

24 January 2022

Dear Shareholder

Share purchase plan

On behalf of the board of Arovella Therapeutics Limited ACN 090 987 250 (ASX: ALA) (**ALA** or **Company**), we are pleased to offer you the opportunity to purchase up to \$30,000 in additional shares in ALA (subject to any scale back) under this share purchase plan (**SPP**).

The Company today also announced a successful placement of 120 million fully paid ordinary shares to sophisticated investors at an issue price of \$0.038 per share, raising \$4.5 million (**Placement**).

The SPP will be available to shareholders who are on the Company register at 7.00pm (Sydney time) on 21 January 2022 (**Record Date**), and having a registered address in Australia or New Zealand (**Eligible Shareholders**).

The SPP aims to raise approximately \$1.5 million, however the Company reserves the right to raise more or less than this amount in its absolute discretion.

The SPP gives Eligible Shareholders the opportunity to purchase additional shares in ALA at \$0.038 per share, which represents a discount of 2.5% to ALA's closing price on 19 January 2022. There are no transaction costs or brokerage costs to participating shareholders.

Subject to shareholder approval to be sought at an extraordinary general meeting to be called by the Company shortly (or the Company otherwise having the requisite capacity to issue any shortfall shares to the Underwriter), the SPP is underwritten up to \$1,500,000 by Baker Young Limited (**Underwriter**), with a sub-underwriting commitment by Merchant Biotech Fund up to \$750,000 of the SPP.

Included with this letter is the following material which addresses questions you may have about the SPP:

- (a) an investment overview, which includes details on pricing, the timetable, intended use of funds and key risks of an investment in the Company;
- (b) SPP terms; and
- (c) an application form.

Information about ALA is available at www.arovella.com, which should be considered in conjunction with the Company's continuous disclosure to ASX.

The SPP will close on Wednesday, 9 March at 5.00pm (Sydney time). If you wish to participate in the SPP your application must be received by the closing date. ALA reserves its right to close the SPP early.

If you have any questions about the SPP, please contact the offer information line on 08 9389 8033 (within Australia) or +61 8 9389 8033 (outside Australia) between 9am to 5pm (AEDT), Monday to Friday.

The board encourages you to consider this opportunity and thanks you for your continued support.

Yours faithfully



Dr Michael Baker
Managing Director
Arovella Therapeutics Limited

ALA investment overview

Offer details

Issue Price	\$0.038 per share
Application Amount	Minimum of 131,578 Shares (approximately \$5,000) (Minimum Application Amount) with staged increments of 131,578 Shares up to a maximum of \$30,000
Record Date	7.00pm (Sydney time) on Friday, 21 January 2022
Closing Date	5.00pm (Sydney time) on Wednesday, 9 March 2022
Allotment Date	Wednesday, 16 March 2022
Trading of all SPP Shares (subject to ASX Listing Rules)	Thursday, 17 March 2022
Despatch of holding statements to Eligible Shareholders participating in the SPP	Thursday, 17 March 2022

Intended use of funds

The proceeds raised from this SPP will be used to fund manufacturing of components for the CAR19-iNKT cell therapy, to perform preclinical studies for DKK1-CAR-iNKT, as well as for general working capital purposes.

Risks

Before making an investment decision, you should read the SPP terms set out below. ALA considers that the major risks of an investment in ALA include that:

- (a) **Dependence upon Licence Agreements** – Arovella is reliant on the continuing operation of the Licence Agreements. A failure of a Licensor or Arovella to comply with the terms of the Licence Agreements could have a material adverse effect on Arovella's business, financial condition, operations or prospects;
- (b) **future funding risks** - whilst the Directors believe that the funds raised through the SPP may be sufficient for the Company's short-term objectives, the Company's ability to continue on a going concern basis will depend upon securing income through licence or other agreements. Furthermore, there is risk that the Company may require substantial additional financing in the future to sufficiently fund its operations, research and development;
- (c) **regulatory and licensing risks** - if the Company does not obtain the necessary regulatory approvals it may be unable to commercialise its pharmaceutical products. Even if it receives regulatory approval for any product candidates, profitability will depend on its ability to generate revenues from the sale of its products or the licensing of its technology;
- (d) **success of future trials** - future clinical trials of the Company's product candidates may not show sufficient safety or efficacy to obtain requisite regulatory approvals for commercial sale;

