Entitlement Offer**).

Under this Prospectus, Eligible Shareholders, being Shareholders on the Record Date with a registered address in Australia and New Zealand are eligible to participate in the Entitlement Offer.

As at the date of this Prospectus, the Company has the Shares and Options on issue as set out in Table 3.1.1 below.

Table 3.1.1 - Shares and Options on issue at prospectus date

Class	Number ¹
Shares	117,604,523
Options	4,355,007

¹The New Shares and New Options to be issued under the Placement are yet to be issued as described below.

The holders of existing Options will not be entitled to participate in the Entitlement Offer without first exercising their Options.

Under the Placement, 19,600,753 New Shares and 9,800,376 New Options will be issued under Tranche One and 13,732,580 New Shares and 6,866,290 New Options will be issued under Tranche Two, if Shareholder approval is given at the EGM. However the Record Date for the Entitlement Offer is before the settlement date for Tranche One, so no New Shares to be issued under the Placement have been issued prior to the date of this Prospectus and no New Shares will participate in the Entitlement Offer.

Assuming no Options are exercised before the Record Date, up to approximately 13,364,150 New Shares and 6,682,075 New Options may be issued under the Entitlement Offer (subject to rounding).

Where the determination of the Entitlement of any Shareholder results in a fraction of a New Security, such fraction will be rounded up to the nearest whole New Security.

All of the New Shares will rank equally with the Shares on issue at the date of this Prospectus. All Shares issued on the conversion of the New Options will rank equally with the Shares on issue at the date of this Prospectus. Refer to Section 8.1 for a summary of the rights attaching to New Shares. Refer to Section 8.2 for a summary of the rights attaching to New Options.

3.2 Entitlements Trading

Entitlements are non-renounceable, which means that Eligible Shareholders who do not wish to exercise all or a portion of their Entitlements cannot sell their Entitlements.

3.3 Minimum subscription

There is no minimum subscription for the Entitlement Offer.

3.4 Opening and closing dates - Entitlement Offer

The Company will accept Acceptance Forms in respect of the Entitlement Offer from Applicants from the Opening Date until 5.00pm (AEST) on the Closing Date or such other date as the Directors in their absolute discretion shall determine, subject to the Listing Rules.

Please note that payment made by BPAY® must be received no later than 5.00pm (AEST) on the Closing Date. It is the responsibility of all Applicants to ensure that their BPAY® payments are received by the Company on or before the Closing Date.

The Company reserves the right, subject to the Corporations Act and the Listing Rules, to extend the Closing Date of the Entitlement Offer without prior notice. If the Closing Date is varied, subsequent dates may also be varied accordingly.

3.5 Shortfall Offer

Any New Securities under the Entitlement Offer which are not applied for will form the Shortfall Securities. The offer to issue Shortfall Securities is a separate offer under this Prospectus (**Shortfall Offer**).

Under this Prospectus, the Company offers to issue the Shortfall Securities to Eligible Shareholders at the same price of 15 cents per New Share as that offered under the Entitlement Offer together with one free attaching New Option for every two New Shares subscribed for and issued.

The Shortfall Shares will have the same rights as the New Shares as detailed in Section 8.1. The Shortfall Options will have the same rights as the New Options as detailed in Section 8.2.

Eligible Shareholders may apply for Shortfall Securities by completing the relevant section of their Entitlement and Acceptance Form (refer to Section 6.3 for further details). Upon invitation from the Company or the Lead Managers, other investors may also apply for Shortfall Securities by completing the Shortfall Application Form.

An Application for Shortfall Securities accompanied by payment of Application Monies does not guarantee the allotment of any Shortfall Securities. The Shortfall Securities will be allocated within three months after the Closing Date.

In relation to the Shortfall Offer, the Company reserves the right to issue to an Applicant a lesser number of Shortfall Securities than the number applied for, reject an Application or not proceed with the issuing of the Shortfall Securities or part thereof. If the number of Shortfall Securities issued is less than the number applied for, surplus Application Monies will be refunded in full. Interest will not be paid on Application Monies refunded.

3.6 Shortfall allocation policy

If there is a Shortfall, the Company will allocate Shortfall Securities to each Eligible Shareholder who has applied for Shortfall Securities according to the following priority:

- (a) to each Eligible Shareholder who has applied for Shortfall Securities through the Shortfall Offer; and
- (b) if following the allocation in paragraph (a) there remains a Shortfall, to those investors who apply for Shortfall Securities following an invitation from the Company or the Lead Managers.

3.7 Placement Option Offer

The offer to issue Placement Options is a separate offer made pursuant to this Prospectus.

Under this Prospectus, the Company offers to issue up to 16,666,666 New Options to Placement Participants on the basis of 1 New Options for every 2 New Shares issued to the Placement Participant under the Placement (**Placement Option Offer**).

The Placement Options will have the same rights as the New Options as detailed in Section 8.2.

Placement Shares will be allocated to Placement Participants who complete a Placement Option Application Form in the ratio noted above. No additional funds are required to be paid by Placement Participants, and no funds will be raised by the Company under the Placement Option Offer. The Company will accept Placement Option Acceptance Forms in respect of the Placement Option Offer from Applicants from the Opening Date until 5.00pm (AEST) on 4 June 2019 or such other date as the Directors in their absolute discretion shall determine, subject to the Listing Rules.

3.8 Risks of the Offers

As with any securities investment, there are risks associated with investing in the Company. However, having regard to the matters detailed in Section 2.4 and the risks applicable to the Company and its business detailed in Section 7, Applicants should be aware that an investment in the Securities offered under this Prospectus should be considered highly speculative and there exists a risk that you may, in the future, lose some or all of the value of your investment.

Before deciding to invest in the Company, Applicants should read this Prospectus in its entirety, in particular the specific risks associated with an investment in the Company (detailed in Section 7), and should consider all factors in light of their personal circumstances and seek appropriate professional advice.

3.9 Application Forms and BPAY® Payments

Acceptance of a completed Application Form, or alternatively, a BPAY® payment, by the Company creates a legally binding contract between the Applicant and the Company for the number of Securities accepted by the Company. The Application Forms do not need to be signed to be a binding acceptance of Securities.

If an Application Form is not completed correctly it may still be treated as valid. The Directors' decision as to whether to treat the acceptance as valid and how to construe, amend or complete the Application Form is final.

A personalised Entitlement and Acceptance Form will be issued to the Eligible Shareholders together with a copy of this Prospectus.

Eligible Shareholders may apply for the Shortfall Offer by completing the Entitlement and Acceptance Form.

A Shortfall Application Form will be issued to certain investors together with a copy of this Prospectus.

A personalised Placement Option Acceptance Form will be issued to the Placement Participants together with a copy of this Prospectus.

3.10 Issue and Dispatch

All Securities under the Offers are expected to be issued on or before the dates specified in the Indicative Timetable.

It is the responsibility of Applicants to determine their allocation prior to trading in Securities. Applicants who sell Securities before they receive their holding statements will do so at their own risk.

Shortfall Securities may be issued within three months after the Closing Date.

Placement Options relating to Tranche Two will be issued subject to, and shortly after, Shareholder approval is given at the EGM.

3.11 Application Monies held on trust

All Application Monies will be held on trust in a bank account maintained solely for the purpose of depositing Application Monies received pursuant to this Prospectus until the New Securities are issued. All Application Monies will be returned (without interest) if the New Securities are not issued.

3.12 ASX quotation

Application will be made to ASX no later than seven days after the date of this Prospectus for Official Quotation of the New Shares offered under this Prospectus.

If ASX does not grant Official Quotation of the New Shares within three months after the date of this Prospectus (or such period as the ASX allows), no New Shares will be issued or allotted under the Entitlement Offer and the Company will repay, as soon as practicable, without interest, all Application Monies received pursuant to this Prospectus.

The Company may apply for Official Quotation by ASX of the New Options offered under this Prospectus in the future, but the decision will depend on the number of holders of New Options on completion of the Entitlement Offer and Placement. The Company will advise Shareholders of the decision after the close of the Entitlement Offer.

ASX takes no responsibility for the contents of this Prospectus. The fact that ASX may grant Official Quotation is not to be taken in any way as an indication of the merits of the Company or the Securities.

3.13 Withdrawal

The Directors may at any time decide to withdraw this Prospectus and/or any of the Offers, in which case, the Company will return all Application Monies (without interest) in accordance with the Corporations Act.

3.14 CHESS

The Company participates in the Clearing House Electronic Subregister System, known as CHESS. ASX Settlement, a wholly owned subsidiary of ASX, operates CHESS in accordance with the Listing Rules and Securities Clearing House Business Rules.

Under CHESS, Applicants will not receive a certificate but will receive a statement of their holding of Securities.

If you are broker sponsored, ASX Settlement will send you a CHESS statement.

