AdAlta

next generation protein therapeutics

NON-RENOUNCEABLE RIGHTS ISSUE OFFER

Non-renounceable pro-rata offer to Eligible Shareholders on the basis of 1 New Share for every 4 Shares held as at the Record Date at an Issue Price of $0.10 to raise up to approximately $4.098 million before costs (**Offer**).

ADALTA LTD
ABN 92 120 332 925
(ASX code: 1AD)

IMPORTANT NOTICE

This Offer Document is not a prospectus or other form of disclosure document under the Corporations Act. It does not contain all of the information that an investor would find in a prospectus or which may be required in order to make an informed investment decision regarding the Offer or about the rights attaching to the New Shares offered by this Offer Document.

This Offer Document is important and requires your immediate attention. It should be read in its entirety. If you do not understand its content or are in doubt as to the course you should follow, you should consult your stockbroker or professional adviser without delay.

Please read the instructions in this Offer Document and on the accompanying Entitlement & Acceptance Form regarding the acceptance of your Entitlement.

This Offer Document is not for release, publication or distribution in the United States or elsewhere where such an offer would be in contravention of securities laws.

IMPORTANT NOTES

1. Offer document

This Offer Document has been prepared by AdAlta Limited ACN 120 332 925 (**AdAlta** or the **Company**). This Offer Document is not a prospectus or other form of disclosure document under the Corporations Act and has not been lodged with ASIC. The Offer contained in this Offer Document is being made without disclosure in accordance with section 708AA of the *Corporations Act 2001* as modified by *ASIC Corporations (Non-Traditional Rights Issue) Instrument 2016/84*.

As a result, it is important for Eligible Shareholders to read and understand the information on AdAlta and the Offer made publicly available, before accepting all or part of their Entitlement. In particular, please refer to the information in this Offer Document, AdAlta Annual Reports and other announcements made available at http://adalta.com.au/investors/asx-announcements/ or www.asx.com.au.

2. This is an important document

The information contained in this Offer Document does not constitute investment advice and has been prepared without taking into account each Eligible Shareholder's investment objectives or financial circumstances. You should seek advice from your professional adviser before deciding to invest. Investing in the Company involves risks.

The Offer Document does not contain all of the information that an investor would find in a prospectus or which may be required in order to make an informed investment decision regarding the Offer or about the rights attaching to the New Shares offered by this Offer Document.

3. Disclaimer

No person is authorised to give any information or to make any representation in connection with the Offer which is not contained in this Offer Document. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with the Offer.

To the extent permitted by law, neither the Company nor any other person warrants the future performance of the Company or any return on any investment made under this Offer Document, except as required by law and then only to the extent so required.

4. Future performance and forward looking statements

Neither the Company nor any other person warrants, represents or guarantees (expressly or by implication) the future performance of the New Shares or any particular rate of return on any investment made pursuant to Offer, or any particular tax treatment.

This Offer Document contains certain "forward looking statements". Forward-looking statements include those words such as "believe", "anticipate", "estimate", "expect", "will", "plan", "should", "may", "intend", "likely", "forecast" and other similar expressions but not limited to statements regarding the outcome and effects of the Offer. Forward-looking statements, opinions and estimates provided in the information in this Offer Document are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Forward-looking statements in this Offer Document are current and speak only as at the date of this Offer Document.

No representation or warranty (express or implied) is given as to the accuracy, completeness or correctness, likelihood of achievement or reasonableness of any forecasts, prospects or returns contained in this Offer Document.

While due care and attention have been used in the preparation of forward-looking statements, you are cautioned not to place undue reliance on such statements. To the maximum extent permitted by law, the Company disclaims any obligation or undertaking to release any updates or revisions to such information to reflect any change in expectations or assumptions.

An investment in the Company is subject to investment and other known and unknown risks, uncertainties and assumptions, many of which are outside the control of the Company and its board, which could cause actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied by any forward-looking statements in this Offer Document.

5. Past performance

Investors should note that the Company's past performance including Share price performance provides no guarantee or guidance as to future Share price performance. Any past performance information given in this Offer Document is provided for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance including the Company's future financial position or Share price performance.

6. Risks

An investment in the Company is subject to investment and other known and unknown risks, uncertainties and assumptions, many of which are outside the control of the Company and its board, which could cause actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied by any forward-looking statements in this Offer Document.

In the current volatile markets, the global impact of the COVID-19 pandemic is continuously developing. Global economic outlook is facing uncertainty due to the COVID-19 pandemic which has had and may continue to have a significant impact on capital markets and share prices.

Refer to the 'Risks' section included in section 6 of this Offer Document for a summary of general and specific risk factors that may affect the Company.

7. Eligibility

Applications for New Shares by Eligible Shareholders can only be made on an original Entitlement & Acceptance Form sent with this Offer Document (or payment via BPAY®[1] or EFT, as described herein). The Entitlement & Acceptance Form sets out an Eligible Shareholder's Entitlement to participate in the Offer.

8. Overseas Shareholders

This Offer does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would be unlawful to make such an offer or to issue this Offer Document. No action has been taken to permit a public offering of the New Shares under the Offer in any jurisdiction outside of Australia and New Zealand.

It is not practicable for the Company to comply with the securities laws of any other overseas jurisdictions other than Australia and New Zealand, having regard to the number of overseas Shareholders, the number and value of the New Shares these Shareholders would be offered and the cost of complying with regulatory requirements in each relevant jurisdiction.

It is the responsibility of any Applicant to ensure compliance with any laws of a country relevant to their application. Return of a duly completed Entitlement & Acceptance Form (or payment by BPAY® or EFT) will be taken by the Company as a representation that there has been no breach of such laws, that the Applicant is an Eligible Shareholder and that the Applicant is physically present in Australia or New Zealand. Shareholders outside Australia or New Zealand (**Ineligible Foreign Shareholders**) should refer to Section 3.14 for details of how their Entitlement will be dealt with.

Shareholders resident in New Zealand should consult their professional advisors as to whether any government or other consents are required, or other formalities need to be observed, to enable them to take up their Entitlements under the Offer.

9. Not for Distribution outside Australia and New Zealand

This document does not constitute an offer to sell, or a solicitation of an offer to buy, any securities in the United States. The New Shares have not been, nor will be, registered under the U.S. Securities Act of 1933 (U.S. Securities Act) or the securities laws of any state or other jurisdiction of the United States.

The Entitlements may not be taken up by, and the New Shares may not be offered or sold to, any person in the United States or any person that is, or is acting for the account or benefit of, any person in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws.

This document may not be released or distributed in the United States. The distribution of this document in other jurisdictions outside Australia and New Zealand may also be restricted by law and any such restrictions should be observed. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

10. Currency

All references to A$, $A, dollar or $ in this Offer Document are to Australian currency.

11. Definitions and references to time

Capitalised words and expressions in this Offer Document have the meaning given to them in Section 7. Unless otherwise stated, any reference to time in this Offer Document is a reference to Melbourne, Australia time.

12. Date of this Offer Document

This Offer Document is dated 19 August, 2020.

[1]® Registered to BPAY Pty Limited ABN 69 079 137 518

KEY OFFER DETAILS

Key details of the Offer	
Offer to Eligible Shareholders	**1 New Share for every 4 Shares held at the Record Date**
Issue Price per New Share	**$0.10 payable in full on Application**
Maximum number of New Shares under the Offer	**40,986,403 New Shares**
Maximum proceeds from the Offer (excluding costs associated with the Offer)	**$4.098 million** (approximately)
Shares issued under the Placement (after the Offer Record Date)	**40,000,000 Shares**
Maximum number of Shares on issue following the Placement and Offer (refer to Section 4 below)	**244,932,016 Shares**

IMPORTANT DATES*

Event	Date
Announcement of the Offer	**Tuesday, 11 August, 2020** (pre ASX Market opening)
Lodgement of Cleansing Notice and Appendix 3B with ASX (and notice to option holders)	**Tuesday, 11 August, 2020.**
"Ex" date for the Offer (being the date that Shares start trading without the Entitlements to participate in the Offer)	**Thursday, 13 August,, 2020.**
Record Date to determine Entitlements under the Offer	**Friday, 14 August 2020**
Opening Date of Offer	**Wednesday, 19 August 2020**
Despatch of the Offer Document and Entitlement & Acceptance Form to Eligible Shareholders and ASX announcement that this despatch has occurred	
Closing Date for acceptances under the Offer	**5.00pm, Wednesday, 2 September 2020**
Results and shortfall (if any) announced to the ASX	**Monday, 7 September 2020**
Issue of the New Shares and lodge an Appendix 2A with ASX applying for quotation of the New Shares	**Tuesday, 8 September 2020**
Trading (T+2) of New Shares expected to commence	**Wednesday, 9 September 2020**

*Note: The above dates are indicative only and subject to change. The Company reserves the right, subject to the Corporations Act and the Listing Rules, to extend the Closing Date or to withdraw the Offer at any time without prior notice, in which case all Application Monies will be refunded (without interest) as soon as practicable. Any extension of the Closing Date will have a consequential effect on the issue date of New Shares. All dates and times are references to Melbourne, Australia time.

LETTER FROM THE CHAIR

19 August 2020
Dear Shareholder

On behalf of the Board of AdAlta Limited ACN 120 332 925 (**AdAlta** or the **Company**), I invite you to participate in the Company's non-renounceable pro-rata entitlement offer of 1 New Share for every 4 Shares held at the Record Date of 7.00pm (AEDT) on 14 August 2020, at an Issue Price of $0.10 per New Share to raise up to approximately $4.098 million (**Offer**).

The past six months have been transformational for your Company. AdAlta is now a clinical stage company, a major milestone in the life of any biopharmaceutical discovery and development company.

AdAlta's lead i-body enabled asset, AD-214, has commenced a Phase I clinical trial in Australia. Part A in healthy volunteers has commenced and the first participants in Part A have now received AD-214 and passed the 72-hour observation window without dose limiting adverse events at two dose levels. Subject to satisfactory completion of Part A of the trial, Parts B and C will commence in interstitial lung disease (**ILD**) and idiopathic pulmonary fibrosis (**IPF**) patients during the first half of 2021. During a pre-Investigational New Drug (**IND**) application meeting with the US Food and Drug Administration (**FDA**), the Phase I trial design and AD-214 pre-clinical program were determined to be generally sufficient to support a future IND application to FDA, providing the second independent verification of the completeness of the AD214 development program. FDA guidance on specific details has been readily incorporated into the current Phase I trial protocol and ongoing development plans.

