

Clarity Pharmaceuticals Ltd

ABN 36 143 005 341

SUPPLEMENTARY PROSPECTUS

IMPORTANT INFORMATION

This is a supplementary prospectus (**Supplementary Prospectus**) that is intended to be read with the prospectus dated 16 July 2021 (**Prospectus**) issued by Clarity Pharmaceuticals Ltd (ABN 36 143 005 341) (**Company**).

This Supplementary Prospectus is dated 18 August 2021 and was lodged with the Australian Securities and Investments Commission (**ASIC**) on that date. ASIC, the Australian Securities Exchange (**ASX**) and their respective officers take no responsibility for the content of this Supplementary Prospectus.

This Supplementary Prospectus should be read together with the Prospectus. Other than as set out below, all details in relation to the Prospectus remain unchanged. The provisions of this Supplementary Prospectus prevail to the extent of any inconsistency between this Supplementary Prospectus and the Prospectus.

Terms and abbreviations defined in the Prospectus have the same meaning in this Supplementary Prospectus.

This Supplementary Prospectus will be issued with the Prospectus as an electronic prospectus, copies of which can be downloaded from the Offer website at <https://events.miraqle.com/clarity-ipo>. The Company will send a copy of this Supplementary Prospectus to all Applicants who have subscribed for Shares pursuant to the Prospectus prior to the date of this Supplementary Prospectus.

This Supplementary Prospectus and the Prospectus are important documents that should be read carefully and in their entirety. If you are unclear in relation to any of the contents of this Supplementary Prospectus or the Prospectus, you should seek professional advice from your accountant, financial adviser, tax adviser, lawyer or other independent and qualified professional adviser without delay.

1 REASONS FOR THE SUPPLEMENTARY PROSPECTUS

1.1 Purpose of this Supplementary Prospectus

The purpose of this Supplementary Prospectus is to make certain amendments to the Prospectus in order to:

- (a) provide investors with up to date information in relation to the status of the Company's clinical trials given that some positive progress has been made since the date of the Prospectus;
- (b) provide investors with updated information in relation to the Company's escrow arrangements now that such arrangements have been confirmed by the ASX; and
- (c) make clarifying amendments to certain statements contained in Sections 2 and 3 of the Prospectus.

1.2 No investor action required

As the content of this Supplementary Prospectus is not considered by the Company to be materially adverse to investors, no withdrawal rights will be offered to investors. Accordingly, no action needs to be taken by investors who have already subscribed for Shares under the Prospectus prior to the date

of this Supplementary Prospectus and the indicative timetable set out in the Prospectus in relation to the Offer has not changed as a result of the issue of this Supplementary Prospectus (although, as noted in the Prospectus, the timetable is indicative only and may still change without notice).

2 AMENDMENTS TO PROSPECTUS

Set out below are details of the sections of the Prospectus that are amended by this Supplementary Prospectus.

2.1. Amendments relating to the status of the Company's clinical trials

As noted at section 1.1(a), this Supplementary Prospectus makes certain amendments to the Prospectus in order to provide investors with up to date information in relation to the status of the Company's clinical trials given that some positive progress has been made since the date of the Prospectus.

The sections of the Prospectus that have been amended by this Supplementary Prospectus for this purpose are set out below in their amended form and, where contained in a table, have been set out in the applicable row extracted from the table for ease of reference, with each row only containing the relevant paragraphs from that row that contain amendments. The changes in such tables are identified through the use of mark-up, with additional wording in the sections below being identified by red text (**example**) and deleted wording being struck through (~~example~~).