- (e) **commercialisation of products** - the Company's ability to achieve profitability is dependent on a number of factors including its ability to initiate and complete successful clinical trials and obtain regulatory approval for its products and successfully commercialise those products. There is no guarantee that the Company's products will be commercially successful;
- (f) **competition** – the biotechnology and pharmaceutical industries are intensely competitive and subject to rapid and significant technological change. To compete successfully the Company must deliver to the market cost effective products that meet important and unmet medical needs;
- (g) **risk of delay** – the Company may experience delay in achieving a number of critical milestones, securing further commercial partners, development of manufacturing processes, completion of clinical trials, obtaining regulatory approval (to commence sales) or reimbursement approvals (for sales growth), product launch and sales in one or more jurisdictions. Any material delays may impact adversely upon the Company, including the timing of any revenues under milestone or sales payments;
- (h) **dependence on commercial partners and future licence arrangements** - there is no guarantee that the Company will be able to find suitable industry partners that it can negotiate attractive commercial terms for future licence agreements for new or its existing products. The success of the Company's partnering arrangements may depend on resources devoted to them by itself or its industry partners. Collaborative agreements may be terminable by the Company's partners. Non-performance, suspension or termination of relevant agreements is likely to have a material and adverse impact on the Company's business, financial condition and results of operations;
- (i) **dependence on development partners** - the Company will continue to work with numerous internationally based providers for preclinical research. Arovella is dependent on these research service providers to continue to deliver their services to Arovella. The Company is working on a feasibility study. There is no guarantee that the feasibility study will generate required data to progress to a full development and licence agreement and, also, if the company does meet required data, there is no guarantee the other party will elect to continue the development;
- (j) **reimbursement** - in many territories, products such as those being developed by the Company, must follow a formal reimbursement process in order to be commercially successful. The availability and timing of reimbursement may have an impact upon the uptake and profitability of products in some jurisdictions;
- (k) **asset impairment value** - the Company has a significant amount of intangible assets recorded on its balance sheet. The Company annually tests the carrying value of these intangible assets for impairment. The estimates and assumptions about results of operations and cash flows made in connection with impairment testing could differ from future actual results of operations and cash flows;
- (l) **reliance on key personnel** - the Company's success depends to a significant extent upon its key management personnel, as well as other management and technical personnel including those employed on a contractual basis. The loss of the services of such personnel or the reduced ability to recruit additional personnel could have an adverse effect on the performance of the Company; and
- (m) **intellectual property** - the Company's ability to leverage its innovation and expertise is dependent on its ability to protect its intellectual property and any improvements to it.

Past performance is not necessarily a guide to future performance of the Company.

Underwriting

The Underwriter is, subject to the terms of the underwriting agreement entered into with the Company, obliged to subscribe (or procure subscriptions) for any shortfall arising under the SPP up to an amount of \$1,500,000.

The Underwriter's obligations under the underwriting agreement are subject to a number of conditions, warranties, undertakings and termination events that are customary for an agreement of this nature.

On completion of the SPP, the Company will be required to pay the Underwriter an underwriting fee of 6% of the maximum underwritten amount of \$1,500,000.

Given that the issuance of shares to the Underwriter of a securities purchase plan is not covered by Exception 5 of ASX Listing Rule 7.2, any new Shares the subject of any shortfall will only be issued by the Company to the Underwriter:

- (a) if the Company has sufficient ASX Listing Rule 7.1 and/or ASX Listing Rule 7.1A placement capacity; or
- (b) following receipt of Shareholder approval at an extraordinary general meeting of the Company to be called shortly.

ALA share purchase plan terms

How do I accept

To participate, you should either:

- (a) return your application form, together with a cheque; or
- (b) pay the Application Amount via BPAY,

so that payment is received by **5.00pm (Sydney time) on Wednesday, 9 March.**

BPAY instructions are set out on the application form. If you use BPAY, you do not need to return your application form. Please make sure you use the specific biller code and unique reference number on your personalised application form. Your financial institution may implement earlier cut-off times for electronic payment. You should take this into consideration when making payment.

If paying by cheque, please deliver it to the address on the application form. Applications received after the Closing Date will not be accepted.

