

ASX Announcement

AdAlta raises \$5 million and announces entitlement offer to raise up to a further \$2 million

Key Highlights

- AdAlta raises A\$5m through oversubscribed Placement to new and existing sophisticated and institutional investors
- Funds raised see the Company through multiple data read-outs and value inflection points, including the phase I human trial of lead candidate, AD-214
- AdAlta in advanced business development negotiations with potential partners for its i-body platform

MELBOURNE Australia, 23 May 2019, AdAlta Limited (ASX: 1AD) is pleased to announce the placement of up to 33,333,333 fully paid ordinary shares in the Company to sophisticated and institutional investors at a price of \$0.15 per share to raise \$5 million (before costs) (**Placement**).

In addition, AdAlta will launch a non-renounceable entitlement offer (**Entitlement Offer**) to existing shareholders to raise up to a further \$2 million (before costs).

Under both the Placement and the Entitlement Offer, the Company will offer 1 free attaching option for every 2 new shares subscribed for.

This funding will be used to progress AD-214 to a major value inflection point: taking AdAlta's potential new treatment for Idiopathic Pulmonary Fibrosis (IPF) into a phase I study, demonstrating the safety of its lead i-body candidate. The proceeds will also be used to provide Good Manufacturing Practice (GMP) materials for clinical studies as well as for the expansion of AdAlta's pipeline; general working capital and corporate costs.

AdAlta is currently in advanced business development discussions with a number of potential partners to utilise the Company's i-body platform, however final agreements have not been reached.

Commenting on the successful raising AdAlta Chairman Paul MacLeman said: "We are now just over six months away from moving into our own phase I human clinical trials. In the lead up to the trial commencement, we have several key milestones of interest to potential partners relating to evaluation of AD-214 toxicology in non-human primate studies. This raising ensures AdAlta is funded to hit this coming set of value-driving events."

AdAlta CEO, Sam Cobb added: "The next 18 months will be a very exciting time for AdAlta as we work our way through several major value inflection points with our lead candidate, AD-214, and our technology platform. We are grateful to have received support from quality institutional investors

and are pleased to be able to make the entitlement offer available to existing shareholders on the same terms.”

About the Placement

The Placement was offered to sophisticated and professional investors in Australia and eligible institutions in Hong Kong at 15 cents, representing a 18.9% discount to the last closing price (18.5 cents) on 21 May 2019 and a 16.9% discount to the 15-day Volume Weighted Average Price (**VWAP**).

The offer to issue options to Placement participants is a separate offer (**Placement Option Offer**) which will be made under a prospectus (together with the Entitlement Offer). The Company will offer to issue up to 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. The options have an exercise price of \$0.25 per option, with an expiry date of 30 June 2021.

The Placement is being offered on the following basis:

- a) 19,600,753 of the Placement shares and 9,800,376 options (**Tranche One**) will be issued using the Company’s available capacity under its limits in accordance with ASX Listing Rules 7.1 and 7.1A. It is noted that 7,840,301 shares and 9,800,376 options will be issued in accordance with ASX Listing Rule 7.1 and 11,760,452 shares will be issued in accordance with ASX Listing Rule 7.1A; and
- b) the balance of the Placement shares and options, being 13,732,580 shares and 6,866,290 options (**Tranche Two**), will be issued subject to shareholder approval under Listing Rule 7.1.

The shareholder approval for Tranche Two (amongst other matters) will be sought at an upcoming Extraordinary General Meeting of the Company. It is expected that materials in respect of that meeting will be dispatched to shareholders by 31 May 2019 and that the meeting will be held on 27 June 2019.

Settlement and allotment of the Tranche One shares is expected to take place on or about 28 May 2019, with the shares admitted to trading shortly thereafter. Settlement and allotment of the Tranche Two shares and options is expected to take place 5 to 7 days after the necessary approvals have been obtained at the upcoming Extraordinary General Meeting.

Existing shareholders will be diluted 16.67% as a result of the issue of new shares under Tranche One, and if approved by shareholders, by 28.34% as a result of the issue of new shares under Tranche Two.