(a) Section 1.2 – Section of the table set out below (page 12 of the Prospectus)

Topic	Summary	For more information
What is the development pathway for radiopharmaceutical products in the US?	In the United States, Clarity has two open IND applications that received clearance to proceed to clinical trials from the FDA, one for ^{64/67} Cu SARTATE™ and one for ^{64/67} Cu SAR-bisPSMA. A Phase I/IIa trial of ^{64/67} Cu SARTATE™ in children with neuroblastoma commenced in 2020 and is continuing. A Phase I/IIa trial of ^{64/67} Cu SAR-bisPSMA is due to start commenced in July 2021.	Sections 2.6.2, 3.3 and 3.5



(b) Section 3.3 (page 84 of the Prospectus) replaced with the following new Section 3.3

The prostate cancer market is a key focus for the Company. Clarity's SAR-bisPSMA products hold great promise of improving prostate cancer diagnosis and treatment and have the potential to provide multiple benefits in comparison to current products in the market. Clarity's ⁶⁴Cu SAR-bisPSMA diagnostic Phase I multicentre trial in Australia is currently open for recruitment with a first patient treated in the trial. The theranostic ^{64/67}Cu SAR-bisPSMA Phase I/IIa trial in the US is currently open for recruitment.

(c) Section 3.4 – Add the following two dot points to the bottom of the list contained in Figure 22 (page 86 of the Prospectus)

- **July 2021** – ^{64/67}Cu SAR-bisPSMA trial (SECURE) opens for recruitment
- **August 2021** – First patient treated in the ⁶⁴Cu SAR-bisPSMA trial (PROPELLER)

(d) Section 3.5.3.1 – Figure 35 (page 99 of the Prospectus)

Study name	Products	Indication	Phase	Number of patients	Location	Status	Reference
	⁶⁴ Cu SAR-bisPSMA	Prostate diagnostic	I	30	AUS	Open for recruitment Recruiting	NCT04839367
	⁶⁴ Cu SAR-bisPSMA/ ⁶⁷ Cu SAR-bisPSMA	Prostate therapy	I/IIa	34/44	US	Commencing July 2021 Recruiting	NCT04868604

(e) Section 3.5.3.2 – First sentence in paragraph (page 99 of the Prospectus) is replaced with the following sentence

To date, limited clinical data on ⁶⁴Cu SAR-bisPSMA has been generated; however, there is strong preclinical data to suggest that SAR-bisPSMA has the potential to become best in class PSMA agent.

(f) Section 3.5.3.2 – First sentence on page (page 101 of the Prospectus) is replaced with the following sentence

Clarity's ⁶⁴Cu SAR-bisPSMA diagnostic imaging trial in patients with confirmed prostate cancer in Australia is currently open for recruitment with a first patient treated at the GenesisCare CTA Medical Clinic in Perth, Australia in August 2021.

(g) Section 3.5.3.2 – The following sentence (under Figure 40) (page 102 of the Prospectus) is replaced with the following sentence

Clarity's theranostic ^{64/67}Cu SAR-bisPSMA Phase I/IIa clinical trial in the US has opened for recruitment in July 2021.

2.2. Amendments relating to the Company's escrow arrangements

As noted at section 1.1(b), this Supplementary Prospectus makes certain amendments to the Prospectus in order to provide investors with updated information in relation to the Company's escrow arrangements now that such arrangements have been confirmed by the ASX.

The amendments confirm that a slightly higher number of Shares will be subject to mandatory escrow. The amendments also confirm that a significantly higher number of Options will be subject to mandatory escrow since the ASX has determined that all of the China Grand Options will be subject to mandatory escrow for a period of 12 months from their date of issue.

The ASX has confirmed that, at the Completion of the Offer, a total of 90,680,965 Shares (representing approximately 35.40% of the Shares on issue at Completion) will be mandatorily escrowed for varying periods. In addition, the ASX has confirmed that a total of 37,762,132 Options (including 25,543,912 Options which are the China Grand Options) will be placed into mandatory escrow for varying periods, with the China Grand Options being placed into mandatory escrow until 1 July 2022.

There is no change to the 65,796,554 Shares to be held in voluntary escrow. As a result, the total number of Shares that will be subject to some form of escrow from Listing will be 156,477,519 of the Shares on issue as at Completion¹ (representing 61.09% of the Shares on issue as at Completion).

