

23 December 2021

Dear Shareholder,

AdAlta Limited – Offer to participate in Entitlement Offer

\$3.75 MILLION PLACEMENT AND 1 FOR 8 ENTITLEMENT OFFER

I write to you at what is an important moment in your Company's history. AdAlta has made substantial progress throughout 2021, advancing our existing i-body enabled assets and expanding our pipeline. We are now a very different company to the one we were 12 months ago.

Our lead asset, AD-214 which is being investigated for Idiopathic Pulmonary Fibrosis and Interstitial Lung Disease, completed a Phase I clinical trial through the year, demonstrating that it was very well tolerated in single and multiple intravenous doses in healthy volunteers. Following that trial, we nominated to take AD-214 forward in a patient-preferred inhaled format, and we have recently announced that we achieved our first positive milestones with the inhaled program. Indeed, these results exceeded our expectations.

Our commercial collaboration with GE Healthcare moved to the next phase, following the successful identification of multiple i-bodies to be advanced into pre-clinical development for use as a potential PET diagnostic imaging agent. GE Healthcare is leading pre-clinical development and AdAlta continues to earn revenue from this collaboration as we support preclinical and manufacturing development.

We also entered a collaboration with Carina Biotech Pty Ltd (Carina) to develop precision engineered, i-body enabled, CAR-T cells – called iCAR-T cells – with potential to make these breakthrough therapies available to a wider range of patients with solid cancers. The first iCAR-T cells are expected to be created in the first half of calendar 2022 with in vitro cytotoxicity results expected in the second half. The parties aim to finalise the research plan for a second target in the first quarter of calendar 2022.

As announced on 15 December 2021, AdAlta Limited (ASX:IAD), is launching a 1 for 8 non-renounceable entitlement offer to existing eligible shareholders at \$0.073 per share to raise up to approximately \$2.2 million before costs (**Offer**), the indicative dates for which appear below. This is in addition to the \$3.75 million raised from institutional and sophisticated investors, at the same price as the Offer, and issued on 21 December 2021 (**Placement**). Our intention through launching this Offer is to provide existing shareholders the opportunity to participate on the same terms as investors in the Placement.

The \$3.75 million from the Placement and any funds raised under the Offer add to our existing cash balance (\$6.46 million as of 30 November 2021) and further enable your company to progress plans across the programs noted above, while also discovering additional pipeline candidates.

The Entitlement Offer for shareholders opens on 23 December 2021 (**Opening Date**) and is expected to close on 31 January 2022 (**Closing Date**).

We are moving into a period where AdAlta expects strong news flow across its fibrosis and immuno-oncology programs. The funds raised under the Placement will see us through to several critical development milestones in the first half of 2022, enabling us to maximise the strategic options open to us at the end of this period. Proceeds from the Entitlement Offer will further expand these options. We thank all our shareholders in advance for considering participation in the entitlement offer, and also those institutional and sophisticated investors who invested in our future through the placement.

About the Entitlement Offer (Offer)

The Offer enables Shareholders who were registered shareholders as at 5:00pm (AEST) on Monday, 20 December 2021 (**Record Date**) with a registered address in Australia or New Zealand (or who would otherwise qualify as an exempt investor in their local jurisdiction and where in respect of that exempt investor, registration of the Offer is not required in that local jurisdiction) (**Eligible Shareholders**) to acquire one (1) new fully paid ordinary share for every eight (8) shares held at the Record Date. The Offer includes a Top-Up Facility enabling Eligible Shareholders to apply for Additional Shares (shares not

subscribed for by other Eligible Shareholders) and a Shortfall Facility enabling the Directors the discretion to place any shares not taken up by Eligible Shareholders under the Offer for a period of three months from the close of the Offer at a price no less than the Offer price.

The New Shares under the Placement were issued on Tuesday 21 December 2021, so subscribers under the Placement will not be able to participate in the Offer with respect to their Shares issued under the Placement.

An offer booklet containing the terms and conditions of the Offer (**Offer Booklet**) was lodged with ASX on 23 December 2021. AdAlta will not be printing / dispatching hard copies of the Offer Booklet or Application Forms, except in response to a specific request by a Shareholder (please refer below). Instead, an electronic copy of the Offer Booklet and your personalised application form (**Application Form**) is accessible by you (using your Securityholder Reference Number (**SRN**) or Holder Identification Number (**HIN**) from your latest Holding Statement, and your postcode) at the following link: <https://investor.automic.com.au>. Shareholders should read the Offer Booklet in full prior to making an application under the Offer.