The Company continues to successfully execute its existing co-development collaboration with multinational life sciences company, GE Healthcare (**GEHC**), providing ongoing commercial validation of the capability of the i-body platform.

In March 2020 the management team led by new CEO Dr Tim Oldham announced a new strategic plan for AdAlta. Building on the achievements of the past six months, AdAlta is now aiming to expand the indications for AD-214, add additional anti-fibrotic, anti-inflammatory and anti-cancer products into its internal pipeline and increase the number of active co-development collaborations to build an external pipeline. This will enable the Company to fully leverage the unique features of the i-body platform.

AdAlta has completed the placement of approximately 40,000,000 shares (**Placement Shares**) at the same price as the Offer (i.e. $0.10 per share) with existing and new institutional and sophisticated shareholders raising approximately A$4.0 million before fees and expenses (**Placement**). The Placement was oversubscribed. The Placement was made under AdAlta's existing and available placement capacity in accordance with ASX Listing Rules 7.1 and 7.1A and does not require shareholder approval.

The Offer is summarised as follows:

- Australian and New Zealand residents holding AdAlta Shares may subscribe under the Offer for 1 new Share for every 4 held as at the Record Date of 7.00pm (AEDT) on 14 August 2020.
- New Shares are priced at $0.10 per new Share.
- The Offer of approximately 40,986,403 New Shares may raise up to approximately $4.098 million (before the costs of the Offer). The Offer is not underwritten.
- Shareholders (other than Directors of AdAlta and related parties of the Company) may subscribe for Additional Shares beyond their entitlement of 1 for 4 on the basis that some existing Shareholders may be either ineligible (non-Australian or New Zealand residents) or may fail to fully take up their Entitlement. This additional ability is restricted only to eligible holders and is referred to as a **Top-Up Facility**.
- If there remains any Shortfall after allocation of the Additional Shares, the Directors reserve the right for up to 3 months after the close of the Offer to place any Shortfall to wholesale or exempt investors at the Board's discretion but at a price no less than the Offer Price.

The Offer is to be made pursuant to s708AA of the Corporations Act and this Offer Document has been lodged with the ASX. A copy of that document can be accessed on the ASX website or AdAlta's website.

The funds from the Placement and Offer are important and will be used to continue implementing the strategic plan outlined in March 2020 (full details of which are available on the Company website). More specifically, the funds will be applied to:

- Developing the AD-214 asset by progressing Parts B and C of the Phase I clinical trial of AD-214 (conducted in Interstitial Lung Disease (ILD) and Idiopathic Pulmonary Fibrosis (IPF) patients); conducting additional pre-clinical studies to support partnering, additional indications and future clinical programs; and continuously improving manufacturing
- Ensuring the i-body platform retains technology leadership in addressing challenging drug targets by investing in continuous improvement of the i-body platform
- Conducting selection and initiating i-body discovery projects to add new internal pipeline assets
- General corporate costs and working capital, including development of additional i-body platform collaborations to expand the Company's external pipeline and potential out-licensing of AD214.

As a Board, we appreciate the support of our Shareholders and are pleased to be able to provide existing Shareholders this opportunity to maintain or increase their investment in the Company.

We look forward to your participation in the Offer.

Yours sincerely,

Dr Paul MacLeman
Chair, AdAlta Limited

1. SUMMARY

		Where to find more information
What is the Offer?	Non-renounceable rights issue offer of New Shares (**Offer**) plus a Top-Up Facility for Shareholders who participate in this Offer.	Section 3.1
What are the terms of the Offer?	1 New Share for every 4 Shares held on the Record Date at an issue price of $0.10 per Share (**Entitlement**). All Shares issued under any Entitlement (**Entitlement Shares**) will be rounded up to the nearest whole number.	Section 3.1
Can I sell or transfer my Entitlements?	No, the Offer is non-renounceable and, accordingly, you cannot offer to sell or transfer any of your Entitlement on ASX or via an off-market transfer.	Section 3.7
Can I purchase Additional Shares at the same price?	Yes, the Company is also offering a Top-Up Facility so Eligible Shareholders who fully subscribe their Entitlement under the Offer will also have the right to apply for **Additional Shares** (Shares not subscribed for by other Eligible Shareholders) at the same price. There is however no guarantee that you will receive any or all of the Additional Shares you apply for. Further, if there remains any Shortfall after allocation of the Additional Shares, the Directors reserve the right for up to 3 months from the close of the Offer to place any Shortfall at their discretion at a price no less than the Offer Price.	Sections and 3.9 and 5.3
How will the Additional Shares be allocated?	The Company reserves the right to scale back any applications for Additional Shares in its absolute and sole discretion, including not allocating all the Additional Shares for which there are applications. When determining the amount (if any) by which to scale back an application, the Company may take into account a number of factors, including but not limited to the size of an Applicant's shareholding in the Company, the extent to which an Applicant has sold or bought Shares in the Company before and after both the announcement of the Offer and the Record Date, as well as when the application was made.	Section 5.3
Is the Offer underwritten?	No.	Section 1.1
Is there a Minimum and a Maximum Subscription Amount?	There is no Minimum Subscription Amount. There is a Maximum Subscription Amount of approximately $4.098 million.	Section 3.1
How do the New Shares rank in comparison to existing Shares?	All New Shares issued under the Rights Issue or the Top-Up Facility will rank equally in all respects with existing Shares from the date of their issue.	Section 3.17
Who can invest?	Eligible Shareholders of the Company as at 7.00 pm (AEDT) on the Record Date of 14 August 2020.	Section 3.5
What is the Placement?	The Placement is the issue on 18 August, 2020 of approximately 40 million shares in the Company at $0.10 per share (Placement Shares). The Placement was made under the Company's existing ASX Listing Rules 7.1 and 7.1A capacity and does not require shareholder approval. Holders of shares issued in the Placement are not eligible to participate in the Offer with respect to those Placement Shares as the Placement Shares were issued after the Record Date.	
What are the control effects of the Offer?	The effect of the Placement and Offer on the control of the Company will vary with the level of Entitlements and Additional Shares taken up by Eligible Shareholders under the Offer. We do not envisage any material change in control of voting in the Company.	Section 4.2
What are my choices?	As an Eligible Shareholder you may: • take up all of your Entitlement under the Offer (and if you have taken up all your Entitlement, you may also apply for Additional Shares in the Top-Up Facility); or • exercise only a portion of your Entitlement and allow the balance to lapse; or • do nothing, in which case all of your Entitlements will lapse and you will receive no value for those lapsed Entitlements.	Section 5.1

2. COMPANY OVERVIEW AND UPDATE

2.1. Introduction

AdAlta Ltd (**AdAlta** or the **Company**) is a clinical stage biopharmaceutical discovery and development company listed on the Australian Securities Exchange (ASX:**1AD**). AdAlta is using its i-body technology platform to develop novel protein therapeutics for high unmet need medical conditions where the drug target has proven challenging for traditional antibody therapeutics.

The Company's strategy is to develop multiple i-body enabled products using a combination of:

- Internal pipeline products: wholly owned, internal developments addressing Company selected targets intended to be developed through initial clinical trials prior to out-licensing for later stage clinical development and commercialisation
- External pipeline products: co-development programs with third parties addressing targets supplied by the third party and partially or wholly funded by the third party that intends to ultimately commercialise resulting products.

AdAlta's first internal product candidate, AD-214, is a first-in-class product being developed to treat fibrotic diseases, with an initial focus on degenerative Interstitial Lung Disease (**ILD**) including the orphan (rare) disease Idiopathic Pulmonary Fibrosis (**IPF**). The Company has recently commenced a Phase I clinical trial of AD-214, which will initially administer AD-214 to healthy volunteers and then ILD/IPF patients. The US Food and Drug Administration (**FDA**) is supportive of the pre-clinical data package for AD-214 and Phase I trial design and specific FDA guidance has been incorporated into the development program and Phase I trial. The first participants received AD-214 on 19 July 2020.

AdAlta's first external product candidate is being developed through a co-development collaboration with GE Healthcare (**GEHC**) to discover ibodies specific to an enzyme called granzyme B. GEHC has paid an initial milestone to access the i-body technology and is funding i-body discovery activities. If successful, GEHC have the option to take over pre-clinical and clinical development of the ibodies for use as molecular imaging agents for cancer. This collaboration provides important commercial validation of the attractiveness of the i-body platform

In March 2020, AdAlta outlined a growth strategy including the objective of expanding its internal pipeline to five product candidates and to add a further three to five platform co-development partnerships by 2023.

2.2 i-body platform

Pharmaceuticals are designed to engage a biological target responsible for disease pathology. The pharmaceutical may either trigger the normal activity of the target in a disease where the target activity is low or absent (agonism); block overactivity (antagonism); or activate the immune system or other mechanisms to kill and dispose of an unwanted cell (eg cancer) or pathogen (eg bacteria or virus) on which the target is found.

Antibodies are biopharmaceuticals that are modelled on the active proteins in the immune system. They are proteins comprising variable binding domains that interact in a highly specific and selective way with a particular target and a constant domain that interacts with the cells of the immune system. They are more specific and selective than small chemical drugs.

AdAlta's i-bodies derived from a class of antibodies known as single domain antibodies. Single domain antibodies have just one variable binding domain, and are substantially smaller than traditional antibodies (10-15% in the case of i-bodies).

i-bodies are modelled on single domain antibodies found in the shark immune system and comprise a human protein scaffold or backbone with high structurally similarity to the shark antibody scaffold and a variable binding domain inserted using protein engineering techniques. The variable binding domain is made up of much longer binding loops than traditional antibodies. By randomising the amino acids (protein building blocks) that make up the binding loops, AdAlta created libraries containing billions of i-body variants. These libraries are screened or "panned" against biological targets of interest to find drug candidates. This i-body structure is protected by international patents granted in multiple countries including Australia and USA (patents based on international patent application PCT/AU2005/000789).