¹ Assumes 256,132,546 Shares on issue as at Completion and no Options have been exercised.

Accordingly, the sections of the Prospectus that are referred to below have been amended as set out below to reflect the confirmed escrow arrangements and, where contained in a table, have been set out in the applicable row extracted from the table for ease of reference, with each row only containing the relevant paragraphs from that row that contain amendments. The changes in such tables are identified through the use of mark-up, with additional wording in the sections below being identified by red text (**example**) and deleted wording being struck through (~~example~~).

(a) Section 1.4 – Section of the table set out below (page 21 of the Prospectus)

The “Summary” column in the table contained in Section 1.4 of the Prospectus at page 21 is amended to reflect the slightly higher figures for the restricted securities in the Company, after confirmation from ASX of the mandatory escrow position, as further set out below.

Topic	Summary	For more information
<p>Liquidity risk and escrow arrangements</p>	<p>As a result of the compulsory escrow requirements contained in Chapter 9 of the ASX Listing Rules and the voluntary escrow arrangements that have been entered into by certain Existing Shareholders with the Company, it is expected, subject to ASX confirmation, that approximately the Company confirms that 155,355,708 156,477,519 of the Shares on issue in the Company as at Completion² (representing 60.65% 61.09% of the Shares on issue as at Completion) will be subject to escrow restrictions from Listing including 76,680,986 77,044,708 Shares (representing approximately 29.94% 30.08% of the Shares on issue as at Completion) for a period of 24 months. It is expected that the The remaining 78,674,722 79,432,811 Shares (representing approximately 30.72% 31.01% of the Shares on issue as at Completion) will are expected to be released from escrow during the course of the initial six month period from Listing until 29 June 2022. Following release from escrow, Shares held by these Shareholders (referred to as Escrowed Shareholders) will be freely tradeable on the ASX. A significant sale by an Escrowed Shareholder of its Shares following their release from escrow (or a perception that such sale has occurred or might occur) could also adversely affect the price of Shares.</p>	<p>Section 10.4</p>

² Assumes 256,132,546 Shares on issue as at Completion and no Options have been exercised.

(b) **Section 1.7 – Section of the table set out below (page 30 of the Prospectus)**

The “Summary” column in the table contained in Section 1.7 of the Prospectus at page 30 is amended only in respect of those matters set out below (i.e. the paragraph relating to voluntary escrow, that is not copied in the below table, has not been amended).

Topic	Summary	For more information
<p>Will any Shares or Options be subject to restrictions on disposal following Completion?</p>	<p>Although the escrow position is subject to ASX review, as a result of the below mentioned mandatory and voluntary escrow restrictions, it is anticipated that, subject to ASX confirmation, approximately 155,355,708 156,477,519 of the Shares on issue as at Completion³ (representing 60.65% 61.09% of the Shares on issue in the Company as at Completion) will be subject to various escrow restrictions from Listing. This figure comprises 90,680,965 Shares that will be subject to mandatory escrow and 65,796,554 Shares that will be subject to voluntary escrow.</p> <p>Mandatory Escrow</p> <p>At the Completion of the Offer, it is expected that approximately 89,559,154 a total of 90,680,965 Shares (representing approximately 34.97% 35.40% of the Shares on issue at Completion⁴) will be mandatorily escrowed from Listing for varying periods with 76,680,986 77,044,708 of those Shares being escrowed for a period of 24 months from Listing (representing approximately 29.94% 30.08% of the Shares on issue at Completion⁵) and the remaining 12,878,168 13,636,257 Shares being released from escrow during the course of the initial six month one-year period from Listing.</p> <p>It is also expected that Additionally, a total of 44,218,220 37,762,132 Options will be mandatorily escrowed placed into mandatory escrow with 12,218,220 Options (representing approximately 27.83% 23.92% of all Options on issue at Completion⁶) escrowed for a period of 24 months from Listing and the remaining 25,543,912 Options (representing approximately 50% of</p>	<p>Section 10.4</p>