The CHESS statement will set out the number of Securities issued under this Prospectus, provide details of your holder identification number, the participant identification number of the sponsor and the terms and conditions applicable to the Securities.

If you are registered on the Issuer Sponsored subregister, your statement will be dispatched by the Share Registry and will contain the number of Securities issued to you under this Prospectus and your security holder reference number.

A CHESS statement or Issuer Sponsored statement will routinely be sent to Shareholders at the end of any calendar month during which the balance of their shareholding changes. Shareholders may request a statement at any other time, however, a charge may be made for additional statements.

3.15 Ineligible Shareholders

The Entitlement Offer is not being extended to any Shareholders whose registered address is outside Australia or New Zealand (**Ineligible Shareholders**).

The Company is of the view that it is unreasonable to make the Entitlement Offer to Shareholders outside Australia and New Zealand due to a small number of such Shareholders and the number and value of New Shares these Shareholders would be offered, the cost of complying with applicable regulations in such other jurisdictions and the administrative burden that will place on the Company in making the Offers available to Shareholders in those other jurisdictions.

This Prospectus and accompanying Application Forms do not, nor are they intended to, constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such Offers.

Shareholders resident in Australia and New Zealand holding Shares on behalf of persons who are resident overseas are responsible for ensuring that taking up Entitlements under the Entitlement Offer does not breach regulations in the relevant overseas jurisdiction. In particular, you may not accept Entitlements for persons in the United States or for the account or benefit of a person in the United States. Return of a duly completed Entitlement and Acceptance Form will be taken by the Company to constitute a representation that there has been no breach of those regulations.

3.16 Nominees and custodians

Nominees and custodians may not distribute this Prospectus, and may not permit any beneficial shareholder to participate in the Offers, in any country outside Australia and New Zealand except, with the consent of the Company, to beneficial shareholders resident in certain other countries where the Company may determine it is lawful and practical to make the Offers.

3.17 Taxation implications

The Directors do not consider it appropriate to give Applicants advice regarding the taxation consequences of subscribing for Securities.

The Company, its advisers and its officers do not accept any responsibility or liability for any such taxation consequences to Applicants. Applicants should consult their own professional tax adviser to obtain advice in relation to the taxation laws, regulations and implications applicable to their personal circumstances.

3.18 Major activities and financial information

A summary of the major activities and financial information relating to the Company for the financial year ended 30 June 2018 is contained in the Annual Report which is available on the Company's website at <http://www.adalta.com.au/>.

A summary of the major activities and financial information relating to the Company for the half year ended 31 December 2018 is contained in the Half Yearly Report which is available on the Company's website at <http://www.adalta.com.au/>.

The Company's continuous disclosure notices (i.e. ASX announcements) since the lodgement of its Annual Report for the year ended 30 June 2018 with ASX on 7 September 2018 are detailed in Section 9.1.

Copies of these documents are available free of charge from the Company or the Company's website: <http://www.adalta.com.au/>. Directors strongly recommend that Applicants review these and all other announcements prior to deciding whether or not to participate in the Offers.

3.19 Privacy

The Company collects information about each Applicant provided on an Application Form for the purposes of processing the Application and, if the Application is successful, to administer the Applicant's security holding in the Company.

By submitting an Application Form, each Applicant agrees that the Company may use the information provided by an Applicant on the Application Form for the purposes detailed in this privacy disclosure statement and may disclose it for those purposes to the Share Registry, the Company's related bodies corporate, agents, contractors and third party service providers, including mailing houses and professional advisers, and to ASX and regulatory authorities.

If you do not provide the information required on an Application Form, the Company may not accept or process your Application.

An Applicant has an entitlement to gain access to the information that the Company holds about that person subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing to the Company's registered office.

3.20 Enquiries concerning Prospectus

Any questions in relation to this Prospectus or the Application Forms should be directed to the Share Registry between 8.30am and 5.30pm (Sydney time) Monday to Friday until the Closing Date:

Within Australia 1300 288 664 (local call cost).
Outside Australia +61 2 9698 5414

4. Dilution and effect on control

4.1 Dilution

Shareholders should note that if they do not participate in the Entitlement Offer, their holdings will be diluted. Examples of how the dilution from the Offers may impact Shareholders are detailed in Table 4.1.1 below.

Table 4.1.1 - Dilution effect for existing Shareholders

Shareholder	Holding of Shares as at Record Date	% at Record Date	Entitlement to New Shares under the Entitlement Offer	Holdings of Shares if Entitlement Offer not taken up	% post Entitlement Offer ⁽¹⁾⁽²⁾	% post Entitlement Offer and Tranche One issue ⁽³⁾	% post Entitlement Offer and Tranche Two issue ⁽⁴⁾
Shareholder 1	100,000	0.085%	11,364	100,000	0.08%	0.07%	0.06%
Shareholder 2	500,000	0.43%	56,819	500,000	0.40%	0.33%	0.30%
Shareholder 3	1,000,000	0.85%	113,637	1,000,000	0.81%	0.66%	0.61%
Shareholder 4	2,000,000	1.70%	227,273	2,000,000	1.61%	1.33%	1.22%
Shareholder 5	5,000,000	4.25%	568,182	5,000,000	4.02%	3.32%	3.04%

Notes:

- (1) The dilutionary effect shown in the table is the maximum percentage on the assumption that those Entitlements not accepted are placed under the Shortfall Offer. If all Entitlements are not accepted and some of or the entire resulting Shortfall was not placed, the dilution effect for each Shareholder not accepting their Entitlement would be a lesser percentage.
- (2) The table also does not address the potentially dilutionary effect of the New Options to be issued under the Entitlement Offer or Placement Option Offer as they do not have that effect until they are in fact exercised in the future.
- (3) Shareholders will also be diluted by the effect of the Placement
- (4) Tranche Two of the Placement is subject to Shareholder approval at the EGM.

4.2 Effect on the control of the Company

As at the date of this Prospectus, the Company has the substantial Shareholders as set out in Table 4.2.1 below.

Table 4.2.1 - Substantial Shareholders as at Prospectus date

Substantial Shareholder	Number of Shares	Voting Power (%)
Yuuwa	54,059,848	45.97%
Platinum Investment Management Limited	11,333,400	9.64%

The Company's major shareholder, Yuuwa, has indicated to the Company that it is unable to participate in the Entitlement Offer as under the terms of operation of its fund it has allocated the maximum permitted investment amount for its current shareholding in the Company.

Platinum Investment Management Limited has made a commitment to acquire 2,666,667 New Shares and 1,333,333 New Options under the Placement and may participate in the Entitlement Offer.

Table 4.2.2 below shows the number of Shares held by, and approximate voting power of, the substantial Shareholders after completion of each of the Offers, on the basis that the Entitlement Offer is subscribed at differing levels.

Table 4.2.2 - Shares and voting power of substantial Shareholders

	Yuuwa ⁽¹⁾		Platinum ⁽¹⁾	
	Number of Shares	Voting Power	Number of Shares	Voting Power
As at date of Prospectus	54,059,848	45.97%	11,333,400	9.64%
Tranche 1⁽²⁾	54,059,848	39.40%	12,958,131	9.44%
Tranche 2⁽³⁾	54,059,848	35.82%	14,000,067	9.28%
Entitlement Offer and Shortfall Offer subscription %				
0	54,059,848	35.82%	14,000,067	9.28%
25	54,059,848	35.04%	14,000,067	9.07%
50	54,059,848	34.30%	14,000,067	8.88%
100	54,059,848	32.90%	14,000,067	8.52%

Notes:

- (1) The table also does not address the potentially dilutionary effect of the New Options to be issued under the Entitlement Offer or Placement Option Offer as they do not have that effect until they are in fact exercised in the future.
- (2) Shareholders will also be diluted by the effect of the Placement.
- (3) Tranche Two of the Placement is subject to Shareholder approval at the EGM.

The information above assumes that none of the substantial Shareholders acquire or dispose of a relevant interest in any Shares after the date of this Prospectus but before the Record Date, except as otherwise provided for in this Prospectus

The Company notes that impact of the Offers on the control by the substantial shareholders of the Company will be as follows:

- Yuuwa's level of control will be decreased
- Platinum Investment Management Limited's level of control is unlikely to materially vary.

5. Effect of the Offers

5.1 Capital structure on completion of the Offers

On the basis that the Company completes the Offers, the Company's capital structure will be as set out in Table 5.1.1 below.

Table 5.1.1 - Capital structure after Offers

	Number of Shares	Number of Options
Balance as at the date of this Prospectus	117,604,523	4,355,007
Placement - Tranche One	19,600,753	9,800,376
Entitlement Offer⁽¹⁾	13,364,150	6,682,075
Placement - Tranche Two⁽²⁾	13,732,580	6,866,290
TOTAL	164,302,006	27,703,748

Notes:

- (1) Assuming no existing options are exercised prior to the Record Date, all Entitlements are accepted either under the Entitlement Offer or the Shortfall Offer.
- (2) and ignoring variations due to rounding.
- (3) Assuming Shareholder approval is given to Tranche Two at the EGM.