When combined with the small size of single domain antibodies, the unique structure of the variable binding domain makes the i-body particularly suited to bind to "difficult" drug targets that have proven challenging for traditional antibody therapeutics (eg those where the active or binding site is deep inside a protein or where the antibody needs to discriminate between multiple signalling pathways activated by the target in order to achieve a therapeutic effect while avoiding unintended consequences or side effects). It is these challenging targets that AdAlta focusses on. The Company's i-body libraries have been shown to contain binders to more than 20 of these "difficult" drug targets. i-bodies can be further modified to optimise half-life (the time the antibody is able to circulate in the blood before it is inactivated and cleared).

2.3. AD-214

AdAlta's first i-body enabled asset, AD-214, is being developed as a therapeutic to improve outcomes in fibrotic disease. Fibrosis, or scarring, is characterised by increased levels of collagen being deposited in response to repeated injury and inflammation. This results in increased stiffness and breakdown of normal tissue structure, resulting in progressive loss of function. When this occurs in organs such as the lungs, kidney or eye the resulting loss of function can be debilitating and ultimately fatal. There is a fibrotic component to approximately 45 percent of diseases and almost every organ system in the body can be affected. Fibrosis is a degenerative disease for which there is generally no cure today.

AD-214 is being developed initially for IPF, a subset of ILD. IPF is an orphan disease, meaning it is relatively rare and as a result can attract specific incentives from regulators to help accelerate drug development. There are estimated to be more than 300,000 patients living with IPF globally,[2] with a median life expectancy of just 3-4 years from diagnosis.[3] As IPF progresses, respiratory capacity declines requiring supplemental oxygen and ultimately mechanical ventilation and severely impacting quality of life. There are two approved drugs, pirfenidone and nintedanib, that slow the rate of progression of IPF (as measured by lung function) by approximately 50% but do not improve survival[4] and are accompanied by significant side effects that limit long term continuance of therapy. There is significant need for improved therapies.

AD-214 blocks a receptor called CXCR4 that is involved in migration of blood stem cells, immune cells (involved in inflammation and fibrosis) and fibrocytes (involved in fibrosis). CXCR4 levels are increased in fibrotic tissue and appear to correlate with fibrotic disease severity and levels can predict response to existing therapies. Blocking CXCR4 has been shown to slow or halt progression of fibrosis in animal models, however there is currently no therapeutic agent blocking CXCR4 that is approved or in development for fibrotic disease. AD214 binds strongly and very specifically to CXCR4, but does not appear to significantly mobilise blood stem cells and does not engage other receptors, making it suitable for chronic treatment and at the same time demonstrating the unique ability of i-bodies to deliver specific, selective and targeted biological or pharmacological outcomes. AD-214 is protected by an additional patent family (based on international patent application PCT/AU2016/050005) granted in Australia and USA and expiring in 2036, and under examination in EU, Japan, China and other markets.

AD-214 has been engineered to have an extended half-life in humans and to be able to be manufactured using standard antibody production techniques. A manufacturing process has been developed and AD-214 drug substance and drug product has been manufactured to current Good Manufacturing Practice (cGMP) standards suitable for initial human clinical trials.

AD-214 has been demonstrated to be effective in slowing or halting the progression of fibrosis in the gold standard animal model of lung fibrosis, the bleomycin mouse model. In this model, a chemical called bleomycin is introduced to the lungs of mice where it generates fibrosis that progresses over 21 days as measured by a variety of parameters including Ashcroft Score (a standardised visual assessment of lung tissue) and hydroxyproline content (a marker of collagen levels). Compared with untreated controls, AD-214 resulted in a statistically significant reduction in Ashcroft Score at doses in excess of 1 mg/kg every second day and 10 mg/kg every four days, and a reduction in hydroxyproline.

Studies in non-human primates demonstrated a very clean toxicology profile showing no apparent adverse effects at doses up to 100 mg/kg twice weekly for four weeks, well in excess of the maximum equivalent dose planned for human clinical studies. AD-214 demonstrated a half-life and CXCR4 receptor occupancy (saturation) supporting the therapeutic potential of the planned weekly dosing schedule and up to 20 mg/kg dose in human subjects.

AdAlta's application to conduct its first Phase I human clinical trial in Australia was approved by the relevant Human Research Ethics Committee (HREC) in June 2020. AdAlta also participated in a pre-Investigational New Drug application (PreIND) meeting with the US FDA, receiving confirmation that the pre-clinical data package for AD214 and the Phase I trial design were sufficient to support an IND application. Specific guidance points have been incorporated into the Australian Phase I trial.

This Phase I trial will evaluate the safety, tolerability, pharmacokinetics (PK, concentration in the blood over time) and pharmacodynamics (PD, biological effect, in this case saturation of CXCR4 receptors) of AD-214 in healthy volunteers and in ILD (including IPF) patients. Part A in healthy volunteers will investigate increasing single doses of AD-214 and top line safety results are expected in early 2021. Parts B (single dose) and C (multiple doses) in patients will then commence in early 2021 and run for at least a year. It is intended that these patient studies will be enabled and informed by the development of a radio-labelled version of AD-214 that can be used for PET imaging, enabling the distribution of AD-

[2] GlobalData Dec 2019; DS Kim et al, Proc Am Thorac Soc 2006 (3) 285; L Nalysnyk et al, Eur Respir Rev 2012 (21:126) 355

[3] CJ Ryerson, M Kolb, Eur Respir J, 2018 (51) 1702420

[4] US Food and Drug Administration, prescribing information for Ofev® (nintedanib) and Esbriet® (pirfenidone); https://www.accessdata.fda.gov/drugsatfda_docs/label/2019/205832s012lbl.pdf; https://www.accessdata.fda.gov/drugsatfda_docs/label/2017/208780s000lbl.pdf

214 in the lungs of patients over time to be measured and visualised. Patient studies are important because increased levels of CXCR4 in patients relative to healthy volunteers may affect the PK and PD parameters of AD-214 and will be critical to the design of Phase II studies and add significant value to partnering efforts. The Phase I study is not designed to provide evidence of efficacy in ILD or IPF patients.

The first participants have now received AD214 and the 72-hour observational window has passed without dose limiting adverse events being observed at two dose levels. Dose escalation is proceeding in accordance with the findings of the trial safety management committee.

Approval of this trial represents the first time independent bodies have reviewed the complete package of pre-clinical and manufacturing data for AD-214 and determined it to be ready for human trials. This Phase I trial is important not just for the development of AD214, but also to validate the safety and confirm the potential of AdAlta's i-body platform.

Towards the end of the Phase I trial, AdAlta will aim to secure partnerships with major pharmaceutical partners to complete clinical development and commercialisation of AD214. AdAlta may receive substantial milestones and potential future royalty payments from such a transaction, but will also retain the option of continuing to develop AD-214 in Phase II trials prior to partnering. AdAlta has also conducted, and is continuing to conduct, proof of concept experiments of AD-214 in additional fibrotic indications, including kidney, eye and liver, as well as cancer.

2.4. GE Healthcare collaboration

In addition to developing its own i-body enabled products, AdAlta collaborates with other biopharmaceutical companies to discover i-bodies that engage targets of interest to those third parties and co-develop products that use those i-bodies (external pipeline). A range of collaboration models are possible, all of which involve AdAlta placing substantially fewer, or none, of its own funds at risk compared with the internal development pipeline. In addition to potential future milestones and royalties, these collaborations provide commercial validation of the value of the i-body platform and experimental validation of the diversity of targets that can be addressed by the platform.

The current collaboration with GEHC is a good example. GEHC are seeking i-bodies that bind to a protein called granzyme B that they can use as an imaging agent for this protein for use in cancer diagnostics. GEHC paid AdAlta GBP100,000 upfront fee to access the i-body platform and then research fees to cover the costs of each stage of an 11-14 month discovery effort. Each stage has defined activities and deliverables, which if achieved lead to the next stage of discovery. At the end of the discovery phase, GEHC may progress binders with suitable properties into pre-clinical and clinical development as imaging agents at its expense, with AdAlta receiving ongoing development milestones and royalty payments on successful commercialisation. GEHC has to date paid more than GBP330,000 in milestones and discovery research fees to the end of Stage 2 (8 months) and has agreed to progress the project to discovery stage 3.

Under this type of collaboration, AdAlta is able to add additional products to its pipeline at low to no financial risk to itself (though with commensurately lower payments on success).

2.5. Company strategy

AdAlta's purpose is to develop multiple i-body enabled products that utilise the unique i-body features to address challenging drug targets and high unmet need diseases. Figure 1 illustrates the two core strategies AdAlta plans to use to generate returns from the i-body platform.

First, AdAlta will invest to develop an internal pipeline of i-body enabled products against targets it selects. Product candidates are intended to be developed from discovery through pre-clinical development and initial clinical development (Phase I or Phase II) prior to out-licensing to larger biopharmaceutical companies to complete clinical development and obtain regulatory approval, reimbursement and commercial launch. AdAlta will receive upfront and development milestones and royalties on commercial success. AD-214 is the first example of this strategy and AdAlta has set a goal to add up to five new internal development candidates to the pipeline by 2023 (subject to funding and technical success). These candidates will initially be focussed on a class of biological receptors found in cell membranes called G-protein coupled receptors (GPCRs). GPCRs are one of the largest families of drug targets and also one of the most difficult to drug successfully, making them ideal candidates for i-body enabled drugs. Therapeutic areas of primary focus will be fibrotic and inflammatory diseases and cancer.

Secondly, AdAlta will enter co-development collaborations with other biopharmaceutical companies to discover and develop i-body enabled therapeutics against a wide range of complex, challenging targets provided by the collaborator companies (external pipeline). The GEHC collaboration is an example of this type of relationship and AdAlta has set the goal of adding 3-5 more such collaborations by 2023.