3 Assumes 256,132,546 Shares on issue as at Completion and no Options have been exercised.

4 Assumes 256,132,546 Shares on issue as at Completion and no Options have been exercised.

5 Assumes 256,132,546 Shares on issue as at Completion and no Options have been exercised.

6 Assumes 256,132,546 Shares on issue as at Completion and no Options have been exercised.

	all Options on issue at Completion ⁷), being the China Grand Options, escrowed until 1 July 2022.	
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(c) Section 5.3.1 – Liquidity risk and escrow arrangements (page 127 of the Prospectus) is replaced with the following new Section 5.3.1

As a result of the compulsory escrow requirements contained in Chapter 9 of the ASX Listing Rules and the voluntary escrow arrangements that have been entered into by certain Existing Shareholders with the Company, the Company understands and the ASX has confirmed that 156,477,519 of the Shares on issue as at Completion (representing 61.09% of the Shares on issue as at Completion⁸) will be subject to escrow restrictions from Listing including 77,044,708 Shares (representing approximately 30.08% of the Shares on issue as at Completion⁹) for a period of 24 months. The remaining 79,432,811 Shares subject to escrow restrictions (representing approximately 31.01% of the Shares on issue as at Completion¹⁰) are expected to be released from escrow during the period from Listing until 29 June 2022. Further details on these escrow restrictions are set out in Section 10.4. Following release from escrow, Shares held by these Shareholders (referred to as Escrowed Shareholders) will be freely tradeable on the ASX. A significant sale by an Escrowed Shareholder of its Shares following their release from escrow (or a perception that such sale has occurred or might occur) could also adversely affect the price of Shares.

(d) Paragraphs 3, 4 and 5 and the tables contained in Section 10.4.1 – Mandatory Escrow (page 211 of the Prospectus) are replaced with the following new Section 10.4.1 (with changes to the tables shown in mark-up)

The number of Shares and Options that are subject to mandatory escrow is determined by ASX at its discretion in accordance with the ASX Listing Rules and underlying policy. The numbers below set out the final mandatory escrow position as confirmed by ASX (subject to any final pre-quotations disclosure that may be made by the Company, should it be admitted to the Official List).

Shares

At the Completion of the Offer, a total of 90,680,965 Shares (representing approximately 35.40% of the Shares on issue at Completion¹¹) will be mandatorily escrowed for varying periods with 77,044,708 of those Shares being escrowed for a period of 24 months from Listing (as further detailed below) representing approximately 30.08% of the Shares on issue at Completion¹². The remaining 13,636,257 Shares subject to mandatory escrow will be released during the course of the period from Listing until 29 June 2022.

Options

Additionally, a total of 37,762,132 Options will be placed into mandatory escrow with 12,218,220 Options (representing approximately 23.92% of all Options on issue at Completion¹³) escrowed for a period of 24 months from Listing and the remaining 25,543,912 Options (representing approximately 50% of all Options on issue at Completion¹⁴), being the China Grand Options, escrowed until 1 July 2022.

7 Assumes 256,132,546 Shares on issue as at Completion and no Options have been exercised.

8 Assumes 256,132,546 Shares on issue as at Completion and no Options have been exercised.

9 Assumes 256,132,546 Shares on issue as at Completion and no Options have been exercised.

10 Assumes 256,132,546 Shares on issue as at Completion and no Options have been exercised.

11 Assumes 256,132,546 Shares on issue as at Completion and no Options have been exercised.

12 Assumes 256,132,546 Shares on issue as at Completion and no Options have been exercised.

13 Assumes 256,132,546 Shares on issue as at Completion and no Options have been exercised.

14 Assumes 256,132,546 Shares on issue as at Completion and no Options have been exercised.

Summary Table

A summary of the mandatory escrow position is set out below:

Escrowed Shareholders	Indicative Number of Shares	Restriction Ends	As a % of total Shares on issue as at Completion
Mandatory Escrow			
Existing Shareholders who are related parties or promoters			
Board of Directors and their related parties	31,703,080 31,043,412	24 months from Listing	12.38% 12.12%
Other related parties or promoters	43,941,628 44,170,914	24 months from Listing	17.16% 17.25%
Existing Shareholders who are a professional adviser or consultant			
Various service providers and consultants	1,400,000 1,466,660	24 months from Listing	0.55% 0.57%
Existing Shareholders who are not related parties or promoters			
Other Shareholders	6,265,585	29 September 2021	2.45%
Other Shareholders	6,642,100 6,612,583	15 December 2021	2.59% 2.58%
Other Shareholders	728,572	29 June 2022	0.28%
Total Mandatory Escrowed Shares	90,680,965 89,559,154 Shares		35.40% 34.97%

Escrowed Option Holders	Indicative Number of Options	Restriction Ends	% of total Options on issue as at Completion
Mandatory Escrow			
Existing Option holders who are related parties or promoters			
Board of Directors and their related parties	10,400,000 10,300,000	24 months from Listing	20.36% 20.16%
Other related party / promoter	300,000	24 months from Listing	0.59%
Existing Option holders who are a professional adviser or consultant			
Professional adviser and other option holders	1,518,220 948,220	24 months from Listing	2.97% 1.80%
Existing Option holders who are not related parties or promoters			
China Grand	25,543,912	1 July 2022	49.99%
Total Mandatory Escrowed Options	37,762,132 44,218,220 Options		73.91% 27.83%

(e) **Section 10.4.4 – Free float (page 212 of the Prospectus) is replaced with the following new Section 10.4.4**

The Company’s ‘free float’ (being the percentage of Shares not subject to mandatory or voluntary escrow at the time of Listing) will be 38.91% of the Shares on issue at Completion.

(f) **The final dot point at Section 10.7.4 – China Grand Options (page 216 of the Prospectus) is replaced with the following new dot point**

- the ASX has confirmed that the China Grand Options will be subject to mandatory escrow for a period of 12 months from the date of their issue (which occurred on 1 July 2021). Provided the China Grand Options vest, then, after the expiry of the 12 month period from their date of issue (being 1 July 2022), any Shares issued to China Grand upon the exercise of any vested China Grand Options are likely to be freely tradable (subject to the Company being able to issue a notice for the purposes of section 708A(5)(e) of the Corporations Act in respect of those Shares).

2.3. Clarificatory amendments to certain statements in Sections 2 and 3 of the Prospectus

As noted at section 1.1(c), this Supplementary Prospectus makes certain amendments to Sections 2 and 3 of the Prospectus that are clarificatory in nature so as to ensure that the Company’s disclosure is worded and presented in a clear, concise and effective manner.

The statements in Sections 2 and 3 of the Prospectus that are amended by this Supplementary Prospectus are set out below and, where contained in a table, have been set out in the applicable row extracted from the table for ease of reference. The changes made to such tables are identified through the use of mark-up, with additional wording in the sections below being identified by red text (**example**) and deleted wording being struck through (~~example~~).

(a) **Section 2.4.4.2, Table 4 (pages 47, 48 and 49 of the Prospectus)**

Diagnostic radioisotope	Advantages	Disadvantages
Gallium-68 (⁶⁸Ga) <i>Refer to Table 7 for further detail</i>	<ul style="list-style-type: none"> PET agent (see Section 2.4.4.1 for more details) Available to sites without a cyclotron by eluting from Ge-68/Ga-68 generators 	<ul style="list-style-type: none"> Half-life of ~1 hour creates supply and manufacturing challenges Requires high-cost generators for production In-house production at the treatment sites and the elution process can create additional radiation safety compliance concerns and licensing requirements
Zirconium-89 (⁸⁹Zr)	<ul style="list-style-type: none"> PET imaging agent (see Section 2.4.4.1 for more details) Half-life that supports centralised manufacture of products (78.4 hours) 	<ul style="list-style-type: none"> Not possible currently practicable to administer and image on the same day due to long half-life, which requires patients to re-visit the hospital for imaging days after administration