Funds received for applications by cheque or BPAY will be regarded as applications for the maximum number of shares that those funds will pay for in full.

Importantly, while participation in the plan is optional, once applications are submitted, they cannot be withdrawn.

The Company's market price may vary at any time during the offer period and the Company's shares may trade at a price that is lower than the Issue Price.

By accepting the SPP offer, you accept the risk that the market price of the Company's shares may fall below the Issue Price between the date of this offer and the Allotment Date, in which case you may have been able to buy the Shares at a lower price than the Issue Price.

By making an application, you represent to the Company the matters set out under the heading 'Your representations' in these terms and in the application form.

How many shares

Eligible Shareholders receive the number of shares equal to the Application Amount (subject to any scale-back) divided by the Issue Price. Fractions will be rounded down, and the difference (being any amount less than the Issue Price) may be retained by the Company.

The Issue Price does not exceed the limit prescribed by the ASX Listing Rules and ASIC Corporations (Share and Interest Purchase Plans) Instrument 2019/547 (**ASIC Instrument 2019/547**).

Shares issued under the SPP may be sold or transferred on ASX at any time after the Quotation Date.

Eligibility to participate

Participation in the SPP is optional. The offer is open to all shareholders with a registered address in Australia or New Zealand as at the Record Date.

Multiple holdings

If you are the only registered holder of Company shares, but you receive more than one offer under the SPP (for example, due to multiple registered holdings), you may only apply in total for a maximum of \$30,000 worth of shares.

Joint holders

If you are a joint holder of Company shares, that holding is considered to be a single registered holding for the purpose of the SPP. You are entitled to participate in the SPP for that single holding only. If you are a joint holder and you receive more than one offer under the SPP, you may only apply in total for a maximum of \$30,000 worth of shares.

Trustee or nominee

If you are noted on the Company's share register as a trustee or nominee for a named beneficiary, you may only apply for one maximum parcel of shares for each named beneficiary. If the Company's share registry does not record a named beneficiary for your trustee or nominee holding, the rules for multiple single holdings apply.

Custodians

If you are a custodian within the definition of 'custodian' in ASIC Instrument 2019/547 (as varied) and hold Company shares for one or more persons (each a **Participating Beneficiary**), or for another custodian of Company shares, you may apply for up to a maximum of \$30,000 worth of shares for each Participating Beneficiary, subject to providing the Company a 'custodian certificate' in addition to the application form, which certifies matters required by ASIC Instrument 2019/547 (as varied).

Please contact the share registry to obtain the form of the custodian certificate.

Directors

Directors of the Company who are Eligible Shareholders may participate in the SPP.

Scale-back

The Company may, in its absolute discretion, scale-back applications under the SPP.

Factors that the Company may take into account in determining any scale-back include:

- (a) compliance with regulatory requirements;
- (b) the amount applied for by each shareholder;
- (c) the number of shares held at the Record Date; and
- (d) if the shareholder remains on the register at the Closing Date.

The Company may scale-back applications below the Minimum Application Amount. Scale-back decisions are made by the board and are final.

If a scale-back occurs, the difference between the value of the shares allotted and the Application Amount paid to the Company (only where the amount is greater than the Issue Price) will be refunded by cheque and mailed to you as soon as practicable following the Allotment Date. Any scale-back will be announced on the Allotment Date. No interest will be paid on any Application Amount paid or refunded.

ASX quotation

After shares are issued and allotted under the SPP, the Company will apply to the ASX for quotation of the shares on the Official List and send an allotment notice to each Eligible Shareholder's registered address.

No costs

Eligible Shareholders may subscribe without incurring brokerage costs, commission or other transaction costs.

Who is the Lead Manager?

The Lead Manager for the Placement and SPP (together, the **Offer**) is Baker Young Limited (**Lead Manager**). The Lead Manager has also agreed to underwrite the Offer up to \$1,500,000 (subject to Shareholder Approval, or the Company otherwise having the requisite capacity, to issue any shortfall shares to the Underwriter), pursuant to the terms of the underwriting agreement described above.

The Company has entered into a Lead Manager Mandate with the Lead Manager, pursuant to which it will receive the following fees for its lead manager and offer management services:

- (a) a lead manager fee of 2% (plus GST) of the gross amount raised under the Offer; and
- (b) a placement fee of 4% (plus GST) of the gross amount raised under the Placement.