Aurenda Partners Pty Ltd and Bell Potter Securities Limited (**Bell Potter**) were Joint Lead Managers and Bell Potter was Bookrunner to the Placement.

The Placement was not underwritten.

AdAlta's major shareholder, Yuuwa Capital, has indicated to the Company that it is unable to participate in the Placement or the Entitlement Offer, as under the terms of operation of its fund, it has allocated the maximum permitted investment amount in the Company. As a result, and given the Company's need for funding certainty it decided to proceed with the Placement, rather than seeking to raise 100% of the funds under an entitlement offer.

Entitlement Offer

In addition to the Placement, the Company will launch a non-renounceable entitlement offer to existing Eligible Shareholders to raise up to \$2 million.

The Entitlement Offer will allow Eligible Shareholders the opportunity to subscribe for 1 new fully paid ordinary share in the Company for every 8.8 shares held at 15 cents per new share, the same price as under the Placement, with 1 free attaching option for every 2 new shares subscribed, again on the same terms as the Placement.

The right to participate in the Entitlement Offer will be available exclusively to shareholders who are registered as holders of ordinary shares in the capital of the Company as at 7.00 pm (AEST) on 28 May 2019 (**Record Date**) and whose registered address is in Australia or New Zealand (**Eligible Shareholders**).

As the Entitlement Offer is non-renounceable, Eligible Shareholders cannot trade their entitlements on the ASX or transfer those rights. Shareholders who do not take up their entitlement under the Entitlement Offer, in full or in part, will not receive any value in respect of those entitlements not taken up.

The Entitlement Offer will include the ability for Eligible Shareholders to apply for additional shares not taken up by other Eligible Shareholders (**Short-fall Offer**).

The key dates are as follows:

Event	Date*
Record Date (at 7:00pm AEST)	28 May
Prospectus and Entitlement and Acceptance Form dispatched to Eligible Shareholders	31 May
Prospectus and Placement Option Application Form dispatched to Placement Participants	
Offers Opening Date	31 May
Placement Option Offer Closing Date	4 June
Issue of New Options under Placement Option Offer	5 June
Entitlement Offer Closing Date (at 5:00pm AEST)	12 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 2019 and are subject to change.

Other information

The Entitlement Offer, Shortfall Offer and Placement Option Offer will be made under a s.713 prospectus (**Prospectus**) which has been lodged with ASIC today and will be distributed shortly after the Record Date. Eligible Shareholders should carefully consider the Prospectus before deciding to apply for new shares and options under the Entitlement Offer.

Eligible Shareholders who wish to participate in the Entitlement Offer will need to complete the personalized Entitlement and Acceptance Form accompanying the Prospectus.

Enquiries

A copy of the Prospectus will be available at www.adalta.com.au/investors/prospectus (without application forms) or can be obtained by contacting the Company's Share Registry on the number noted below.

For further information in relation to the Entitlement Offer, please contact the Company's Share Registry, Automic, on +61 2 9698 5414 or 1300 288 664 (local call cost within Australia) at any time between 8:30am and 5:30pm (AEST), Monday to Friday (excluding public holidays) until the closing date of the Entitlement Offer (expected to be 12 June 2019).

Notes to Editors

About AdAlta

AdAlta Limited is an Australian based drug development company headquartered in Melbourne. The Company is focused on using its proprietary technology platform to generate i-bodies, a new class of protein therapeutics, with applications as therapeutic drugs to treat disease.

I-bodies are a promising, novel class of drugs that offer a new and more effective approach to treating a wide range of human diseases. They are identified and developed using our proprietary technology platform.

We have pioneered a technology that mimics the shape and stability of a crucial antigen-binding domain, that was discovered initially in sharks and then developed as a human protein. The result is a range of unique compounds, now known as i-bodies, for use in treating serious diseases.

AdAlta is developing its lead i-body candidate, AD-214, for the treatment of idiopathic pulmonary fibrosis (IPF) and other human fibrotic diseases, for which current therapies are sub-optimal and there is a high-unmet medical need.

The Company also plans to continue further drug discovery and development directed towards other drug targets and diseases with its i-body technology platform.

Further information can be found at: www.adalta.com.au.

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