5.2 Pro-forma statement of financial position

Set out on the following pages are the Company's Consolidated Statement of Financial Position as at 31 December 2018 (audited) and the Company's Pro-Forma Consolidated Statement of Financial Position as at 31 December 2018 (unaudited) (**Statements**).

The Statements are presented in abbreviated form insofar as they do not include all the disclosures that are present in annual financial reports as required by Australian Accounting Standards. The significant accounting policies that underpin the Statements are the same policies as those outlined in the Company's Annual Report for the year ended 30 June 2018.

The Pro-Forma Statement of Financial Position has been prepared on the basis that there are no material movements in the assets and liabilities of the Company between 31 December 2018 and the completion of the Offers except for:

- (a) Tranche One of the Placement, the issue of 19,600,753 New Shares at 15 cents each to raise up to \$2,940,113 (before associated costs) and 9,800,376 New Options;
- (b) at full subscription of the Entitlement Offer, the issue of 13,364,150 New Shares at 15 cents each (subject to rounding and assuming that no Options are exercised before the Record Date) to raise up to approximately \$2 million (before associated costs) and 6,682,075 New Options;
- (c) if Shareholder approval is obtained, Tranche Two of the Placement, the issue of 13,732,580 New Shares at 15 cents each to raise up to \$2,059,887 (before associated costs) and 6,866,290 New Options; and
- (d) estimated costs and fees of the Offers of \$580,000.

No allowance has been made for expenditure incurred in the normal course of business from the date of this Prospectus to the Closing Date.

**PRO-FORMA CONSOLIDATED STATEMENT OF
FINANCIAL POSITION AS AT 31 DECEMBER 2018**

	31 Dec 2018 (audited) \$	Placement Tranche 1 \$	Placement Tranche 2 \$	Entitlement Offer \$	Pro-forma Statement (unaudited) \$
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	5,359,175	2,653,405	1,833,295	1,778,161	11,785,836
Trade and other receivables	151,100	-	-	-	151,100
TOTAL CURRENT ASSETS	5,510,275	2,653,405	1,833,295	1,778,161	11,936,936
NON-CURRENT ASSETS					
Plant and equipment	161,798	-	-	-	161,798
Other non-current assets	2,600	-	-	-	2,600
TOTAL NON-CURRENT ASSETS	164,398	-	-	-	164,398
TOTAL ASSETS	5,839,071	2,653,405	1,833,295	1,778,161	12,101,334
LIABILITIES					
CURRENT LIABILITIES					
Trade and other payables	679,910	-	-	-	679,910
Provisions	79,259	-	-	-	79,259
TOTAL CURRENT LIABILITIES	759,169	-	-	-	759,169
TOTAL LIABILITIES	759,169	-	-	-	759,169
NET ASSETS	4,915,504	2,653,405	1,833,295	1,778,161	11,342,165
EQUITY					
Issued capital	21,994,410	2,653,405	1,833,295	1,778,161	28,421,071
Reserves	220,826	-	-	-	220,826
Retained earnings (accumulated losses)	(17,299,732)	-	-	-	(17,299,732)
TOTAL EQUITY	4,915,504	2,653,405	1,833,295	1,778,161	11,342,165

6. Action required by Applicants

6.1 What Eligible Shareholders may do

Your entitlement to participate in the Entitlement Offer will be determined on the Record Date. The number of New Shares and New Options to which an Eligible Shareholder is entitled to is shown on the accompanying personalised Entitlement and Acceptance Form. Eligible Shareholders may:

- (a) accept all of their Entitlement (refer to Section 6.2);
- (b) accept all of their Entitlement and apply for Shortfall Securities (refer to Section 6.3);
- (c) accept a proportion of their Entitlement and allow the balance to lapse (refer to Section 6.4); or
- (d) not take up their Entitlement (refer to Section 6.5).

If you are an Eligible Shareholder and wish to accept all or part of your Entitlement:

- (a) carefully read this Prospectus in its entirety;
- (b) consider the risks associated with an investment in the Company (refer to Section 7) in light of your personal circumstances;
- (c) complete the relevant personalised Entitlement and Acceptance Form in accordance with the instructions contained in this Prospectus and detailed in the accompanying Entitlement and Acceptance Form; and
- (d) return the completed Entitlement and Acceptance Form together with the Application Monies in accordance with Section 6.6, so that it is received by no later than 5.00pm on the Closing Date.

6.2 Acceptance of ALL of your Entitlement under the Entitlement Offer

If you wish to accept all of your Entitlement, then applications for New Securities must be made on the accompanying Entitlement and Acceptance Form in accordance with the instructions in this Prospectus and on the Entitlement and Acceptance Form. Please read the instructions carefully.

Please return the completed Entitlement and Acceptance Form, together with the Application Monies (in full), in accordance with Section 6.6.

6.3 Acceptance of ALL of your Entitlement and applying for Shortfall Securities

If you wish to accept all of your Entitlement and apply for New Securities in excess of your Entitlement by applying for Shortfall Securities, then applications for Shortfall Securities must be made by completing the relevant sections in the Entitlement and Acceptance Form, in accordance with the instructions in the Prospectus and on the accompanying Entitlement and Acceptance Form.

There is no limit to the amount of New Securities you may subscribe for under the Shortfall Offer. Please read the instructions on the Entitlement and Acceptance Form carefully.

Please return the completed Entitlement and Acceptance Form, together with the Application Monies (in full), in accordance with Section 6.6.

6.4 Acceptance of PART of your Entitlement and allowing the balance to lapse

If you wish to take up part of your Entitlement and allow the balance to lapse, complete the personalised Entitlement and Application Form in accordance with the instructions referred to in this Prospectus and the instructions detailed on the form, including the number of New Securities

you wish to accept and the applicable Application Monies (calculated at 15 cents per New Share accepted). Please read the instructions carefully.

Please return the completed Entitlement and Acceptance Form, together with the applicable Application Monies, in accordance with Section 6.6.

If you take no further action, the balance of your Entitlement will lapse and you will have forfeited any potential benefit to be gained from taking up that part of your Entitlement.

6.5 Entitlement not taken up

If you do not wish to accept any of your Entitlement under the Entitlement Offer, you are not obliged to do anything. You will receive no benefit or New Securities and your Entitlement under the Entitlement Offer will become Shortfall Securities.

The number of Shares you hold and the rights attached to those Shares will not be affected should you choose not to accept any of your Entitlement.

6.6 Payment and delivery

The offer price of New Shares under the Entitlement Offer or Shortfall Offer is 15 cents per New Share. For every 2 New Shares issued, you will receive 1 New Option for no additional consideration.

For Eligible Shareholders wishing to participate in the Entitlement Offer, Application Monies must be received by the Company by 5.00pm on the Closing Date.

Completed Entitlement and Acceptance Forms must be:

- accompanied by a cheque, bank draft or money order drawn in Australian dollars, made payable to 'AdAlta Limited' and crossed 'Not Negotiable'; and
- delivered by mail to Automic Pty Ltd, GPO Box 5193, Sydney NSW 2001 or delivered by hand to Automic Pty Ltd, Level 5, 126 Phillip Street, Sydney NSW 2000
- by no later than 5.00pm on the Closing Date.

Eligible Shareholders participating in the Entitlement Offer, and who wish to pay via BPAY® must following the instructions on the Entitlement and Acceptance Form. You will be deemed to have accepted all or part of your Entitlement (as applicable) upon receipt of the BPAY® payment by the Company.

If paying via BPAY®, Eligible Shareholders should be aware that their own financial institution may implement earlier cut off times with regard to electronic payment and it is the responsibility of Eligible Shareholders to ensure that funds are submitted through BPAY® by the date and time mentioned above. If you elect to pay via BPAY®, you must follow the instructions for BPAY® detailed in the Entitlement and Acceptance Form and you will not need to return the Entitlement and Acceptance Form.

The Company shall not be responsible for any postal or delivery delays, or delay in the receipt of the BPAY® payment.

6.7 Placement Option Offer

The offer to issue Placement Options is a separate offer made pursuant to this Prospectus.

Placement Shares will be allocated to Placement Participants who complete the personalised Placement Option Application Form.

No additional funds are required to be paid by Placement Participants under the Placement Option Offer.

The Company will accept Placement Option Application Forms in respect of the Placement Option Offer from Applicants from the Opening Date until 5.00pm (AEST) on 4 June 2019 or such other date as the Directors in their absolute discretion shall determine, subject to the Listing Rules.

Applicants for Placement Options should complete the Placement Option Application Form in accordance with the instructions detailed on the form and return the completed Placement Option Application Form to the Share Registry.