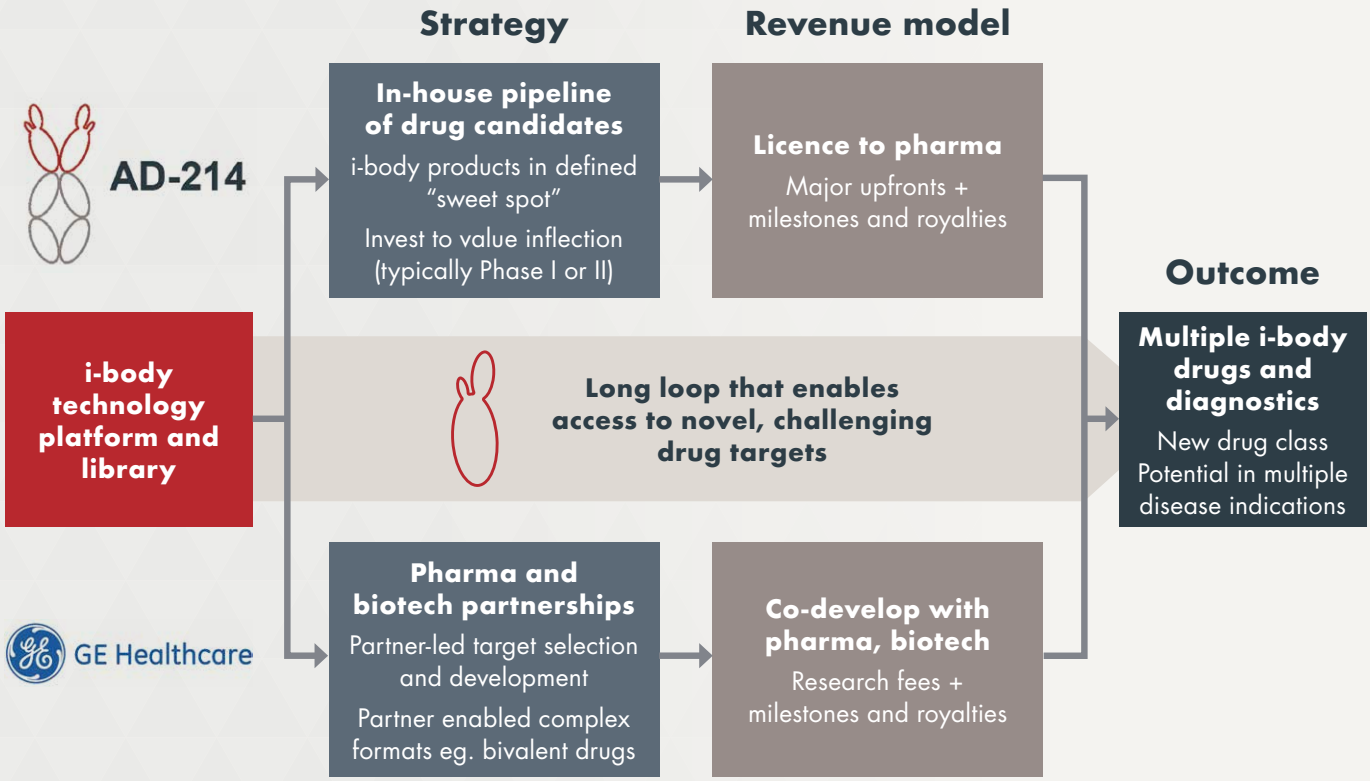

Figure 1: AdAlta's business model to create value from the i-body platform

Approval for the Phase I clinical trial of AD-214 demonstrates that AdAlta can develop ibody enabled products from discovery to the clinic, confirming the Company's ability to execute the first growth strategy. The GEHC collaboration demonstrates the conviction that major global companies have in the ability of the i-body platform to deliver unique therapeutic and diagnostic products, validating the second growth strategy.

Future growth depends on continuing to execute these projects and scaling resources and investment to repeat over and over again with similar projects.

AdAlta's immediate strategic priorities are:

1. Continue to add value to AD-214 ahead of a first licensing window towards the end of Phase I clinical studies. This means successfully progressing Phase I trials in healthy volunteers and ILD/IPF patients; developing radio-labelled AD-214 for imaging; extending pre-clinical data for IPF, other fibrotic indications and cancer while developing relationships with potential licensing partners; and continuously improving the AD-214 manufacturing process. To complete this work and take advantage of additional opportunities that may arise, AdAlta may need to manufacture additional quantities of AD-214.
2. Add internal pipeline assets by selecting targets and commencing discovery efforts towards a portfolio of i-body enabled drugs against GPCRs. This means rigorous desk-top screening of potential targets to develop target product profiles, consultation with GPCR biology experts, and feasibility panning campaigns of the ibody libraries.
3. Add external pipeline assets by developing multiple co-development collaborations while continuing to execute the GEHC contract. This involves establishing and developing relationships with companies pursuing discovery programs against challenging targets. In most cases, collaborators will wish to undertake practical evaluation and testing of AdAlta's technology in advance, for which AdAlta may invest modest funds to produce small quantities of research grade i-bodies.
4. Invest in continuous improvement of the i-body platform. These investments are necessary to extend AdAlta's intellectual property protection and ensure that the ibody platform remains at the forefront of tools available to address the drug targets that most challenge the biopharmaceutical industry today.

2.6 Commercial opportunity

IPF and fibrosis

The two marketed IPF drugs, pirfenidone and nintedanib, generated estimated sales of US$2.9 billion in 2019 including US$1.74 billion in US, largest five EU markets and Japan,[5] despite modest efficacy and significant side effects. Multinational pharmaceutical companies Roche (markets pirfenidone) and Boehringer Ingelheim (markets nintedanib) have both in-licensed or acquired IPF products in 2019 and 2020 at early stages and in large transactions. In November 2019, Roche acquired Promedior for US$390 million upfront and US$1 billion in potential milestones. At the time the major asset in Promedior's pipeline was PRM-151 that had completed a Phase II study in IPF. In July 2019 Boehringer Ingelheim licensed a Phase I product from Bridge Biotherapeutics for €45 million up front and €1.1 billion in potential milestones and followed this in January 2020 by licensing a fibrosis platform with a lead product still in pre-clinical development from Enleofen for an undisclosed upfront payment and US$1 billion in potential milestones.

In addition, it has been reported that the burden of fibrotic lung disease following SARS-CoV-2 infection is likely to be high, and antifibrotic therapies could have value in preventing severe COVID-19 in IPF patients and preventing or treating fibrosis after SARS-CoV-2 infection.[6]

The market for other fibrotic indications is potentially even larger, with the market for chronic kidney disease estimated at US$10 billion per year and the market for wet age-related macular degeneration estimated at US$16 billion per year.[7] Fibrotic diseases were identified as one of the top three therapeutic areas of the future at the 2020 JPMorgan Healthcare Conference. In addition, antibodies against AD-214's biological target, CXCR4, are now being developed against some of the 23 or more cancers with which CXCR4 is associated.

Platform technologies

AdAlta's i-body technology is applicable in the global antibody market, worth US$131 billion in 2019.[8] The first single domain antibody product, caplacizumab, was approved by the US Food and Drug Administration in February 2019. Caplacizumab was discovered and developed by Ablynx whose single domain antibody platform was derived from camelid (llamas, camels, etc) immune systems. Ablynx was acquired by Sanofi in January 2018, ten years after its first product commenced clinical trials, for €3.8 billion.

GPCRs are the largest human membrane protein family and regulate large numbers of diverse physiological processes and so are of significant interest as pharmaceutical targets. Approximately one third of all approved pharmaceuticals target a GPCR and these pharmaceuticals had aggregate sales of US$890 billion from 2011-2015 [9]. Of the 400 known GPCRs (excluding those associated with the sense of smell), only 108 are acted on by approved pharmaceuticals (and even then not optimally) with only 66 more the subject of clinical trials, leaving nearly two thirds of GPCRs as untapped therapeutic potential. There are very few GPCR targeted monoclonal antibodies approved or in late clinical development, highlighting the challenges of drugging these targets using standard antibody technologies.

There is no guarantee that AdAlta will be able to execute transactions of the type or value of those listed above.

[5] GlobalData Dec 2019

[6] PM George, AU Wells, RG Jenkins, "Pulmonary fibrosis and COVID-19: the potential role for antifibrotic therapy", Lancet published online May 15, 2020 https://doi.org/10.1016/S2213-2600(20)30225-3

[7] GlobalData 2019

[8] MarketData Forecast, Global Antibodies Market Size, Share, Trends and Growth Analysis Report Forecast 2019 to 2024, August 2019

[9] AS Hauser et al, Nature Reviews Drug Discovery, 2017 (16) 829

2.7 Recent developments and future milestones

Since AdAlta last raised equity capital in mid-2019, it has substantially progressed development of its AD-214 asset including:

- Successful GMP manufacture of AD-214 for clinical trials
- Completing a non-human primate study demonstrating safety and favourable PK and PD profiles for AD-214
- Demonstrating efficacy of AD-214 in slowing progression of fibrosis in the gold standard animal model of lung fibrosis, the bleomycin mouse model
- Being granted a patent covering AD-214 in the US
- Securing a A$1 million grant from the Medical Research Future Fund Biotechnology Translation Bridge program to develop a radiolabelled version of AD-214 for PET imaging and commencing development
- Obtaining approval to commence a Phase I clinical trial of AD-214 in Australia
- Obtaining regulatory (pre-IND meeting) advice from US FDA supporting the suitability of the pre-clinical data package and the Phase I trial strategy
- Treating the first participants in the Phase I clinical trial.

In addition, AdAlta has entered and successfully progressed a co-development collaboration with GEHC through two project stages and is currently progressing Stage 3.

AdAlta has implemented contingency and business continuity plans to manage any disruptions caused by the COVID-19 operating environment. The Company's laboratories remain open. The healthy volunteer part of the Phase I clinical trial of AD-214 is being conducted in Adelaide, South Australia and is continuing uninterrupted. Development of the PET tracer version of AD-214 was temporarily suspended due to the closure of a collaborator's laboratories, has now recommenced, and is expected to be available for the beginning of the patient cohorts of the Phase I clinical trial.

AdAlta has sufficient cash to complete the healthy volunteer component (Part A) of the Phase I study and development of the PET tracer.

AdAlta has completed the placement of approximately 40,000,000 shares at the same price as the Offer (i.e. $0.10 per share) with existing and new institutional and sophisticated shareholders raising approximately A$4.0 million before fees and expenses (**Placement**). The Placement was made under AdAlta's existing and available placement capacity in accordance with ASX Listing Rules 7.1 and 7.1A and does not require shareholder approval.