The Lead Manager will also receive 4,854,999 options at an exercise price of \$0.057 with an

expiry date of 31 January 2025. The issuance of these options is subject to the Company having the requisite placement capacity to undertake such issuance or otherwise with prior shareholder approval.

The Lead Manager will also be reimbursed for any out of pocket expenses. The Lead Manager Mandate otherwise contains terms and conditions considered standard for an agreement of this type.

The Company's rights

The Company may reject any application for shares under the SPP if:

- (c) it considers that the application does not comply with these terms;
- (d) you are not an Eligible Shareholder;
- (e) a cheque is returned unpaid;
- (f) the application form has not been properly completed; or
- (g) there are grounds for believing that the applicant is not acting in good faith.

The Company may modify, suspend or cancel the SPP at any time. If the Company does this it will notify ASX. If the SPP is cancelled the Application Amount will be refunded without interest. Neither the Company nor the board accepts or assumes any liability to shareholders because of the variation, suspension or termination of SPP.

The Company may settle, at its discretion in any manner it deems fit, any anomalies or disputes in connection with the SPP and that decision is conclusive and binding on all applicants. The Company reserves the right to waive strict compliance with these terms.

Your representations

By completing and returning the application form or by making a BPAY payment, you:

- (a) certify to the Company that you are an Eligible Shareholder;
- (b) authorise the Company (and its officers and agents) to correct any error in, or omission from, your application form;
- (c) accept the risks of the delivery of any refund to you;
- (d) acknowledge that the Company may at its discretion determine that your application form is valid, even if the application form is invalid;
- (e) irrevocably and unconditionally agree to these terms; and
- (f) acknowledge that the Company is not liable for any exercise of its discretions referred to in these terms.

Other information

The Offer is non renounceable, which means that you cannot transfer your right to purchase shares under the SPP to anyone else. Shares issued under the SPP will rank equally in all respects with existing fully paid shares.

This document is not an offer of securities in any place outside Australia or New Zealand and does not take into account your individual investment objectives, financial situation or particular needs. An investment in the Company is speculative. Therefore, you should obtain independent financial and taxation advice before making an investment decision.

Record Date 21 January 2022

Offer opens 24 January 2022

Offer closes 5.00pm (Sydney Time) 9 March 2022

SHARE PURCHASE PLAN ("SPP") APPLICATION FORM

How do I apply for Shares under the SPP?

- Carefully read the Terms and Conditions in the Prospectus (SPP Terms and Conditions) accompanying this form and the Important Information on the reverse of this form.
- Decide on the amount of Shares you wish to apply for.
- Pay for the Shares in accordance with the instructions outlined in the SPP Terms and Conditions and the further instructions on the reverse of this form.
 - Option 1: Paying by BPAY®.
 - Option 2: Paying by cheque, bank draft or money order.
- Payments must be made in Australian dollars.

PAYMENT OPTIONS

Option 1: Paying by BPAY®

If paying by BPAY®, you do NOT need to complete or return this Application Form. By paying by BPAY® you will be deemed to have made the statements and certifications that are set out in the Important Information notice on the reverse of this form.

Payment must be received by the Registry by BPAY® by 5.00pm (Sydney Time) 9 March 2022. By paying by BPAY®, you will be deemed to have completed an Application Form for the number of Shares the subject of your application payment. If you make a payment by BPAY® and Arovella Therapeutics Limited ("Company") receives an amount which is not equal to either \$5,000, \$10,000, \$15,000, \$20,000, \$25,000 or \$30,000, Company may round down the dollar amount of Shares that you are applying for to the next lowest parcel at their discretion. Your payment must be for a minimum of \$5,000.



Telephone & Internet Banking – BPAY®

Contact your bank or financial institution to make this payment from your cheque, savings, debit or transaction account.

More info: www.bpay.com.au

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Option 2: Paying by Cheque, Bank Draft or Money Order

If paying by cheque, bank draft or money order complete and return the Application Form with your payment.