6.8 Representations by Applicants

By completing and returning an Application Form and/or paying any Application Monies by BPAY®, in addition to the representations set out elsewhere in this Prospectus and the Application Form, you:

- (a) if participating in the Entitlement Offer, represent to the Company that you are an Eligible Shareholder;
- (b) if participating in the Placement Option Offer, represent to the Company that you are a Placement Participant;
- (c) acknowledge that you have received a copy of this Prospectus and an accompanying Application Form, and read them both in their entirety;
- (d) agree to be bound by the terms of the respective Offer, the provisions of this Prospectus and the Constitution;
- (e) authorise the Company to register you as the holder(s) of the New Securities allotted to you;
- (f) declare that all details and statements in the Application Form are complete and accurate;
- (g) declare that you are over 18 years of age and have full legal capacity and power to perform all your rights and obligations under the Application Form;
- (h) acknowledge that once the Application Form is returned, and/or a BPAY® payment instruction is given in relation to any Application Monies, the Application may not be varied or withdrawn except as required by law;
- (i) if participating in the Entitlement Offer and/or Shortfall Offer, agree to accept and be issued up to the number of New Shares specified in the Application Form at the issue price of 15 cents per New Share;
- (j) agree to accept and be issued up to the number of New Options specified in the Application Form;
- (k) authorise the Company and its respective officers or agents to do anything on your behalf necessary for the New Securities to be issued to you, including to act on instructions of the Share Registry upon using the contact details set out in the Application Form;
- (l) if participating in the Entitlement Offer, declare that you were the registered holder at 7.00pm on the Record Date of the Shares indicated on your personalised Entitlement and Acceptance Form as being held by you at 7.00pm on the Record Date and that you are resident in Australia or New Zealand and not a US Person;
- (m) acknowledge the statement of risks in Section 7 and that an investment in the Company is subject to risk; and

- (n) represent and warrant that the law of any place does not prohibit you from being given this Prospectus and the Application Form, nor does it prohibit you from accepting New Shares and that if you participate in the Entitlement Offer, that you are eligible to do so.

6.9 Brokerage

No brokerage or stamp duty is payable by Eligible Shareholders who accept their Entitlement.

6.10 Enquiries concerning your Entitlement

If you have any questions in relation to your Entitlement under the Entitlement Offer, please contact the Share Registry by telephone on +61 2 9698 5414 or 1300 288 664.

7. Risks

The New Securities are considered highly speculative and carry no guarantee with respect to the payment of dividends or returns of capital. An investment in the Company is not risk free and the Directors strongly recommend that potential investors consult their professional advisers and consider the risks described below, together with information contained elsewhere in this Prospectus, before deciding whether to apply for New Securities.

The following list of risks ought not to be taken as exhaustive of all the risks faced by the Company or by Shareholders. The proposed future activities of the Company are subject to a number of risks and other factors which may impact its future performance. These risks may be outside the control of the Company or the Directors and may not be able to be mitigated.

7.1 Risks specific to the Company

The current and future operations of the Company, may be affected by a range of factors, including:

(a) **Clinical trial risk in development of the lead candidate**

Moving from discovery to development and subsequent commercialisation typically involves multiple and progressively larger clinical trials. Such trials can be expensive, time consuming, may be delayed or may fail. Clinical trial success can be impacted by a number of factors including obtaining ethics approval, incomplete or slower than expected recruitment of patients, failure to meet trial end points, lack of product effectiveness during the trial, safety issues and modifications to trial protocols or changes to regulatory requirements for trials. There is no guarantee that any future trials will demonstrate that the Company's products are successful.

Failure or material delay at any point of the clinical trial process will reduce the Company's ability to commercialise its intellectual property and generate revenues.

(b) **Insufficient funding**

AdAlta will not have sufficient capital from the Offer to fully commercialize its lead candidate and other programs using its platform technology. Accordingly, the Company will either have to raise additional capital through further offers, or rely on securing a commercial transaction to further its development programs.

The Company's ability to raise further capital (equity or debt) or secure a commercial (including licensing) transaction within an acceptable time, or a sufficient amount and on terms acceptable to it will vary according to a number of factors, including the success of current projects, the result of research and development and other cyclical factors affecting the Company and financial and share markets generally. No assurance can be given that future funding will be available, or that it will be available on terms acceptable to the Company. As a result, the Company's ability to complete its development programs may be delayed or halted until such funds are raised (if at all), preventing the Company from commercialising its intellectual property and generating revenues.

(c) **Risk of manufacturing**

AdAlta's products have not yet been produced on a pharmaceutical scale. If AdAlta is unable to manufacture products in sufficient quantities or at an appropriate cost level, it may not be able to conduct appropriate clinical tests to prove its product. Further, it may be unable to produce the products at a price point which is profitable in the context of commercial sales of the product. The Company's ability to implement its business plan would be significantly hindered by this failure and the Company may be unable to generate a profit, even if its drug development activity is successful.

(d) **Protection of intellectual property**

The Company's success depends, in part, on its ability to obtain patents, maintain trade secret protection and operate without infringing the proprietary rights of third parties. Although the Company will seek to protect its intellectual property, there can be no assurance that these measures will be sufficient.

The Company gives no guarantee that further development of its intellectual property will be successful, that development milestones will be achieved, or that the intellectual property will be developed into further products that are commercially exploitable.

The Company relies on its ability to develop and commercialise intellectual property. A failure to protect its intellectual property successfully may lead to a loss of opportunities and adversely impact on AdAlta's operating results and financial position.

There can be no assurance that any patents the Company may own or control or licence now and in the future will afford the Company a competitive advantage, commercially significant protection of the intellectual property, or that any of the projects that may arise from the intellectual property will have commercial application. Any challenge to the Company's intellectual property position would divert the limited resources of the Company away from its primary development program and may result in the Company requiring additional funds to complete that program. It may also result in the Company being unable to fully utilise its intellectual property portfolio or being required to in-licence certain intellectual property in order to be able to conduct its development program in a manner which will allow commercialisation of its products, and which may reduce the profits available from such activities.

(e) **Costs of development program**

The development program which the Company proposes to undertake with the funds raised under the Offer relies on numerous work items. The costs of these items cannot be confirmed until each item is requested from the supplier and the workscope and pricing agreed. There is a risk that the work items in the proposed development program may cost more than that budgeted for and as a result the Company may need to obtain additional funds to complete the program.

No assurance can be given that future funding will be available, or that it will be available on terms acceptable to the Company. As a result, the Company's ability to complete its development programs may be delayed or halted until such funds are raised (if at all), preventing the Company from commercialising its intellectual property and generating revenues

(f) **Australian Government R&D incentives may change**

The Company's development program includes anticipated receipt of tax refunds based on the Company's actual research and development spending. If the status of the Company or its connected entities should change or the Australian Federal Government changes its R&D incentive program in a manner which adversely affects the amount of funds available or the timing of receipt of such funds, there is a risk that the Company may need to obtain additional funds to complete the program.

No assurance can be given that future funding will be available, or that it will be available on terms acceptable to the Company. As a result, the Company's ability to complete its development programs may be delayed or halted until such funds are raised (if at all), preventing the Company from commercialising its intellectual property and generating revenues.

(g) **Regulator risk**

Data obtained from pre-clinical and clinical activities are susceptible to varying interpretations, which could delay, limit or prevent regulatory approval or clearance.

Before the Company can market and sell its products, it must demonstrate that the products are safe and effective and must obtain necessary approvals from market regulators (for example, the Australian Therapeutic Goods Administration and the United States Food and Drug Administration). Such approval may take longer than anticipated, require additional trials to be undertaken or may not be provided at all.

As a result, the Company may require additional funding to clear the regulatory pathway. No assurance can be given that future funding will be available, or that it will be available on terms acceptable to the Company. As a result, the Company's ability to complete its development programs may be delayed or halted until such funds are raised (if at all), preventing the Company from commercialising its intellectual property and generating revenues.

(h) Product liability risk

The process of securing marketing approval of a new product is both costly and time consuming. The intention of the Company is to out-license the lead candidate product at an early stage of development. However if the Company decides to develop the lead candidate and take it to market, the future sales of its products will expose the Company to product liability risks which are inherent in the research and development, manufacturing, marketing and use of its products.

The Company intends to obtain and maintain adequate levels of insurance to cover product liability risks. Despite this, there can be no guarantee that adequate insurance coverage will be available at an acceptable cost (or in adequate amounts), if at all, or that product liability or other claims will not materially and adversely affect the operations and condition of the Company. A product liability claim may give rise to significant liabilities as well as damage the Company's reputation.

(i) Key personnel risk

Due to the specialised nature of the Company's business, its ability to commercialise its products and maintain its research program will depend in part on its ability to attract and retain suitably qualified management, scientists, research personnel and consultants. The Company also faces competition to employ and retain the services of such individuals.

There can be no assurance that the Company will be able to attract or retain sufficiently qualified scientific and management personnel, or maintain its relationship with key scientific organisations and contractors.