Funds raised from the Placement and this Offer will enable the Company to commence implementation of the growth strategy outlined in March 2020 and summarised above.

Forthcoming milestones are summarised in Figure 2.

Strategic priority	2020 YTD achievements	H2 2020	H1 2021	H2 2021
AD-214 clinical progression	US patent Pre-clinical efficacy, PK/PD Phase I approval FDA pre-IND advice Phase I Part A: first participant	Phase I Part A (HV) interim drug safety committee findings* PET tracer pre-clinical proof of concept (PET images in mouse)*	Phase I Part A (HV): top-line safety, PK/PD results* Phase I Part B (ILD) first patient, first PET images Expanded clinical plans: proof of concept data, program definition	Phase I Part C (ILD) first patient multi-dose First partnering window opens Manufacturing process optimised, scaled for late stage clinical trials IND preparation begins
Internal pipeline assets			First new targets selected	2-3 new i-bodies progressing
External pipeline assets	GE Healthcare stage 2 milestone	GE Healthcare stage 3 milestone*	Second platform partnership	
i-body platform asset	AdAlta strategy update			i-body 2.0 scaffold developed, IP filed

Figure 2: Projected AdAlta milestones. Milestones marked (*) are fully funded prior to the Placement and Offer

3. DETAILS OF THE OFFER

3.1 The Offer

The Company is offering Eligible Shareholders the opportunity to subscribe for 1 New Share for every 4 Shares held at 7:00pm (AEDT) on 14 August 2020 (**Record Date**) at an Issue Price of $0.10 per New Share, to raise up to maximum amount of $4.098 million. Where the determination of the Entitlement of any Eligible Shareholder results in a fraction of a New Share, that Entitlement will be rounded up to the nearest whole New Share.

Your Entitlement under the Offer is shown on the accompanying Entitlement & Acceptance Form. Details on how to accept the Offer are set out in Section 5.

Eligible Shareholders who fully subscribe for their Entitlements under the Offer may also apply under the Top-Up Facility for Additional Shares. The allocation of any Additional Shares will be limited to the extent that there are sufficient New Shares available after the close of the Offer which have not been taken up by some of the Eligible Shareholders. Subject to the Corporations Act and the Listing Rules, Additional Shares will only be allocated to Eligible Shareholders, if and to the extent that the Directors so determine, in their absolute discretion. For clarity, there may be no Additional Shares available for allocation to Eligible Shareholders, and the available Additional Shares may not be fully allocated under the Top-Up Facility even if there are applications for them.

3.2 Size of the Offer

As at the date of this Offer Document, the Company has on issue:

(a) 203,945,613 Shares, including 40,000,000 shares issued in the Placement; and

(b) 7,714,067 unlisted options and 23,348,803 listed options (**Options**) (which carry no entitlement to participate in the Offer without the Options first being exercised and the Shares issued on the exercise being registered on the share register prior to the Record Date).

On the basis that no Options are exercised prior to the Record Date, up to approximately 40,986,403 New Shares will be offered under the Offer to raise a maximum of approximately $4.098 million, before the expenses of the Offer are taken into account.

Please note there is no minimum subscription amount to be raised under this Offer.

3.3 Use of Funds

It is currently proposed to use the funds raised under the Placement and Offer as follows:*

Description	Based on a combined Placement and Subscription Amount of $4.0 million	Based on a combined Placement and Subscription Amount of $8.1 million
Clinical development of AD-214 in IPF patients	$1.5m	$3.6m
Pre-clinical development of AD-214 in support of partnering, additional indications and future clinical trials	$0.4m	$0.7m
Continuous improvement of AD-214 manufacturing process	$1.0m	$2.8m
Continuous improvement of the i-body platform	$0.5m	$0.5m
Selection of, and preliminary discovery and proof of concept activities for, new i-body enabled product candidates	$0.8m	$1.1m
General corporate costs including business development and working capital	$0.6m	$1.5m
Costs of the Offer**	$0.2m	$0.4m
Inflows from R&D Tax Incentive refunds and BTB grant funds	$(1.0)m	$(2.5)m
Funds raised under the Offer	**$4.0m**	**$8.1m**

Note:

* *There is no guarantee the Offer will be fully subscribed. If fully subscribed, the Offer will result in an increase in cash in hand of the Company from the Offer of approximately $4.098 million (before the payment of costs associated with the Offer) or approximately $8.1 million including the proceeds of the Placement. If no Entitlements are taken up under the Offer, the Placement has resulted in an increase in cash in hand of the Company of approximately $4.0 million.*

** *The Company has engaged WG Partners to manage the Placement and Offer. Fees payable to WG Partners comprise (i) a 3% commission of the total gross proceeds of the Transaction (as a management fee) plus (ii) a 3% commission of the total gross proceeds of the Transaction raised from investors introduced by WG as well as any Rights Issue shortfall that is placed by WG Partners within one month of completion of the Rights Issue. The Company otherwise reserves the right to pay cash commissions to AFSL holders or authorised representatives of AFSL holders who introduce participants to take up any or all of the Shortfall (no such commission costs have been included in the use of funds above).*

3.4 Opening and Closing Date

The Offer will open for receipt of acceptances on 19 August 2020. The Closing Date for acceptance of your Entitlement is 5.00pm (AEDT) on 2 September 2020.

The Company reserves the right, subject to the Corporations Act and the Listing Rules, to extend the last date for receipt of the Entitlement & Acceptance Form (or payment by BPAY® or EFT, or to delay or withdraw the Offer at any time without prior notice. Where the Offer is withdrawn, all Application Monies will be refunded (without interest) as soon as practicable by cheque to your registered address as noted on the Company's share register.

Any extension of the Closing Date will have a consequential effect on the issue date of New Shares.

3.5 Entitlements under the Offer

The Offer is non-renounceable and therefore Eligible Shareholders cannot offer to sell or transfer any of their Entitlement on ASX or via an off-market transfer (or any other exchange or privately transferred).

Shareholders who do not take up their Entitlements in full will have their percentage interest in the Company diluted as compared to that percentage as at the date the Offer is made. Shareholders who take up their Entitlements in full and make application for Additional Shares and that application is accepted, may have their percentage interest in the Company increased as compared to the date the Offer is made.

As described in Section 3.9, any New Shares not taken up by an Eligible Shareholder by the Closing Date will form part of the Shares available under the Top-Up Facility and the Shortfall Offer.

3.6 Entitlements and acceptance

The Entitlement of Eligible Shareholders to participate in the Offer will be determined on the Record Date. Your Entitlement is shown on the Entitlement & Acceptance form accompanying this Offer Document. Entitlement & Acceptance forms can also be accessed from the Company's Share registry Automic Group, on 1300 288 664 or +61 2 9698 5414 between 8:30am and 5:00pm (AEST) or via the Company website at https://adalta.com.au.

3.7 No rights trading

The Offer is non-renounceable. Accordingly, the Entitlements under the Offer will not be tradable on the ASX or otherwise capable of being sold or transferred. Shareholders who do not take up their Entitlement in full will not receive any value in respect of that part of the Entitlement they do not take up.

3.8 No cooling off rights

Cooling off rights do not apply to an investment in New Shares. You cannot withdraw your Application once it has been received.

3.9 Shortfall / Top-Up Facility

Eligible Shareholders (other than Directors and related parties of the Company) may, in addition to taking up their Entitlements in full, apply for any number of Additional Shares in excess of their Entitlements by using the Top-Up Facility.

Additional Shares will only be available where the number of Shares the subject of Applications received under the Offer is less than the maximum number of New Shares (4,098,640) proposed to be issued under the Offer. Any Additional Shares issued will be at the same price as the Issue Price, namely $0.10 per Share.

Details on how to apply for Additional Shares under the Top-Up Facility are set out in Section 5.3. There can be no guarantee that there will be any allocation of Additional Shares under the Top-Up Facility.

Subject to the Corporations Act and the Listing Rules, the Directors will exercise their discretion in determining the allocations of Additional Shares applied for by Eligible Shareholders through the Top-Up Facility. For the avoidance of doubt, the prohibitions set out in section 606 of the Corporations Act on certain acquisitions of relevant interests in voting shares will apply to limit the acquisition of Additional Shares through the Top-Up Facility.

It is an express term of the Offer that Eligible Shareholders who apply for Additional Shares are bound to accept a lesser number of Additional Shares than they applied for or may be allocated no Additional Shares at all. In both cases, excess Application Monies will be refunded without interest. For clarity, there may be no Additional Shares available for allocation to Eligible Shareholders, and the available Additional Shares may not be fully allocated under the Top-Up Facility even if there are applications for them.

If any Shortfall remains after applications for Additional Shares under the Top-Up Facility are considered, the Directors reserve the right, subject to the Corporations Act and the Listing Rules, to place any further Shortfall at their discretion (other than to Directors and related parties of the Company) within 3 months after the close of the Offer at a price not less than the Issue Price of $0.10 per New Share (being the Shortfall Offer).

3.10 Directors' interests

The relevant interest (including indirect beneficial interests) of each of the Directors in the securities of the Company as at the Record Date together with their respective Entitlement is set out in the table below:

Director	Shares	Options	Entitlement Shares*
Dr Paul MacLeman	472,970	30,000	118,243
Ms Elizabeth (Liddy) McCall [a b]	133,334	16,667	44,445
Dr James Williams (alternate to Ms McCall) [a b]	233,334	66,667	77,778
Dr Robert Peach	1,295,999	681,333	0 [c]
Dr David Fuller [b]	149,808	0	37,452
Dr Tim Oldham [b]	120,000	4,929,060	30,000

Note:

[a] 54,059,848 shares held in the name of Yuuwa Capital LP are beneficially owned by the limited partners. Yuuwa Capital Management Pty Ltd, of which Ms McCall and Dr Williams are directors, provides investment management services to Yuuwa Capital LP.

[b] Ms McCall, Dr Fuller and Dr Oldham have indicated that they intend to take up their Entitlement in full, and Dr Williams has indicated that he intends to take up his Entitlement in part, representing an investment collectively of approximately $15,412 in the Company.

[c] Dr Peach is an Ineligible Foreign Shareholder for the purpose of the Offer.

3.11 Issue and despatch

The issue of New Shares offered by this Offer Document is expected to occur on 8 September 2020. If agreed by the ASX, the New Shares will be quoted on a deferred settlement basis from 3 September 2020.

