

23 May 2019

Dear Option Holder

ADALTA LIMITED - ENTITLEMENT OFFER

NOTIFICATION TO OPTION HOLDERS

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 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 an offer price of \$0.15 per New Share (and one free attaching new option for every two New Shares) to raise up to approximately \$2 million (**Entitlement Offer**).

The Entitlement Offer is being made under prospectus in accordance with section 713 of the *Corporations Act 2001* (Cth) (**Act**).

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.

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 new option for every 2 New Shares issued) held at 7:00pm (AEST) on 28 May 2019 (**Record Date**) at an offer price of \$0.15 per New Share (**Entitlement**).

Your options do not entitle you to participate in the Entitlement Offer.

The purpose of this letter is to give you notice before the Record Date that you may exercise your options if you wish to participate in the Entitlement Offer. Accordingly, if you wish for some or all of the shares underlying your options to be included as part of your Entitlement under the Entitlement Offer, you will need to exercise that portion of your exercisable options for which you wish to participate and pay the current exercise price for them so that those shares are issued to you before the Record Date. Please contact our share registry if you wish to exercise your options.

The share registry contact details are:

Automic Pty Ltd
Level 5, 126 Phillip Street, Sydney, NSW, Australia, 200
Tel: +61 2 9698 5414 or 1300 288 664
Email: hello@automic.com.au

If you choose to participate in the Entitlement Offer by exercising some or all of your options before the Record Date, you will be sent a prospectus and personalised Entitlement and Acceptance Form containing important information about the Entitlement Offer. A copy of the prospectus will also be made available on AdAlta Limited's website at adalta.com.au/investors/prospectus.

If you do not wish to participate in the Entitlement Offer (in respect of your options) you do not need to take any action.

In that case, you should be aware that your existing options confer no rights to a change in exercise price, nor a change to the number of underlying shares over which they can be exercised, as a result of the Entitlement Offer.

Before deciding whether to exercise all or any of your options, you should consider the terms of the Entitlement Offer carefully and consult with your professional adviser if necessary.

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 (excluding public holidays) until the closing date of the Entitlement Offer (12 June 2019).

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.