The loss of key scientific and management personnel, and the associated corporate knowledge of those people could have a detrimental impact on the Company and this may adversely affect the Company by impeding the achievement of its research, product development and commercialisation objectives.

(j) Third party service provider risk

The Company will conduct much of its development activities through a series of contractual relationships with manufacturers and other third parties. All contracts, including those entered into by AdAlta carry a risk that the respective parties will not adequately or fully comply with their respective contractual rights and obligations, or that these contractual relationships may be terminated. This may adversely affect the Company by impeding the achievement of its research, product development and commercialisation objectives.

(k) Currency risk

Expenditure in overseas jurisdictions are subject to the risk of fluctuations in foreign exchange. The Company's payment obligations to its manufacturer and for toxicology testing are expected to be in foreign currency. If there are adverse currency fluctuations

against the Australian dollar, there is a risk that the work items in the proposed development program may cost more than that budgeted for and as a result the Company may need to obtain additional funds to complete the program.

No assurance can be given that future funding will be available, or that it will be available on terms acceptable to the Company. As a result, the Company's ability to complete its development programs may be delayed or halted until such funds are raised (if at all), preventing the Company from commercialising its intellectual property and generating revenues.

(l) Competition

There are a number of companies with drugs at various stages of development for the treatment of IPF and other fibrotic diseases.

There are also a number of companies developing biological platforms similar to those the Company is developing. The Company's potential competitors may include companies with substantially greater resources and access to more markets. Therefore, competitors may succeed in developing products that are safe, more effective or otherwise commercially superior than those being developed by AdAlta or which could render the Company's products obsolete and/or otherwise uncompetitive. The Company's ability to implement its business plan would be significantly hindered by this and the Company may be unable to generate revenues or profits, even if its drug development activity is successful.

(m) Healthcare insurers and reimbursement

In many markets, treatment volumes are likely to be influenced by the availability and amounts of reimbursement of patients' medical expenses by third party payer organisations including government agencies, private health care insurers and other health care payers. There is no assurance that reimbursement of any products or services developed and commercialised by the Company will be available to patients at all or without substantial delay. Even if such reimbursement is provided, the approved reimbursement amounts may not be sufficient to enable the Company to sell products on a profitable basis.

(n) Limited history in drug development

The Company has limited history in drug development. Accordingly, AdAlta cannot guarantee that the i-body platform, its drug pipeline, pre-clinical or clinical programs will result in the development of any products, or even if it does that the products will be approved or commercialized successfully. The Company's ability to generate revenues or profits, may therefore be adversely affected by this lack of experience.

(o) Reputational risk

The Company's reputation and brand and its products are important to the Company's standing in the pharmaceutical and biotechnology industries.

Reputational damage could arise due to a number of circumstances including:

- (i) inadequate services or unsatisfactory clinical outcomes for patients;
- (ii) error, malpractice or negligence of AdAlta's employees; or
- (iii) error, malpractice or negligence of the licensed medical specialists performing the treatments.

Any reputation damage or negative publicity around AdAlta or its products could adversely impact AdAlta's business by preventing it from attracting and retaining high calibre professionals, eventually reducing its attractiveness to licensing partners and

adversely impacting on its ability to raise funds in the broader market, all of which would adversely affect the Company and impede the achievement of its commercialisation objectives.

(p) Concentration of shareholding

Following completion of the Offers, the Company's major Shareholder, Yuuwa is expected to hold between 32.90% and 35.82% of the Company's share capital, if all of the New Shares under the Entitlement Offer and Placement are subscribed for and it does not dispose of any Shares after the date of this Prospectus.

Accordingly, the general partner of Yuuwa will be in a position to exert significant influence over the outcome of matters relating to AdAlta, including the election of Directors and the consideration of material Board decisions. Further details of the dilutionary impact and effect of control of the Company as a result of the Offers are set out in Section 4.2.

The sale of Shares in the future by Yuuwa could adversely affect the market price of the Shares. Also the concentration of ownership may affect the liquidity of the market for Shares on ASX and contribute to a perception that the ownership structure is not conducive to a corporate control transaction involving AdAlta in the short to medium term.

7.2 Industry Risks

(a) Inherent risks in drug development

The development and commercialisation of pharmaceutical products is subject to the inherent risk of failure, including the possibility that products may:

- (i) be found to be unsafe or ineffective;
- (ii) fail to demonstrate any material benefit or advancement in safety and/or efficacy of an existing product;
- (iii) fail to receive necessary regulatory approvals;
- (iv) be difficult or impossible to manufacture on the necessary scale;
- (v) be uneconomical to market or otherwise not commercially exploitable;
- (vi) fail to be developed prior to the successful marketing of a similar product by competitors;
- (vii) compete with products marketed by third parties that are superior; and
- (viii) fail to achieve the support or acceptance of physicians, patients or the medical community.

All of the above factors could adversely affect the Company and impede the achievement of its commercialisation objectives.

(b) Regulatory changes

The Company operates in an industry which is subject to laws, regulatory restrictions and certain government directives, recommendations and guidelines relating to, amongst others, occupational health and safety, laboratory practice, use and handling of hazardous materials, prevention of illness and injury and environmental protection.

Any changes to the regulatory environment may increase the cost of compliance and may have an impact on the Company's profitability in the future.

(c) **Infringement of intellectual property**

There is always a risk of third parties claiming involvement in technological and medical discoveries. Further, competition in retaining and sustaining protection of intellectual property and the complex nature of intellectual property can lead to expensive and lengthy patents disputes for which there can be no guaranteed outcome. Some parties may be able to utilise their greater financial resources to sustain the costs of litigation or proceedings.

Securing rights to intellectual property, and in particular patents, is an integral part of securing potential product value in the outcomes of pharmaceutical research and development. The granting of a patent does not guarantee that the rights of others are not infringed or that a competitor will not develop competing intellectual property that circumvents such patents. The patent position of pharmaceutical companies can be highly uncertain and frequently involve complex legal and scientific evaluation. The breadth of claims allowed in pharmaceutical patents and their enforceability cannot be predicted.

7.3 General risks

(a) **Trading in Shares may not be liquid**

The market price of the Shares can rise and fall and may be subject to varied and unpredictable influences on the share market. The trading price of the Shares at any given time may be higher or lower than the price paid under the Offer. Further, you may be unable to sell or realise your investment because the market for Shares may be illiquid.

- (i) Share market conditions are affected by many factors, including:
- (ii) general economic outlook;
- (iii) interest rates and inflation rates;
- (iv) currency fluctuations;
- (v) changes in investor sentiment towards equities or particular market sectors;
- (vi) political instability;
- (vii) short selling and other trading activities;
- (viii) the demand for, and supply of, capital; and
- (ix) force majeure events.

(b) **Australian International Financial Reporting Standards may change**

The Company's financial reports are subject to compliance with Australian International Financial Reporting Standards (AIFRS) issued by the Australian Accounting Standards Board. The accounting treatment under AIFRS or changes to accounting standards, may materially adversely affect the financial performance and position reported in the Company's financial statements.

(c) **Taxation changes may negatively affect AdAlta**

There is a risk of changes to tax laws and changes in the way tax laws are interpreted. Any changes to the current rates of taxes imposed on AdAlta are likely to affect returns to Shareholders.

In addition, an investment in Shares involves tax considerations which may differ for each Shareholder and may be subject to change. Each prospective Shareholder is encouraged to seek professional tax advice in connection with any investment in AdAlta.

7.4 Investment Highly Speculative

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the New Securities offered under this Prospectus. Therefore, the New Securities to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those New Securities. Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for New Securities pursuant to this Prospectus.

8. Rights attaching to New Shares and New Options

8.1 Rights attaching to New Shares

The New Shares issued under this Prospectus will rank *pari passu* in all respects with existing Shares.

The following is a summary of the more significant rights and liabilities attaching to New Shares to be issued pursuant to this Prospectus.

This summary is qualified by the full terms of Company's Constitution (a full copy of the Constitution is available from Company on request free of charge or available for inspection at the Company's registered office during normal business hours) and does not purport to be exhaustive or to constitute a definitive statement of the rights and liabilities of Shareholders. These rights and liabilities can involve complex questions of law arising from an interaction of Constitution with statutory and common law requirements. For a Shareholder to obtain a definitive assessment of the rights and liabilities which attach to shares in any specific circumstances, the Shareholder should seek legal advice.

(a) General meetings

Directors may call a meeting of Shareholders whenever they think fit. Shareholders may call a meeting as provided by the Corporations Act. All Shareholders are entitled to a notice of meeting. A meeting may be held in two or more places linked together by audio-visual communication devices. A quorum for a meeting of Shareholders is 2 eligible voters.

The Company will hold annual general meetings in accordance with the Corporations Act and the Listing Rules.