Your application under the Offer must be made by making payment in accordance with the personalised payment instructions on your Application Form. Your acceptance of the Offer should be made using this online service.

To download your Application Form you have the following 3 choices:

I already have an online account with Automic share registry	I don't have an online account with Automic – but wish to register for one	I don't have an online account with Automic – but want to use Automic for this Offer only
https://investor.automic.com.au Select: "Existing Users Sign In" Once you have successfully signed in, click on "Documents and Statements" Download the Offer Booklet and Application Form	https://investor.automic.com.au/#/signup Select: Adalta Limited from the dropdown list in the ISSUER field Enter you holder number SRN / HIN (from your latest Holding Statement) Enter Postcode (Aust only) or Country of Residence (if not Australia) Tick box "I am not a robot", then Next Complete prompts Once you have successfully signed in, click on "Documents and Statements" Download the Offer Booklet and Application Form	https://investor.automic.com.au/#/loginsah Select: Adalta Limited from the dropdown list in the ISSUER field Enter you holder number SRN / HIN (from your latest Holding Statement) Enter Postcode (Aust only) or Country of Residence (if not Australia) Tick box "I am not a robot", then Access Once you have successfully signed in, click on "Documents and Statements" Download the Offer Booklet and Application Form

If you are unable to access <https://investor.automic.com.au> online, you can obtain a copy of the Offer Booklet and your Application Form – initially by calling Automic Group on 1300 288 664 or emailing hello@automicgroup.com.au and asking them to mail a paper copy of the Offer Booklet and your Application Form to you free of charge. After your request has been acknowledged by Automic you will need to provide your SRN or HIN and postcode to complete this request. To accept an Offer using these paper copy documents, you will still need to make payment via BPay® or via Electronic Funds Transfer (EFT).

For New Zealand shareholders please follow the instructions on the Application form to make payment via Electronic Funds Transfer (EFT).

The price of the Placement and Offer represents a 10.4% discount to the volume weighted average closing price (VWAP) over the 15 trading days prior to the date the Company went into trading halt (i.e. close of trade on 9 December 2021) and a 9.9% discount to the last closing price on 9 December 2021. All new shares issued under the Placement and Entitlement Offer will rank equally with existing AdAlta ordinary shares on issue.

The proceeds of the Placement and Offer will be invested for:

- Developing inhaled and improved intravenous formulations of the AD-214 asset for Phase 2 clinical trials in Interstitial Lung Disease (ILD) and Idiopathic Pulmonary Fibrosis (IPF) patients including conducting additional product development, pre-clinical and toxicology studies.
- Discovering i-bodies against three new targets including 1-2 wholly owned programs addressing G-protein coupled receptor targets and 1-2 programs addressing CAR-T targets agreed under our collaboration with Carina Biotech.
- Advancing i-body platform capabilities to enable new external collaborations and continuing to address the most challenging drug targets in the biopharmaceutical industry.
- General corporate costs and working capital, including activities to secure additional i-body platform collaborations and to potentially out-license AD214.

Indicative Capital Raising Timetable* Event	Date
Record Date for Entitlement Offer	Monday, 20 December 2021
Issue of New Shares under Placement	Tuesday, 21 December 2021
Entitlement Offer opens Dispatch of Shareholder Offer access letter.	Thursday, 23 December 2021
Entitlement Offer closes	5pm, Monday, 31 January 2022
Allotment & issue of New Shares under Entitlement Offer	Monday, 7 February 2022
Trading (T+2) of New Shares expected to commence	Tuesday, 8 February 2022

* Dates / times are indicative and subject to change.

Actions available to Eligible Shareholders to be completed prior to the Closing Date

As an Eligible Shareholder, you may:

- apply for some or all of your entitlement under the Offer; or
- apply for Additional Shares if you have applied for your full entitlement under the Offer; or
- if you do not wish to accept any part of your entitlement under the Offer, you should not do anything.

The Company reserves the right to scale back any applications for Additional Shares, at its discretion.

Further details concerning the Offer are contained in the Offer Booklet. If you have any questions about the Offer, please contact Automic Group on 1300 288 664 or by email to hello@automicgroup.com.au.

On behalf of the Board, I invite you to consider this opportunity to participate in the Entitlement Offer.

Yours faithfully,



Dr Paul MacLeman
 Chair of the Board