

24 May 2019

Dear Fellow Shareholder

AdAlta Limited - ENTITLEMENT OFFER

NOTIFICATION TO ELIGIBLE 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 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.

Summary of key terms of the Entitlement Offer

The Entitlement Offer entitles eligible shareholders to subscribe for 1 New Share for every 8.8 existing ordinary shares held in AdAlta Limited (and 1 free new option for every 2 New Shares issued) held at 7:00pm (AEDT) on 28 May 2019 (**Record Date**) at an offer price of \$0.15 per new share (**Entitlement**).

Eligibility of shareholders 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.

You are being sent this letter because AdAlta Limited believes you are an Eligible Shareholder.

The Entitlement Offer is being made by AdAlta Limited in accordance with section 713 of the *Corporations Act 2001* (Cth) (**Act**). AdAlta lodged a prospectus for the Entitlement Offer with the Australian Securities and Investments Commission on 23 May 2019. If you are not an Eligible Shareholder you cannot participate in the Entitlement Offer. AdAlta Limited will notify those shareholders who are not Eligible Shareholders.

Further details about the Entitlement Offer

The Entitlement Offer is non-renounceable. Accordingly, Entitlements do not trade on the ASX, nor can they be transferred or otherwise disposed of.

The Entitlement Offer is not underwritten.

Fractional Entitlements will be rounded up to the nearest whole number of New Shares and holdings on different registers or sub-registers will not be aggregated to calculate Entitlements.

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

Prospectus

On 31 May 2019, you will be sent a prospectus and personalised entitlement and acceptance form which contains important information about the Entitlement Offer and sets out the number of New Shares you are entitled to purchase under the Entitlement Offer. A copy of the prospectus is also available on the ASX website at www.asx.com.au and AdAlta Limited's website at www.adalta.com.au/investors/prospectus.

Key dates

AdAlta Limited expects the Entitlement Offer to be conducted according to the following timetable.

Event	Date
Lodgement of Prospectus with ASIC and ASX	23 May 2019
Company sends letters to re Entitlement Offer Option holders	23 May 2019
Company sends letters re Entitlement Offer to Shareholders	24 May 2019
"Ex" Date	27 May 2019
Record Date (at 7:00pm (AEDT))	28 May 2019
Entitlement Offers Opens	29 May 2019
Prospectus and Entitlement and Acceptance Form dispatched to Eligible Shareholders	31 May 2019
Last day to extend the Entitlement Offer Closing Date	6 June 2019
Entitlement Offer Closing Date (at 5:00pm)	12 June 2019
Notification of results of Entitlement Offer	14 June 2019
Issue of New Shares and New Options under Entitlement Offer and Deferred Settlement Trading Ends	17 June 2019
Anticipated date for despatch of holding statements for New Shares and New Options under Entitlement Offer	17 June 2019
Anticipated trading of New Shares under Entitlement Offer on ASX commences	19 June 2019

The Timetable is indicative only. The Directors may vary these dates subject to the ASX Listing Rules. An extension of the closing date will delay the anticipated date for issue of New Shares.

The Directors also reserve the right not to proceed with the whole or part of the Entitlement Offer any time before the allotment and issue of the New Shares. In that event, the relevant application monies (without interest) will be returned in full to applicants.

Further information

Should you have any queries about this matter, please do not hesitate to contact the Share Registry on 1300 288 664 (local call cost) within Australia, or +61 2 9698 5414 from outside Australia, at any time from 8.30 am to 5.30 pm (AEST) Monday to Friday during the Entitlement Offer period.

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

This announcement has been prepared for publication in Australia and may not be released or distributed in the United States. This announcement does not constitute an offer, invitation or recommendation to subscribe for or purchase any security or financial product and neither this announcement nor anything attached to this announcement shall form the basis of any contract or commitment. In particular, this announcement does not constitute an offer to sell, or the solicitation of an offer to buy, securities in the United States or any other jurisdiction in which such an offer would be illegal. Any securities described in this announcement have not been, and will not be, registered under the US Securities Act of 1933, as amended (the "US Securities Act"), or the securities laws of any state or jurisdiction of the United States. Accordingly, the securities may not be offered or sold directly or indirectly in the United States unless they have been registered under the US Securities Act (which AdAlta has no obligation to do or procure) or are offered and sold in a transaction exempt from, or not subject to, the registration of the US Securities Act and any other applicable United States state securities laws.

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.