Shareholders are entitled to be present in person, or by proxy, attorney or representative (in the case of a company) to speak and to vote at general meetings of the Company.

(b) Voting

Subject to any rights or restrictions at the time being attached to any class or classes of shares, at a general meeting of the Company on a show of hands, every Shareholder present in person, or by proxy, attorney or representative (in the case of a company) has one vote and upon a poll, every Shareholder present in person, or by proxy, attorney or representative (in the case of a company) has one vote for any Share held by the Shareholder.

A poll may be demanded by the chairperson of the meeting, any 5 Shareholders entitled to vote in person or by proxy, attorney or representative or by any one or more Shareholders holding not less than 5% of the total voting rights of all Shareholders having the right to vote.

(c) Dividends

The Directors may declare and authorise the distribution from the profits of the Company, dividends to be distributed to Shareholders according to their rights and interests. The Directors may before declaring any dividend set aside reserves out of the profits of the Company which at the Directors' discretion may be used in the business of the Company or be invested in such investments as the Directors think fit. Except to the extent that the terms of issue of shares provide otherwise, each dividend must be distributed according to the amount paid up on the Share in a manner calculated in accordance with the Constitution.

(d) **Winding up**

If the Company is wound up, the liquidator may, with the sanction of a special resolution of the Company, divide among the Shareholders in kind the whole or any part of the property of the Company and may for that purpose set such value as the liquidator considers fair on any property to be so divided and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

The liquidator may, with the sanction of a special resolution of the Company, vest the whole or any part of any such property in trustees on such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any shares or other securities in respect of which there is any liability.

(e) **Transfer of shares**

Generally, Shares are freely transferable, subject to formal requirements, and to the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia.

(f) **Directors**

The business of the Company is to be managed by or under the direction of the Directors.

Directors are not required under the Constitution to hold any Shares.

Unless changed by the Company in general meeting, the minimum number of Directors is 3 and the maximum is 10. The existing Directors may appoint a new Director to fill a casual vacancy or as an addition to the Board. Any such Director must retire at the next following annual general meeting of the Company (at which meeting he or she may be eligible for election as a Director).

The Constitution contains provisions relating to the rotation and election of directors. No Director other than the Managing Director may hold office later than the third annual general meeting after his or her appointment or election, without submitting himself or herself for re-election.

For a person to be eligible for election as a Director, a nomination for the office of Director and the written consent of the proposed director must be received at the Company's registered office not later than 35 Business Days before the meeting.

(g) **Offer of shares**

Subject to the requirements of the Corporations Act and if applicable, the Listing Rules, the issue of Shares by the Company is under the control of the Directors.

Under the Constitution the Company is empowered, without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, to issue shares with preferred, deferred or other rights on such terms and conditions as they see fit.

(h) **Variation of shares and rights attaching to shares**

Shares may be converted or cancelled with member approval and the Company's share capital may be reduced in accordance with the requirements of the Corporations Act.

Class rights attaching to a particular class of shares may be varied or cancelled with the consent in writing of holders of 75% of the shares in that class or by a special resolution of the holders of shares in that class.

(i) **Unmarketable parcels**

The Company may procure the disposal of Shares where the member holds less than a marketable parcel of Shares within the meaning of the Listing Rules (being a parcel of Shares with a market value of less than \$500). To invoke this procedure, the Directors must first give notice to the relevant member holding less than a marketable parcel of Shares, who may then elect not to have his or her Shares sold by notifying the Directors.

(j) **Share buy-backs**

The Company may buy-back Shares in itself in accordance with the provisions of the Corporations Act.

(k) **Indemnity and insurance of officers**

Under the Constitution, the Company is obliged, to the extent permitted by law, to indemnify an officer (including Directors), auditor or agent of the Company against liabilities incurred by the officer, auditor or agent in that capacity, against costs and expenses incurred by the officer in successfully defending civil or criminal proceedings, and against any liability which arises out of conduct not involving a lack of good faith.

To the extent permitted by law, the Company may also pay the premium on any insurance policy for any person who is or has been, an officer against a liability incurred by that person in his or her capacity as an officer of the Company, provided that the liability does not arise out of conduct involving a wilful breach of duty.

(l) **Changes to the constitution**

The Constitution can only be amended by a special resolution passed by at least three quarters of the members present and voting at a general meeting of the Company. At least 28 days' written notice specifying the intention to propose the resolution as a special resolution must be given.

(m) **Listing Rules**

Provided the Company remains admitted to the Official List of the ASX, then despite anything in the Constitution, no act may be done that is prohibited by the Listing Rules, and authority is given for acts required to be done by the Listing Rules. The Constitution will be deemed to comply with the Listing Rules, as amended from time to time.

8.2 Rights Attaching to New Options

The following is a summary of the terms and conditions attaching to New Options to be issued pursuant to this Prospectus.

(a) **Entitlement**

Each New Option entitles the holder to subscribe for one Share upon the exercise of the New Option (subject to adjustment under the terms of issue).

(b) **Exercise Price and Expiry Date**

The New Options have an exercise price of \$0.25 per New Option (**Exercise Price**) and expire at 5.00pm (AEST) 30 June 2021 (**Expiry Date**).

A New Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(c) **Exercise Period**

The New Options are exercisable at any time on or prior to the Expiry Date.

(d) **Quotation of the New Options**

The Company may apply for Official Quotation by ASX of the New Options in the future, but the decision will depend on the number of holders of New Options on completion of the Entitlement Offer and Placement.

(e) **Notice of Exercise**

The New Options may be exercised by notice in writing to the Company in the manner specified on the New Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each New Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

New Options will be deemed to have been exercised on the latest of the date:

- (i) the Exercise Notice;
- (ii) the Exercise Price; and
- (iii) the New Option certificate (if any),

is received by the Company or the Share Registry.

(f) **Shares Issued on Exercise**

Shares issued on exercise of the New Options rank equally with the then issued shares of the Company.

(g) **Timing of the Issue of Shares on Exercise and Quotation**

Within 10 business days of a Notice of Exercise being given in accordance with these terms and conditions and payment of the Exercise Price for each New Option being exercised, the Company will:

- (i) issue the Shares pursuant to the exercise of the New Options; and
- (ii) apply for official quotation on ASX of Shares issued pursuant to the exercise of the New Options.

(h) **Participation in New Issues**

There are no participation rights or entitlements inherent in the New Options and holders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the New Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 4 business days after the issue is announced. This will give the holders of New Options the opportunity to exercise their New Options prior to the date for determining entitlements to participate in any such issue.

(i) **Adjustment for Bonus Issues of Shares**

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment):

- (i) the number of Shares which must be issued on the exercise of a New Option will be increased by the number of Shares which the New Option holder would

have received if the New Option holder had exercised the New Option before the record date for the bonus issue; and

(ii) no change will be made to the Exercise Price.

(j) Adjustment for Entitlement Issue

If the Company makes an issue of Shares pro rata to existing shareholders (other than as a bonus issue, to which paragraph (i) will apply, an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) the Company will adjust the Exercise Price of a New Option in accordance with ASX Listing Rule 6.22.2.

(k) Adjustment for Reorganisation

If there is any reorganisation of the issued share capital of the Company, the rights of the New Option holders will be varied in accordance with the Listing Rules.

(l) Transferability

The New Options are transferable.

9. Additional information

9.1 Continuous disclosure obligations

The Company is a 'disclosing entity' (as defined in section 111AC of the Corporations Act) for the purposes of section 713 of the Corporations Act, and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company's securities. The New Shares are in the same class as Shares that have been quoted on the official list of the ASX during the three months prior to the issue of this Prospectus, and the New Options are options to be issued Shares.

This Prospectus is a prospectus to which the special content rules under section 713 of the Corporations Act apply. That provision allows the issue of a more concise prospectus in relation to an offer of securities, or operation to acquire securities, in a class which has been continuously quoted by ASX in the three months prior to the date of the Prospectus. In general terms the Prospectus is only required to contain information in relation to the effect of the issue of New Securities on the Company and the rights attaching to the New Securities. It is not necessary to include general information in relation to all of the assets and liabilities, the financial position, profits and losses or prospects of the Company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the three months before the issue of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the closing date of the Entitlement Offer:
 - (i) the annual financial report of the Company for the financial year ended 30 June 2018 being the most recent annual financial report of the Company lodged with the ASIC before the issue of this Prospectus; and
 - (ii) the half year financial report of the Company for the six months ended 31 December 2018 lodged with ASIC after the lodgement of the annual financial report mentioned in paragraph (i) and before the issue of this Prospectus; and
 - (iii) any documents used to notify ASX of information relating to the Company in the period from lodgement of the annual financial report referred to in paragraph

(i) above until the issue of this Prospectus in accordance with the Listing Rules as referred to in section 674(1) of the Corporations Act.

Copies of all documents lodged with the ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours.