It is the responsibility of Applicants to determine their allocation prior to trading in the New Shares. Applicants who sell New Shares without making such determination do so at their own risk.

The Company will have no responsibility and disclaims all liability (to the maximum extent permitted by law) to persons who trade New Shares before the New Shares are listed on the official list of ASX or before they receive their holdings statements, whether on the basis of confirmation of the allocation provided by the Company, the Share Registry or otherwise.

3.12 ASX listing

The Company has made an application for official quotation by ASX of the New Shares offered under this Offer Document. If that permission is not granted by ASX, the Company will not issue any New Shares and all Application Monies received will be refunded (without interest) in full to the Applicants.

The fact that ASX may grant official quotation to the New Shares is not to be taken in any way as an indication of the merits of the Company or the New Shares. Neither ASX nor any of its officers accepts takes any responsibility for the contents of this Offer Document.

It is expected that normal trading on ASX will commence in relation to New Shares on 9 September 2020.

3.13 CHESS

The Company will apply to ASX to participate in CHESS for those Shareholders who have, or wish to have, a sponsoring stockbroker. Shareholders who do not wish to participate through CHESS will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, Shareholders will be provided with a statement (similar to a bank account statement) that sets out the number of New Shares allotted to them under this Offer Document. The notice will also advise Shareholders of their Holder Identification Number (HIN) and explain, for future reference, the sale and purchase procedures under CHESS and issuer sponsorship.

Further monthly statements will be provided to Shareholders if there have been any changes in their interest in the Company during the preceding month.

3.14 Ineligible Foreign Shareholders

In accordance with ASX Listing Rule 7.7.1 and Section 9A of the Corporations Act, the Company has decided that it is unreasonable to make the Offer to any Shareholder with a registered address outside Australia or New Zealand as at the Record Date **(Ineligible Foreign Shareholder)**, having regard to:

(a) the number of Shareholders with addresses in such other countries as a proportion of total Shareholders in the Company;

(b) the number and value of the Shares those Shareholders would be offered under the Offer; and

(c) the cost to the Company of complying with applicable legal and regulatory requirements in such other countries.

To the extent that there are any Ineligible Foreign Shareholders registered at the Record Date, the Company will send details of the Offer to each Ineligible Foreign Shareholder and advise each Ineligible Shareholder that they will not be offered New Shares under the Offer.

3.15 Overseas shareholders

No action has been taken by the Company to register the New Shares or otherwise permit an offering of the New Shares in any jurisdiction other than Australia or New Zealand. Eligible Shareholders resident in Australia or New Zealand holding Shares on behalf of persons who are resident overseas are responsible for ensuring that taking up Entitlements under the Offer does not breach regulations in the relevant overseas jurisdiction.

This Offer Document does not, and is not intended to, constitute an offer or invitation in the United States, to any US person, to any person acting for the account or benefit of a person in the United States, or in any other place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation.

The New Shares have not been and will not be registered under the US Securities Act or the securities laws of any state or jurisdiction in the United States and may only be offered, sold or resold in, or to persons in, the United States in accordance with an available exemption from registration.

Eligible Shareholders who are nominees, trustees or custodians are advised to seek independent advice as to how to proceed. The Offer is being made to all Eligible Shareholders. The Company is not required to determine whether or not any Eligible Shareholder is acting as a nominee or the identity or residence of any beneficial owners of Shares.

Where any registered holder that qualifies as an Eligible Shareholder is acting as a nominee for a foreign person, that registered holder, in dealing with its beneficiary, will need to assess whether indirect participation by the beneficiary in the Offer is compatible with applicable foreign laws.

Any person in the United States or any person that is, or is acting for the account or benefit of a U.S. person with a holding through a nominee may not participate in the Rights Issue and the nominee must not take up any Entitlement or send any materials into the United States or to any person that is, or is acting for the account or benefit of, a U.S. person.

It is the responsibility of a Shareholder to ensure compliance with any laws of a country relevant to their application. Return of a duly completed Entitlement and Acceptance Form (or making payment via BPAY® or EFT will be taken by the Company as a representation that there has been no breach of such laws and that the Applicant is an Eligible Shareholder.

3.16 Custodians

Eligible Shareholders who are nominees, trustees or custodians are advised to seek independent advice as to how to proceed. The Offer is being made to all Eligible Shareholders. The Company is not required to determine whether or not any Eligible Shareholder is acting as a nominee or the identity or residence of any underlying beneficial owners of Shares (**UBH**).

In respect of nominees, trustees or custodians acting on behalf of UBHs:

- The offer to apply for additional Shares under the Top Up Facility will be available to the UBH of custodians / nominees.
- Each custodian or nominee who is applying for additional shares on behalf of their individual UBH will need to submit a schedule showing the Record Date holding, the Rights Issue entitlement and the amount of entitlement and additional shares taken up for each UBH.

- Each UBH will need to apply for their maximum entitlement before applying for additional Shares under the Top Up Facility. As holdings in the names of nominees, trustees or custodians are an aggregate across all their UBH's, the requirement to fulfil a shareholders maximum entitlement before applying for additional Shares under the Top Up Facility won't apply to the registered custodian / nominee holding (unless every UBH accepted all their Entitlements). Accordingly, the Company intends to process the amount of Shares as Entitlement acceptance and also the amount of Shares as additional acceptance under the Top Up Facility in accordance with individual UBH details supplied by the Custodian.
- The foreign restrictions under the offer will be applied at the registered address of the Custodian. This will be irrespective of whether the holder is a QIB or sophisticated investor.
- Any scaleback will be applied at the UBH level.

3.17 Foreign Jurisdictions

This Booklet has been prepared to comply with the requirements of the securities laws of Australia and New Zealand.

This Booklet does not constitute an offer in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer. No action has been taken to register or qualify the Offer or the New Shares, or otherwise permit the public offering of the New Shares, in any jurisdiction other than Australia and New Zealand. Return of the personalised Entitlement & Acceptance Form will be taken by the Company to constitute a representation by you that there has been no breach of any such laws. Eligible Retail Shareholders who are nominees or custodians should see Section 3.17.

The distribution of this document (including in electronic format) outside Australia and New Zealand may be restricted by law. If you come into possession of this Booklet, you should observe such restrictions. In particular, this document or any copy of it must not be distributed in the United States. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

(a) New Zealand

The Offer contained in this Offer Document to Eligible Shareholders with registered addresses in New Zealand is made in reliance on the provisions of the *Financial Markets Conduct Act 2013 (New Zealand)* (**FMC Act**), the Securities Act (Overseas Companies) Exemption Notice 2013 (New Zealand) and the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016. Members of the public in New Zealand who are not existing Shareholders on the Record Date are not entitled to apply for any New Shares.

This Offer Document has been prepared in accordance with Australian law and has not been registered, filed with, or approved by the New Zealand regulatory authority under the FMC Act. This Offer Document is not a product disclosure statement under New Zealand law and is not required to, and may not, contain all the information that a product disclosure statement under New Zealand law is required to contain.

To the extent that a person holds Shares on behalf of another person resident outside Australia or New Zealand, it is that person's responsibility to ensure that any acceptance complies with applicable foreign laws. The Company reserves the right to reject any Application that it believes come from a person who is not an Eligible Shareholder.

(b) United States

This Booklet does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States. The New Shares have not been, nor will be, registered under the U.S. Securities Act or the securities laws of any state or other jurisdiction of the United States. The Entitlements may not be issued to, or taken up or exercised by, and the New Shares may not be offered or sold to, persons in the United States or persons who are acting for the account or benefit of a person in the United States. The New Shares will only be offered and sold outside the United States in 'offshore transactions', as defined in and in reliance on Regulation S under the U.S. Securities Act.

3.18 Rights and liability attaching to New Shares

The New Shares issued under the Offer will be on a fully paid basis and will rank equally in all respects with existing Shares. Full details of the rights and liabilities attaching to Shares are set out in the Company's constitution, a copy of which is available for inspection at the Company's registered office during normal business hours. You may also contact the Company's Share registry Automic Group, on 1300 288 664 or +61 2 9698 5414 between 8:30am and 5:00pm (AEST) to request a copy of the Company's constitution.

3.19 Nominees

The Offer is being made to all Eligible Shareholders. Nominees with registered addresses in the eligible jurisdictions may also be able to participate in the Offer in respect of some or all of the beneficiaries on whose behalf they hold Shares, provided that the applicable beneficiary would satisfy the criteria for an Eligible Shareholder.

Nominees and custodians which hold Shares as nominees or custodians will have received, or will shortly receive, a letter from the Company. Nominees and custodians should consider carefully the contents of that letter and note in particular that the Offer is not available to beneficiaries on whose behalf they hold Shares who would not satisfy the criteria for an Eligible Shareholder.

Due to legal restrictions, nominees and custodians may not send copies of this Booklet or accept the Offer on behalf of any person in the United States or other jurisdiction outside Australia or New Zealand, except to beneficial shareholders who are institutional or professional investors in certain foreign countries or as the Company may otherwise permit in compliance with applicable law.

The Company is not required to determine whether or not any registered Shareholder is acting as a nominee or the identity or residence of any beneficial owners of Shares.

4. EFFECT OF THE OFFER

4.1 Effect of the Offer on the capital structure of the Company

The total number of New Shares to be issued under the Offer assuming a maximum capital raise of $4,098,640 will be approximately 40.986 million (the exact number depends on the rounding up of any fractional entitlements for individual holdings).

The table below sets out, for illustrative purposes only, the capital structure (before the Offer) together with the impact of the issue of the New Shares under the Offer. It assumes that no Options are exercised prior to the Record Date and that all New Shares are issued under the Offer or placed after the Offer closes.

Shares	Number
Existing Shares as at the Record Date (i.e. excluding the Placement Shares)	163,945,613
Shares issued pursuant to the Placement	40,000,000
Maximum number of New Shares issued pursuant to the Offer	40,986,403
Maximum total issued Shares following completion of the Placement and the Offer (including Shares which may be issued under the Top-Up Facility and Shortfall Offer)	**244,932,016**

The effect of the Offer (if fully subscribed) will be to increase the number of Shares on issue in the Company and increase the cash held by the Company (before taking into account the expenses of the Offer) by up to $4.098 million.

