

24 May 2019

Dear Shareholder

AdAlta Limited – ENTITLEMENT OFFER
NOTIFICATION TO INELIGIBLE SHAREHOLDERS

On 23 May 2019, AdAlta Limited (ASX code: 1AD) announced a \$7 million equity raising through a placement to institutional investors at \$0.15 per new share (with one free attaching new option for every 2 new shares subscribed for) to raise approximately \$5 million (**Placement**), and a 1 for 8.8 pro rata non-renounceable entitlement offer of new fully paid ordinary shares (**New Shares**) in AdAlta Limited at a fixed offer price of \$0.15 per New Share (and one free attaching new option for every two New Shares) to raise approximately \$2 million (**Entitlement Offer**).

The net proceeds of the Placement and Entitlement Offer 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 costs of the offer.

Details of the Entitlement Offer

The Entitlement Offer is being made to Eligible Shareholders (as defined below), on the basis of 1 New Share for every 8.8 existing ordinary shares (and 1 new free attaching option for every 2 New Shares issued) held in AdAlta Limited as at 7:00pm (Melbourne time) on 28 May (**Record Date**) at an offer price of \$0.15 per New Share (**Entitlement**). Eligible Shareholders will be able to take up their Entitlement as well as apply for additional New Shares.

The Entitlement Offer is being made under prospectus in accordance with section 713 of the *Corporations Act 2001* (Cth) (**Act**). AdAlta limited lodged a prospectus for the Entitlement Offer with the Australian Securities and Investment Commission and the ASX on 23 May 2019. Documents relating to the Entitlement Offer (including the prospectus) are being mailed to Eligible Shareholders on 31 May 2019.

The Entitlement Offer is not underwritten.

Shareholder approval is not required for AdAlta Limited to make the offer under the Entitlement Offer.

Further details about the Entitlement Offer are set out in the prospectus, which has been lodged with the ASX today.

Eligibility to participate in the Entitlement Offer

Shareholders who are eligible to participate in the Entitlement Offer (**Eligible Shareholders**) are those who:

- (a) are registered as an existing AdAlta Limited shareholder as at 7:00pm (Melbourne time) on the Record Date;

- (b) have a registered address on the AdAlta Limited share register in Australia or New Zealand; and
- (c) are not in the United States and are not acting for the account or benefit of a person in the United States.

The restrictions upon eligibility to participate in the Entitlement Offer are because of the legal and regulatory requirements in certain countries, the relatively small number of shareholders in those countries, the small number of shares they hold, the relatively low value of New Shares to which those shareholders would otherwise be entitled and the potential cost of complying with those legal and regulatory requirements in those countries.

AdAlta Limited has considered these factors and determined, pursuant to ASX Listing Rule 7.7.1(a) and section 9A(3) of the Act, that it would be unreasonable to make offers under the Entitlement Offer to shareholders of AdAlta Limited in countries other than Australia and New Zealand.

Unfortunately, according to our records, you do not satisfy the eligibility criteria for an Eligible Shareholder (as stated above). Accordingly, AdAlta Limited wishes to advise you that it will not be extending the Entitlement Offer to you and you will not be able to subscribe for New Shares under the Entitlement Offer.

This notice is to inform you about the Entitlement Offer. This letter is not an offer to issue New Shares to you, nor an invitation for you to apply for New Shares. You are not required to do anything in response to this letter.

Further information

If you have any questions in relation to any of the above matters or if you believe that you are eligible to participate in the Entitlement Offer, please contact the Share Registry on 1300 288 664 (local call cost) within Australia, or +61 2 9698 5414 from outside Australia, at any time between 8.30am and 5.30pm (AEST) Monday to Friday during the Entitlement Offer period. You may also wish to contact your stockbroker, accountant or other professional adviser.

On behalf of the Board and management of AdAlta Limited, thank you for your continued interest in AdAlta Limited.

Yours sincerely


Sam Cobb
Managing Director and CEO
AdAlta Limited

Jurisdictional distribution

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Forward looking statements

This announcement contains forward looking statements, including statements of current intention, statements of opinion and predictions as to possible future events. Forward looking statements should, or can generally, be identified by the use of forward looking words such as "believe", "expect", "estimate", "will", "may", "target" and other similar expressions within the meaning of securities laws of applicable jurisdictions, and include but are not limited to the expected outcome of the offer. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward looking statements. Such statements are not statements of fact and there can be no certainty of outcome in relation to the matters to which the statements relate. These forward looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual outcomes to be materially different from the events or results expressed or implied by such statements. Those risks, uncertainties, assumptions and other important factors are not all within the control of AdAlta and cannot be predicted by AdAlta and include changes in circumstances or events that may cause objectives to change as well as risks, circumstances and events specific to the industry, countries and markets in which AdAlta operates. They also include general economic conditions, exchange rates, interest rates, competitive pressures, selling price, market demand and conditions in the financial markets which may cause objectives to change or may cause outcomes not to be realised.

None of AdAlta or any of its advisors or affiliates (or any of their respective officers, employees or agents) makes any representation, assurance or guarantee as to the accuracy or likelihood of fulfilment of any forward looking statement or any outcomes expressed or implied in any forward looking statements.