The Company has lodged the announcements set out in Table 9.1.1 below with ASX since the lodgement of its annual report on 7 September 2018 and prior to the lodgement of this Prospectus with ASIC.

Table 9.1.1 - ASX Announcements following last annual report

Date	Description of Announcement
21 May 2019	Trading Halt
6 May 2019	Response to financial media publication
2 May 2019	AD-214 manufacturing update
29 April 2019	Appendix 4C - quarterly
29 April 2019	Change of Director's Interest Notice (Sam Cobb)
29 April 2019	Appendix 3B
12 March 2019	Major shareholder fund expiry extended
28 February 2019	Half Yearly Report and Accounts
28 February 2019	Collaboration with Excellerate Bioscience
31 January 2019	Investor and analyst briefing presentation
29 January 2019	Manufacturing update
22 January 2019	Appendix 4C - quarterly
21 January 2019	Appendix 3B
29 November 2018	Change of Director's Interest Notice x 3
29 November 2018	Appendix 3B
28 November 2018	Results of Annual General Meeting 28 November 2018
28 November 2018	AGM Presentation
24 October 2018	Notice of Annual General Meeting/Proxy Form
24 October 2018	Receipt of R&D Tax Incentive
24 October 2018	Appendix 4C - Quarter ended 30 September 2018
17 October 2018	Shareholder information sessions

Date	Description of Announcement
15 October 2018	Manufacturing Update
15 October 2018	Change of Registry Address: Automic P/L - Sydney Office
28 September 2018	Appendix 4G and Corporate Governance Statement
7 September 2018	Change of Director's Interest Notice x 3

9.2 Interests of Directors

Except as disclosed in this Prospectus, no Director (or entity in which they are a partner or director) has, or has had in the two years before the date of this Prospectus, any interests in:

- (a) the formation or promotion of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion of the Offers; or
- (c) the Offers;

and no amounts have been paid or agreed to be paid and no value or other benefit has been given or agreed to be given to:

- (a) any Director to induce him or her to become, or to qualify as, a Director; or
- (b) any Director for services which he or she (or entity in which they are a partner or director) has provided in connection with the formation or promotion of the Company or the Offers.

Interest in Securities

As at the date of this Prospectus, the relevant interests of the Directors and their related entities in securities in the Company, are detailed in Table 9.2.1 below.

Table 9.2.1 - Related party interests in securities

Director	Shares held	Options held	Entitlement to subscribe for New Shares under the Entitlement Offer ⁽¹⁾	Entitlement to subscribe for New Options under the Entitlement Offer ⁽¹⁾
Mr Paul MacLeman ⁽²⁾	439,636	30,000	49,959	24,980
Ms Samantha Cobb ⁽³⁾	1,443,843	1,750,000	164,074	82,037
Mr John Chiplin	1,000,000	20,000	113,637	56,819
Ms Liddy McCall ⁽⁴⁾⁽⁵⁾	54,159,848	None	6,154,529	3,077,265
Mr James Williams ⁽⁴⁾⁽⁶⁾	54,159,848	None	6,154,529	3,077,265
Mr Robert Peach ⁽⁷⁾	333,333	200,000	37,879	18,940

¹ The Entitlement shown assumes that none of the Options held by a Director are exercised prior to the Record Date.

² Paul MacLeman has indicated that he or his nominee will subscribe for 33,334 New Shares (with 16,667 free attaching New Options) in the Placement. These New Securities will form part of Tranche Two only if the specific issue to Paul MacLeman is approved at the EGM.

³ Samantha Cobb has 356,394 shares subject to a holding lock under a loan agreement with the Company.

⁴ Interests are held indirectly through Yuuwa, the general partner of which is Yuuwa Management LP managed by Yuuwa Capital Management Pty Ltd, of which James Williams and Liddy McCall are directors and shareholders. These interests include 54,059,848 Shares. Yuuwa has advised that it will not be taking up its entitlement under the Entitlement Offer.

⁵ Liddy McCall has indicated that she or her nominee will subscribe for 33,334 New Shares (with 16,667 free attaching New Options) in the Placement. These New Securities will form part of Tranche Two only if the specific issue to Liddy McCall is approved at the EGM.

⁶ James Williams has indicated that he or his nominee will subscribe for 133,334 New Shares (with 66,667 free attaching New Options) in the Placement. These New Securities will form part of Tranche Two only if the specific issue to James Williams is approved at the EGM.

⁷ Robert Peach has indicated that he or his nominee will subscribe for 962,666 New Shares (with 481,333 free attaching New Options) in the Placement. These New Securities will form part of Tranche Two only if the specific issue to Robert Peach is approved at the EGM.

Directors' Remuneration

The remuneration (including superannuation and share based payments) of existing Directors for the past two financial years (30 June year-end) are as set out in Table 9.2.2 below.

Table 9.2.2 - Directors' Remuneration

Director	Title	Financial Year to 30 June 2018	Financial Year to 30 June 2017
Mr Paul MacLeman	Chairman	\$68,396	\$60,108
Ms Samantha Cobb	Managing Director and CEO	\$389,714	\$313,315
Mr John Chiplin	Non-executive Director	\$47,264	\$41,503
Ms Liddy McCall ⁽¹⁾	Non-executive Director	\$45,000	\$38,650
Mr James Williams ⁽¹⁾	Non-executive Director	\$45,000	\$38,650
Mr Robert Peach ⁽²⁾	Non-executive Director	\$67,963	\$28,125

¹ James Williams and Liddy McCall's interests are indirectly via a payment to Yuuwa for services. Yuuwa is a venture capital firm that is managed by its General Partner, Yuuwa Management LP managed by Yuuwa Capital Management Pty Ltd which are associated with James Williams and Liddy McCall.

² Appointed 14 November 2016

9.3 Dividend policy

The Company does not intend to declare or pay any dividends in the immediately foreseeable future.

Any future determination as to the payment of dividends by the Company will be at the sole discretion of the Directors and will depend on the availability of distributable earnings and operating results and financial condition of the Company, future capital requirements and general business and other factors considered relevant by the Directors. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company.

9.4 Joint Lead Manager Mandate

The Company has entered into a mandate with Aurenda Partners Pty Ltd and Bell Potter pursuant to which each of Aurenda Partners Pty Ltd and Bell Potter has been appointed joint lead manager to the Entitlement Offer, Shortfall Offer and Placement Offer.

The Joint Lead Managers will assist the Company in marketing and facilitating demand for the Entitlement Offer, Shortfall Offer and Placement Offer. The Joint Lead Managers will be paid a 7% fee of gross amount raised by the Joint Lead Managers under the Entitlement Offer, Shortfall Offer and Placement Offer.

9.5 Interests of Other Persons

No promoter or other person named in this Prospectus as having performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus (or entity in which they are a partner or director) holds, has, and has not had in the two years before the date of this Prospectus, any interest in:

- (a) the formation or promotion of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offers; or
- (c) the Offers,

and no amounts have been paid or agreed to be paid and no value or other benefit has been given or agreed to be given to a promoter or any person named in this Prospectus as having performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus (or entity in which they are a partner or director), provided in connection with the formation or promotion of the Company or the Offers, except as disclosed in this Prospectus and as follows:

Lander & Rogers has acted as the Australian lawyers to the Company for the Offers. In respect of this work the Company will pay Lander & Rogers approximately \$55,000. During the two years before the date of this Prospectus, Lander & Rogers has provided the Company with legal services and was paid approximately \$42,650 for these services.

Automic Pty Ltd conducts the Company's share registry functions and will provide administrative services in respect to the proposed Share applications pursuant to this Prospectus. Automic Pty Ltd will be paid for these services on standard industry terms and conditions.

Aurenda Partners Pty Ltd is acting as joint Lead Manager to the Offers and will be paid the fee set out in Section 9.4 for that service.

Bell Potter is acting as joint Lead Manager to the Offers and will be paid the fee set out in Section 9.4 for that service.

The amounts disclosed above are exclusive of GST.

9.6 Related party transactions

At the date of this Prospectus, no material transactions with related parties and Directors interests exist that the Directors are aware of, other than those disclosed in this Prospectus.

9.7 Market price of Shares

The highest and lowest market sale prices of the Shares on ASX during the three months immediately preceding the date of lodgement of this Prospectus with ASIC and the respective dates of those sales were:

Highest: \$0.25 (27 February, 25 March, 3 April and 11 April 2019)

Lowest: \$0.165 (26 April 2019)

The latest available market sale price of the Shares on ASX prior to the date of lodgement of this Prospectus with ASIC was \$0.185 per Share on 17 May 2019.

9.8 Costs of the Offers

The costs of the Offers payable by the Company (exclusive of GST) are set out in Table 9.8.1 below.