As at the date of this Offer Document, expenses of the Offer and Placement are expected to be approximately $0.4 million, with further details on these costs described in Section 3.3 above.

4.2 Potential effect on control of the Company

Eligible Shareholders who take up their Entitlements in full should not have their interest in the Company diluted by the Offer (subject to immaterial movements as a result of the rounding of Entitlements).

The potential effect the Offer will have on the control of the Company, and the consequences of that effect, will depend on a number of factors, including investor demand.

The potential effect of the Offer on the control of the Company is as follows:

(a) If all Eligible Shareholders take up their Entitlements under the Offer, then the Offer will have no significant effect on the control of the Company.

(b) If some Eligible Shareholders do not take up all of their Entitlements under the Offer, then the interests of those Eligible Shareholders will be diluted.

(c) The proportional interests of Ineligible Foreign Shareholders will be diluted because those Ineligible Foreign Shareholders are not entitled to participate in the Offer.

(d) Shareholders that apply for Additional Shares under the Top-Up Facility may increase their interests beyond their Entitlement. This could result in the dilution of holdings of those who did not accept their Entitlements in full and those who did not apply for Additional Shares under the Top Up Facility.

(e) If no Eligible Shareholders other than the Directors take up their Entitlements under the Offer and the Company issues the Shortfall under the Offer through placement to new investors, this may potentially result in a new investor having a substantial interest in the Company.

4.3 Pro-Forma Statement of Financial Position

The following pro-forma consolidated Statements of Financial Position illustrates the effect of the Offer on the Company assuming a maximum capital raise of $4.098 million is achieved.

Pro-forma Statement of Financial Position (based on a capital raise of $4.098 million)

ASSETS	30-Jun-20 (unaudited)	Placement	Rights Offer	Pro-forma Statement (unaudited)
CURRENT ASSETS				
Cash and cash equivalents	3,366,503	3,800,000	3,898,640	11,065,143
Trade and other receivables	3,190,361			3,190,361
TOTAL CURRENT ASSETS	**6,556,864**	**3,800,000**	**3,898,640**	**14,255,504**
NON-CURRENT ASSETS				
Plant and equipment	98,648			98,648
Other non-current assets	77,918			77,918
TOTAL NON-CURRENT ASSETS	**176,566**	**–**	**–**	**176,566**
TOTAL ASSETS	**6,733,430**	**3,800,000**	**3,898,640**	**14,432,070**
LIABILITIES				
CURRENT LIABILITIES				
Trade and other payables	829,859			829,859
Provisions	30,487			30,487
Other current liabilities	153,702			153,702
Borrowings	2,191,327			2,191,327
TOTAL CURRENT LIABILITIES	**3,205,375**	**–**	**–**	**3,205,375**
TOTAL LIABILITIES	**3,205,375**	**–**	**–**	**3,205,375**
NET ASSETS	**3,528,055**	**3,800,000**	**3,898,640**	**11,226,695**
EQUITY				
Issued capital	28,436,476	3,800,000	3,898,640	36,135,116
Reserves	864,022			864,022
Retained earnings (accumulated losses)	(25,772,443)			(25,772,443)
TOTAL EQUITY	**3,528,055**	**3,800,000**	**3,898,640**	**11,226,695**

Notes:

The Pro-forma Statements of Financial Position as at 30 June 2020 has been adjusted to reflect the following post 30 June 2020 and pro-forma events:

1. Unaudited results of operations for the twelve months to 30 June 2020. The Company anticipates that audited results of operations for the year to 30 June 2020 will be lodged prior to the end of August 2020.
2. Issue of 40,000,000 New Shares for the Placement of approximately $4.0 million, less estimated offer costs of $0.2 million.
3. Issue of 40,986,403 New Shares for the Offer of approximately $4.098 million, less estimated offer costs of $0.2 million.
4. Borrowings relate to advances against accrued R&D Tax Incentive rebates that are secured against those rebates under a facility with Radium Capital.

The Pro-Forma Statements of Financial Position have been prepared based on unaudited financial statements of the Company as at 30 June 2020 taking into consideration the accounting policies normally adopted by the Company. The audited full year financial statements of the Company as at 30 June 2020 will be lodged prior to the end of August 2020.

These statements reflect the changes to the Company's financial position as noted below and have been prepared on the basis that the maximum number of New Shares pursuant to the Offer are issued. It is not intended to represent the financial position of the Company upon completion of the Offer. It is provided as an illustration of the effect of the Offer. The actual impact on the Company is dependent on a range of factors, many of which are outside the control of the Company.

The Pro-Forma Statements of Financial Position have been prepared to provide Eligible Shareholders with information on the pro-forma assets and liabilities of the Company. The pro-forma financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

5. ACTION REQUIRED BY SHAREHOLDERS

5.1 What Eligible Shareholders may do

The number of New Shares to which you are entitled (your **Entitlement**) is shown on the accompanying Entitlement & Acceptance Form.

If you do not take up your Entitlement, then your percentage holding in the Company will be diluted (refer to Section 4.2 above).

As an Eligible Shareholder you may:

(a) take up all or part of your Entitlement (refer to Section 5.2 below); or

(b) take up all of your Entitlement and apply for Additional Shares under the Top-Up Facility (refer to Section 5.3 below); or

(c) do nothing, in which case all of your Entitlements will lapse (refer to Section 5.4 below).

As detailed in Section3.14, Ineligible Foreign Shareholders cannot take any of the steps set out in Sections 5.1, 5.2, 5.3 and 5.4.

5.2 Applying for New Shares

You may take up all or part of your Entitlement. All application monies must be paid in Australian dollars. Any application monies received for more than an Applicant's final allocation of Shares (only where the amount is $1.00 or greater) will be refunded.

No brokerage, stamp duty or other costs are payable by applicants in respect of an application for Shares under this Offer.

If you would like to participate in the Offer, you need to complete the Entitlement and Acceptance Form, and arrange payment by doing one of the following:

Option 1: Pay via BPAY®

To pay via BPAY® you will need to:

(a) use the personalised reference number which is required to identify your shareholding, which is shown on your personalised Entitlement and Acceptance Form attached to this booklet; or

(b) be an account holder with an Australian financial institution and ensure that your payment for the appropriate amount that supports BPAY® transactions is received by the Share Registry before 5:00pm (AEST) on the Closing Date. Financial Institutions may implement earlier cut-off times with regards to electronic payment, and you should therefore take this into consideration when making payment.

If you are paying via BPAY®, there is no need to return the Entitlement and Acceptance Form, but you will be taken to have made the statements and certifications that are set out in the Application Form.

Option 2: Pay by electronic funds transfer (EFT)

To pay via EFT you will need to:

a) use the personal reference number which is required to identify your shareholding and follow the steps on your personalised Entitlement and Acceptance Form attached to this booklet; or

b) be an account holder with an Australian financial institution and ensure that your payment for the appropriate amount that supports EFT transactions is received by the Share Registry before 5:00pm (AEST) on the Closing Date. Financial Institutions may implement earlier cut-off times with regards to electronic payment, and you should therefore take this into consideration when making payment.

If payment is made by EFT, there is no need to return the Application Form, but you will be taken to have made the statements and certifications that are set out in the Application Form.

If you have multiple holdings you will have multiple BPAY® or EFT unique reference numbers. To ensure that you receive your entitlement Shares in respect of each holding, you must use the unique reference number shown on each personalised Entitlement and Acceptance Form when paying for any Shares that you wish to apply for in respect of that holding. Payments in excess of the amount payable for one holding will not be treated as payment for another holding, and the excess will be refunded to the Applicant without interest.

You will not be able to withdraw or modify your application or application payment once you have submitted it. Interest will not be paid on any application money received.

Payment by cash/cheque/bank draft

The Company encourages participants in the Entitlement Offer to apply for the new Shares by BPAY® or EFT as a matter of public safety, to avoid the handling of paper Application Forms and to overcome potential mail delays in light of the ongoing COVID-19 pandemic. Cheques and cash will not be accepted as a form of payment.

Eligible Shareholders personalised Entitlement and Acceptance form can be viewed online from 19 August 2019 at https://investor.automic.com.au/#/home

5.3 Top-Up Facility

As detailed in Section 3.9 above, subject to Section 606 of the Corporations Act Eligible Shareholders (other than Directors and related parties of the Company) may, in addition to taking up their Entitlements in full, apply for Additional Shares in excess of their Entitlements (being the **Top-Up Facility**).

If you wish to subscribe for Additional Shares in addition to your Entitlement, then you should nominate the maximum number of Additional Shares you wish to subscribe for on the Entitlement & Acceptance Form and make payment for your full Entitlement plus the Additional Shares (also at the Issue Price of $0.10 for each Additional Share).

If your payment is being made by BPAY® or EFT and is in excess of the payment required for your Entitlement:

(a) you do not need to submit the personalised Entitlement & Acceptance Form but are taken to make each of the statements and representations on that form referred to in this Offer Document; and

(b) you are taken to have accepted your Entitlement in full and to have applied for such number of Additional Shares which is covered in full by your Application Monies.

Eligible Shareholders who apply for Additional Shares may be allocated a lesser number of Additional Shares than applied for, or may be allocated no Additional Shares at all, in which case excess Application Monies will be refunded without interest.

5.4 Entitlements not taken up

If you do not wish to accept any of your Entitlement, you are not obliged to do anything. The number of Shares you currently hold and your rights attaching to those Shares (such as voting rights) will not be affected should you choose not to accept any part of your Entitlement. If you do not participate in the Offer your percentage holding in the Company will be reduced.

5.5 Entitlement & Acceptance Form is binding

A completed and lodged Entitlement & Acceptance Form (or payment by BPAY® or EFT) constitutes a binding offer to acquire New Shares on the terms and conditions set out in this Offer Document and, once lodged, cannot be withdrawn. If the Entitlement & Acceptance Form is not completed correctly, it may still be treated as a valid application for New Shares. The Directors' decision whether to treat an acceptance as valid and how to construe, amend or complete the Entitlement & Acceptance Form is final.