- Tick the box beside the amount you wish to apply for, either \$5,000, \$10,000, \$15,000, \$20,000, \$25,000 or \$30,000.
- Enter your cheque, bank draft or money order details. The amount of your application payment should be equal to the amount applied for in section A. Cheques, bank drafts or money orders must be drawn on an Australian financial institution in Australian currency, made payable to "Arovella Therapeutics Limited" and crossed "Not Negotiable". Please ensure sufficient cleared funds are held in your account, as your cheque will be banked as soon as it is received. If you provide a cheque, bank draft or money order for an amount that is not equal to \$5,000, \$10,000, \$15,000, \$20,000, \$25,000 or \$30,000, Company may round down the dollar amount of Shares that you are applying for to the next lowest parcel at their discretion. Your payment must be for a minimum of \$5,000.
- Enter your contact telephone number at which we may contact you regarding your application for Shares, if necessary.

A I/we wish to purchase a parcel of Shares to the dollar amount of (tick one box only):

☐ A\$5,000 OR ☐ A\$10,000 OR ☐ A\$15,000 OR ☐ A\$20,000 OR ☐ A\$25,000 OR ☐ A\$30,000

B Make your cheque, bank draft or money order payable to "Arovella Therapeutics Limited" and crossed "Not Negotiable"

Drawer	Cheque Number	BSB Number	Account Number	Amount of Cheque
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	A\$ <input type="text"/> .00

C Telephone Number – Business Hours

Telephone Number – After Hours

Contact Name

IMPORTANT INFORMATION

1. This is an important document which requires your immediate attention. If you are in any doubt as to how to deal with this Application Form, please consult a professional adviser.
2. If you do not wish to purchase Shares under the SPP, there is no need to take action.
3. Please ensure you have read and understood the SPP Terms and Conditions and this Important Information, before you make the application payment by BPAY® or you submit your Application Form with your Application Monies.
4. This SPP is non-renounceable. Applications can only be accepted in the name printed on the Application Form.
5. If you are a custodian, trustee or nominee within the definition of "custodian" in ASIC Corporations (Share and Interest Purchase Plans) Instrument 2019/547 you must complete and submit an additional certificate certifying the matter sets out in section 8(3) of ASIC Corporations (Share and Interest Purchase Plans) Instrument 2019/547 (the "Certificate") before your application for Shares is accepted. The Certificate can be obtained by contacting the Registry: 08 9389 8033 (in Australia) or +61 8 9389 8033 (outside of Australia). Applications received by custodians that are not accompanied by the Certificate will be rejected.
6. For applicants that are not required to complete the Certificate, by submitting the Application Form (with a cheque, bank draft or money order) or making payment by BPAY®, **you certify** that the aggregate of the payment made by you for:
 - the parcel of Shares indicated on the Application Form or BPAY® payment; and
 - any other Shares applied for by you, or which you have instructed a Custodian to acquire on your behalf under the SPP or any other similar arrangement in the 12 months prior to the date of submission of the Application Form or payment by BPAY®does not exceed A\$30,000.
7. By submitting the Application Form (with a cheque, bank draft or money order) or making payment by BPAY®, you will be deemed to have made the representations and declarations set out in the SPP Terms and Conditions.
8. The Company reserves the right to make amendments to this Application Form where appropriate.
9. Applicants are not assured of receiving the Shares for which they have applied as the Company may scale back applications in accordance with the SPP Terms and Conditions.

How to Lodge your Application Form and Application Monies

The Application Form and the Application Monies must be received by the Registry no later than the closing date shown overleaf. If paying by BPAY® you do not need to complete or return the Application Form. You should check the processing cut off-time for BPAY® transactions with your bank, credit union or building society to ensure your payment will be received by the Registry by the close of the offer.

Mailing Address

Advanced Share Registry
PO Box 1156
Nedlands WA 6909

or

Hand Delivery

Advanced Share Registry
110 Stirling Highway
Nedlands WA 6009

Make sure you send your Application Form and the Application Monies allowing enough time for mail delivery, so Advanced Share Registry Services Ltd receives them no later than 5.00pm (Sydney Time) 9 March 2022. Please ensure sufficient cleared funds are held in your account, as your cheque will be banked as soon as it is received. The Company reserves the right not to process any Application Form and the Application Monies received after the closing date referred to above.

If you require information on how to complete this Application Form, please contact the Share Registry on: 08 9389 8033 (in Australia) or +61 8 9389 8033 (outside of Australia).