Table 9.8.1 - Cost of Offers

	(\$)
ASIC lodgement fee	3,200
ASX quotation fee ⁽¹⁾	16,000
Legal expenses	65,000
Broker fee	490,000
Printing and other expenses	5,800
TOTAL	580,000

⁽¹⁾ This does not include the listing fee applicable to any New Options which may be listed.

9.9 Taxation Implications

The acquisition and disposal of Securities will have taxation consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to take independent financial advice about the taxation and any other consequences of acquiring and selling the Securities.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisers accept no liability or responsibility with respect to the taxation consequences of subscribing for New Securities.

9.10 Litigation and Claims

So far as the Directors are aware, other than as disclosed by the Company to ASX, there is no current or threatened civil litigation, arbitration proceedings or administrative appeals, or criminal or governmental prosecutions of a material nature in which the Company is directly or indirectly concerned which is likely to have a material adverse effect on the business or financial position of the Company.

9.11 Consents

Chapter 6D of the Corporations Act imposes a liability regime on the Company (as the offeror of the Securities), the Directors, persons named in this Prospectus with their consent as proposed Directors of the Company, persons named in this Prospectus with their consent as having made a statement in this Prospectus and persons involved in a contravention in relation to this Prospectus, with regard to misleading or deceptive statements made in this Prospectus. Although the Company bears primary responsibility for this Prospectus, other parties involved in the preparation of this Prospectus can also be responsible for certain statements made in it. The parties involved in the preparation of the Prospectus are listed in Table 9.11.1.

Table 9.11.1 - Parties named in prospectus

Name	Role
Lander & Rogers	Lawyers
Bell Potter	Joint Lead Manager
Aurenda Partners Pty Ltd	Joint Lead Manager

Name	Role
Automic Pty Ltd	Share Registry

Each of the parties named in Table 9.11.1:

- (a) has given its consent to be named in this Prospectus as set out above and has not withdrawn its consent at the date of lodgement of this Prospectus with ASIC;
- (b) makes no express or implied representation or warranty in relation to the Company, this Prospectus or the Offers;
- (c) has not made or purported to have made any statement in this Prospectus or statement on which a statement in this Prospectus is based, except as described in this Section; and
- (d) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for this Prospectus other than a reference to its name and any statement or report included in this Prospectus with the consent of that party as described in this Section.

None of the parties referred to in this Section 9.11 has authorised or caused the issue of this Prospectus or the making of the Offers.

Each of the Directors has given their written consent to being named in this Prospectus in the context in which they are named and have not withdrawn their consent prior to lodgement of this Prospectus with ASIC.

9.12 Documents available for inspection

The following documents are available for inspection during normal business hours at the registered office of the Company:

- (a) this Prospectus; and
- (b) the Constitution.

9.13 Information excluded from continuous disclosure notices

There is no information which has been excluded from a continuous disclosure notice in accordance with the Listing Rules, and which is required to be set out in this Prospectus.

9.14 Determination by ASIC

ASIC has not made a determination which would prevent the Company from relying on section 713 of the Corporations Act in issuing the New Securities.

9.15 Electronic Prospectus

Pursuant to Regulatory Guide 107, ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic copy of this Prospectus on the basis of a paper Prospectus lodged with ASIC and the issue of New Securities in response to an electronic Application Form, subject to compliance with certain provisions. If you have received an electronic copy of this Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Forms. If you have not, please contact the Company and the Company will send to you, free of charge to you, either a hard copy or a further electronic copy of this Prospectus or both.

The Company reserves the right not to accept an Application Form from an Applicant if it has reason to believe that when that Applicant was given access to the electronic Application Form, it was not provided together with an electronic copy of this Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered. In such a case, the Application Monies shall be held by the Company on trust and returned (without interest) to the Applicant as soon as practicable.

10. Authorisation

This Prospectus is authorised by each of the Directors.

This Prospectus is signed for and on behalf of the Company, pursuant to a resolution of the Board, by:

A handwritten signature in black ink, appearing to read 'Paul MacLeman', with a stylized flourish at the end.

Paul MacLeman

Chairman

11. Glossary

In this Prospectus, unless the context otherwise requires:

\$ means Australian dollar.

AEST means Australian Eastern Standard Time.

Annual Report means the financial report lodged by the Company with ASIC in respect to the year ended 30 June 2018 and includes the corporate directory, review of activities, Shareholder information, financial report of the Company and its controlled entities for the year ended 30 June 2018, together with a Directors' report in relation to that financial year and the auditor's report for the period to 30 June 2018.

Applicant means a person who submits a valid Application Form.

Application means a valid application for:

- (a) New Securities under the Entitlement Offer made pursuant to an Entitlement and Acceptance Form;
- (b) Shortfall Securities under the Shortfall Offer made pursuant to Entitlement and Acceptance Form or Shortfall Application Form; or
- (c) Placement Options under the Placement Option Offer made pursuant to the Placement Options Application Form.

Application Form means an Entitlement and Acceptance Form or Placement Option Application Form or Shortfall Application Form (as applicable).

Application Monies means application monies for New Shares received by the Company from an Applicant.

ASIC means the Australian Securities & Investments Commission.

ASX means ASX Limited ABN 98 008 624 691 and where the context permits, the market operated by it.

ASX Settlement Rules means ASX Settlement Operating Rules of the ASX.

Bell Potter means Bell Potter Securities Limited (ACN 006 390 772) AFSL 243480.

Board means the board of Directors.

Business Day means Monday to Friday inclusive, excluding public holidays in Victoria and any other day that ASX declares is not a trading day.

CHESS means ASX Clearing House Electronic Subregistry System.

Closing Date means the date referred to as such in the Indicative Timetable or such later date as determined by the Company.

Company or **AdAlta** means AdAlta Limited ACN 120 332 925.

Constitution means the constitution of the Company as at the date of this Prospectus.

Corporations Act means the *Corporations Act 2001* (Cth).

Director means a director of the Company.

EGM means the extraordinary general meeting of the Company to be held on or about 27 June 2019 to consider and approve resolutions regarding the Placement.

Eligible Shareholder means a Shareholder who is eligible to participate in the Entitlement Offer, being a Shareholder as at 7.00pm (AEST) on the Record Date who:

- (a) has a registered address in either Australia or New Zealand; and
- (b) is not in the United States and is not acting for the account or benefit of a person in the United States.

Entitlement means a Shareholder's entitlement to subscribe for New Securities under the Entitlement Offer.

Entitlement and Acceptance Form means the entitlement and acceptance form attached to, or accompanying this Prospectus, that sets out the Entitlement of an Eligible Shareholder.

Entitlement Offer has the meaning given to that term in Section 3.1.

Indicative Timetable means the indicative timetable on page 6 of this Prospectus.

Ineligible Shareholder means a Shareholder who is not an Eligible Shareholder.

Issuer Sponsored means securities issued by an issuer that are held in uncertificated form without the holder entering into a sponsorship agreement with a broker or without the holder being admitted as an institutional participant in CHESS.

Listing Rules means the official listing rules of ASX.

New Option means an Option offered pursuant to this Prospectus with the terms and conditions detailed in Section 8.2.

New Securities means New Shares and New Options.

New Share means a Share offered pursuant to this Prospectus.

Offers means the Entitlement Offer, the Shortfall Offer and the Placement Option Offer.

Official Quotation means quotation of New Shares or New Options on the official list of ASX (as the case may be).

Opening Date means the date referred to as such in the Indicative Timetable.

Option means an option to acquire a Share.

Placement means the placement of New Securities described in Section 2.3(a).

Placement Option Offer has the meaning given to that term in Section 3.7.

Placement Options means the New Options issued under the Placement Option Offer.

Placement Option Application Form means the placement option application form attached to, or accompanying this Prospectus, to be used for the purpose of applying for Placement Options.

Placement Participant means a person who has delivered a commitment to the Company and Lead Managers to participate in Placement.

Prospectus means this prospectus.

Record Date means the date referred to as such in the Indicative Timetable.

Section means a section of this Prospectus.

Securities means any securities including Shares or Options issued or granted by the Company.

Share means a fully paid ordinary share in the capital of the Company.

Share Registry means Automic Pty Ltd.

Shareholder means a registered holder of Shares.

Shortfall Shares means the New Shares offered under the Shortfall Offer.

Shortfall Application Form means the application form attached to, or accompanying this Prospectus, to be used for the purposes of applying for Shortfall Securities.

Shortfall Offer has the meaning given to that term in Section 3.5.

Shortfall Options means the New Options offered under the Shortfall Offer.

Shortfall Securities means the Shortfall Shares and Shortfall Options constituting the Shortfall.

Statements has the meaning given to that term in Section 5.2.

Tranche One has the meaning given to that term in Section 2.3(a).

Tranche Two has the meaning given to that term in Section 2.3(a).

Voting Power has the meaning given in section 610 of the Corporations Act.

Yuuwa means Yuuwa Capital LP, the general partner of which is Yuuwa Management LP managed by Yuuwa Capital Management Pty Ltd.