	<ul style="list-style-type: none"> ● Cyclotron produced and relatively low cost 	<ul style="list-style-type: none"> ● Lower image resolution compared to other PET imaging agents ● Effective radiation dose to patient is high for a diagnostic scan ● Mainly used with antibodies, which makes for high-cost diagnostic agents ● Limited number of promising ⁸⁹Zr-based tracers in clinical use to date
<p>Copper-64 (⁶⁴Cu) <i>Refer to Table 7 for further detail</i></p>	<ul style="list-style-type: none"> ● PET imaging agent (see Section 2.4.4.1 for more details) ● Excellent image resolution ● Cyclotron produced for patient doses in significant volumes at very high purity ● Half life of 12.7 hours provides ample time for shipment to central radiopharmacy and delivery of ready to use products to treatment centres ● Easily obtained starting material for production (⁶⁴Ni) ● Has a theranostic pairing with ⁶⁷Cu for therapy ● ⁶⁴Cu based products can be administered and imaged on the same day and also offer the ability to collect multiple images from one hour to 48 hours ● ⁶⁴Cu has a shorter positron range which can result in improved image quality compared to ⁶⁸Ga 	<ul style="list-style-type: none"> ● Historically, the absence of a suitable chelator technology has limited product development for copper-based radiopharmaceuticals, which meant demand for copper radioisotopes was limited, subsequently causing limited supply of these radioisotopes

- (b) Section 2.5.2, footnote number 56 in the second paragraph (page 55 of the Prospectus) is replaced with the following new footnote number 56

56. SNMMI 2018, Shortage of Germanium-68/Gallium-68 Generators for the Production of Gallium-68, <<https://s3.amazonaws.com/rdcms-snmml/files/production/public/Ga68%20shortage%20letter.pdf>>

- (c) Section 2.5.3, Table 7 (page 57 of the Prospectus)

	Traditional Pairings (Gallium-68)	Targeted Copper Theranostics (Copper-64)
Description	<p>^{68}Ga is a positron emitting isotope of gallium that is made through local (typically on-site) elution due to its relatively short half-life and therefore shelf-life.</p> <p>Recently approved generators cannot may be challenged to meet this demand due to the low number of manufacturing sites, which can results in extended delivery times of one year or more.</p>	<p>^{64}Cu is a positron and beta emitting isotope of copper that can be produced daily on cyclotrons for patient doses in significant volume. Due to the 12.7 hour half-life, ^{64}Cu based products can be produced centrally and distributed to treatment centres as a finished drug product with a shelf life of a few days.</p>
Production route	<p>Eluted from on site germanium-68/gallium-68 generators, which have a limit on the amount of ^{68}Ga that can be collected per day per generator.</p>	<p>Produced in large batch sizes using biomedical cyclotrons by irradiation of ^{64}Ni. There is already sufficient capacity in the US from a number of manufacturers producing ^{64}Cu weekly as well as the potential to increase supply by utilising idle capacity of cyclotrons that are currently used for the production of ^{18}F.</p>

- (d) Section 3.2.2.3, first sentence of paragraph 2 (page 78 of the Prospectus) is replaced with the following sentence

^{64}Cu , a diagnostic radioisotope, can be produced on cyclotrons for patient doses in large volumes.

3 CONSENTS

The Company confirms that, as at the date of this Supplementary Prospectus, each of the parties that has been named as having consented to being named in the Prospectus has not withdrawn that consent.

4 CONSENT OF DIRECTORS

This Supplementary Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Supplementary Prospectus with ASIC and has not withdrawn that consent prior to lodgement.

Signed for and on behalf of the Company on 18 August 2021.



Dr Alan Taylor

Chairperson

Clarity Pharmaceuticals Ltd