5.6 Representations you will be taken to have made by accepting the Offer

By completing and returning your Entitlement & Acceptance Form or making a payment by BPAY® or EFT, you will be deemed to have:

(a) fully read and understood this Offer Document and the Entitlement & Acceptance Form in their entirety;

(b) agreed to be bound by the terms of the Offer, the provisions of this Offer Document and the Company's Constitution;

(c) declared that you are over 18 years of age and have the legal capacity and power to perform all your rights and obligations under the Offer and your Entitlement & Acceptance Form;

(d) authorised the Company to register you as the holder of the New Shares (and if applicable, the Additional Shares);

(e) acknowledged that once the Company receives your Entitlement & Acceptance Form or any payment of Application Monies via BPAY® or EFT, you may not withdraw your application or funds provided except as allowed by law;

(f) confirmed that you have a registered address in Australia or New Zealand as at the Record Date;

(g) confirmed that you were the registered holder at the Record Date of the Shares indicated in the Entitlement & Acceptance Form as being held by you on the Record Date;

(h) agreed to apply for and be issued up to the number of New Shares (and if applicable, any Additional Shares) specified in the Entitlement & Acceptance Form, or for which you have submitted payment of any Application Monies via BPAY® or EFT, at the Issue Price per New Share;

(i) authorised the Company, the Share Registry and their respective officers, employees or agents to carry out on your behalf all necessary actions for the New Shares to be issued to you;

(j) understood and acknowledged that the information contained in this Offer Document and your Entitlement & Acceptance Form is not investment advice nor a recommendation that the New Shares are suitable for you given your investment objectives, financial situation or circumstances;

(k) acknowledged that this Offer Document is not a prospectus, does not contain all of the information that you may require in order to assess an investment in the Company and is given in the context of the Company's past and ongoing continuous disclosure announcements to the ASX;

(l) acknowledged that investment in the Company is subject to the risk factors outlined in Section 6.3 of this Offer Document;

(m) acknowledged that the Company or its related bodies corporate, affiliates and their respective directors, officers, partners, employees, representatives, agents, consultants or advisers do not guarantee the performance of the Company or the Share price, nor do they guarantee the repayment of capital;

(n) authorised the Company to correct any errors in your Entitlement & Acceptance Form or any other document provided to you;

(o) agreed to provide any requested substantiation of your eligibility to participate in the Offer and your holding of Shares on the Record Date;

(p) represented and warranted that:

(i) you are not in the United States and are not acting for the account or benefit of a person in the United States;

(ii) the New Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States and accordingly, the New Shares may not be offered, sold or otherwise transferred except in accordance with an available exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and any other applicable securities laws; and

(iii) you have not and will not send any materials relating to the Offer to any person in the United States or a person acting for the account or benefit of a person in the United States.

5.7 Privacy Act

If you complete an application for New Shares (or make payment via BPAY® or EFT), you will be providing personal information to the Company (directly or by the Company's Share registry). The Company collects, holds and uses that information to assess your application, service your needs as a Shareholder, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's Share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its Share registry if you wish to do so at the relevant contact numbers set out in this Offer Document.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (Cth) (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the application for New Shares, the Company may not be able to accept or process your application.

5.8 Brokerage

No brokerage is payable by Shareholders who accept their Entitlement. No stamp duty is payable for subscribing for an Entitlement.

5.9 Queries concerning your Entitlement

If you have any queries concerning your Entitlement please contact the Company's Share registry, Automic Group, on 1300 288 664 or +61 2 9698 5414 between 8:30am and 5:00pm (AEST).

6. ADDITIONAL INFORMATION REGARDING THE OFFER

6.1 Reliance on Offer Document

The Offer is made pursuant to section 708AA of the Corporations Act without the issue of a prospectus or disclosure document under Chapter 6D of the Corporations Act. These provisions of the Corporations Act allow rights issues and related issues to be made by providing certain confirmations to the market on the basis that all information that investors and their professional advisers would reasonably require to make an informed investment decision in relation to the Offer, when read with this Offer Document, is publicly available.

This Offer Document is not a prospectus, disclosure document or other offering document under the Corporations Act (or any other Australian or foreign law) and has not been lodged with ASIC.

For the Company to rely on the disclosure exemption in section 708AA of the Corporations Act, the Company is required to lodge a "cleansing notice" under section 708AA(2)(f) of the Corporations Act. That notice is required to:

(a) set out any information that has been excluded from a continuous disclosure notice in accordance with the Listing Rules and that investors and their professional advisers would reasonably require, and would reasonably expect to find in a disclosure document, for the purpose of making an informed assessment of:

  (i) the assets and liabilities, financial position and performance, profits and losses and prospects of the Company; or

  (ii) the rights and liabilities attaching to the New Shares; and

(b) state the potential effect of the issue of the New Shares on the control of the Company and the consequences of that effect.

The Company has lodged a cleansing notice in respect of the Offer with ASX on 11 August 2020.

6.2 Risks

Shareholders should consider the investment in the context of their individual risk profile for speculative investments, investment objectives and individual financial circumstances. Each Shareholder should consult their own stockbroker, solicitor, accountant or other professional adviser before deciding whether or not to invest in the New Shares.

An investment in New Shares should be regarded as very speculative and involves many risks. The New Shares carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares. There is no guarantee of the amount which may be raised by the Company from Shareholders under the Offer.

If any of the following risks actually occurs, our business, prospects, financial condition and results of operations could be materially and adversely affected, the trading price of the Shares could decline and you could lose all or part of your investment.

In addition to the above risks, further business risks are set out below. The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed and Shareholders should have regard to those risk factors that may be relevant to their own personal circumstances before deciding to invest in New Shares pursuant to this Offer Document.

(a) **Business risks** – Eligible Shareholders should consider the various risks and difficulties frequently encountered by companies early in their commercialisation, particularly companies that develop and sell biopharmaceuticals. These risks include AdAlta's ability to: (a) implement and execute its business strategy; (b) develop its products; (c) identify and secure capable commercialisation partners on profitable terms; (d) obtain regulatory and reimbursement approval for its products; (e) establish cost competitive and reliable supply chains for its products; (f) manage expanding operations; and (g) respond effectively to competitive pressures and developments.

(b) **Costs of development program** – The development program which the Company proposes to undertake with the funds raised under the Placement and Offer relies on numerous work items. The costs of these items cannot be confirmed until each item is requested from the supplier and the work scope and pricing agreed. There is a risk that the work items in the proposed development program may cost more than that budgeted for, or may require more drug substance than that budgeted for (and as a result the Company may need to manufacture additional drug substance at significant cost and delay) and as a result the Company may need to obtain additional funds to complete the program.

  No assurance can be given that future funding will be available, or that it will be available on terms acceptable to the Company. As a result, the Company's ability to complete its development programs may be delayed or halted until such funds are raised (if at all), preventing the Company from commercialising its intellectual property and generating revenues

(c) **Regulatory risks** – AdAlta's products are subject to various laws and regulations including but not limited to regulatory approval and quality compliance. Data obtained from pre-clinical and clinical activities are

susceptible to varying interpretations, which could delay, limit or prevent regulatory approval or clearance.

Before the Company can conduct further clinical trials or it or its commercialisation partners can market and sell its products, the products must be demonstrated to be safe and effective and of suitable quality and must obtain necessary approvals from regulatory authorities (for example, the Australian Therapeutic Goods Administration and the United States Food and Drug Administration). Such approval may take longer than anticipated, require additional trials to be undertaken or may not be provided at all.

As a result, the Company may require additional funding to clear the regulatory pathway. No assurance can be given that future funding will be available, or that it will be available on terms acceptable to the Company. As a result, the Company's ability to complete its development programs may be delayed or halted until such funds are raised (if at all), preventing the Company from commercialising its intellectual property and generating revenues.

There is no guarantee that compliance will be achieved to support the Company's commercialisation plans. Regular reviews by regulatory bodies are also a feature of the industry in which AdAlta, and its partners, contract service providers and suppliers, operates. Changes in laws and regulations (including interpretation and enforcement) could also adversely affect the Company's ability to meet compliance costs and to market, distribute and sell its biopharmaceutical products. It is not possible to predict the likelihood, nature or extent of changes in government regulation that may arise.

(d) **Australian Government R&D incentives may change** – The Company's development program includes anticipated receipt of tax refunds based on the Company's actual research and development spending. The *Treasury Laws Amendment (Research and Development Tax Incentive) Bill 2019* (**Bill**) includes a number of proposed changes to the Australian Government's R&D Tax Incentive (**RDTI**) provisions. The Bill is at the second reading stage in the Senate and has been referred to the Senate Economics Legislation Committee. A report by the Committee is due by 24 August 2020. If the status of the Company or its connected entities should change, or the Australian Federal Government changes its RDTI program by implementing the Bill or otherwise, in a manner which adversely affects the amount of funds available or the timing of receipt of such funds, there is a risk that the Company may need to obtain additional funds to complete the program.

No assurance can be given that future funding will be available, or that it will be available on terms acceptable to the Company. As a result, the Company's ability to complete its development programs may be delayed or halted until such funds are raised (if at all), preventing the Company from commercialising its intellectual property and generating revenues.

(e) **Clinical trial risk in development of the lead candidate** – Moving from discovery to development and subsequent commercialisation typically involves multiple and progressively larger clinical trials. Such trials can be expensive, time consuming, may be delayed or may fail. Clinical trial success can be impacted by a number of factors including obtaining ethics approval, incomplete or slower than expected recruitment of patients, failure to meet trial end points, lack of product effectiveness during the trial, safety issues and modifications to trial protocols or changes to regulatory requirements for trials. Clinical trial protocols routinely provide dsicertion to the principle investigator and safety management committee to modify dose escalation schedules, cohort sizes or other factors in response to observations during the trial. These factors can impact the size, cost and duration of a clinical trial. There is no guarantee that any current or future trials will demonstrate that the Company's products are successful.

Failure or material delay at any point of the clinical trial process will reduce the Company's ability to commercialise its intellectual property and generate revenues.

(f) **Intellectual property** – The Company's success depends, in part, on its ability to obtain patents, maintain trade secret protection and operate without infringing the proprietary rights of third parties.

Although the Company will seek to protect its intellectual property, there can be no assurance that these measures will be sufficient. The Company gives no guarantee that further development of its intellectual property will be successful, that development milestones will be achieved, or that the intellectual property will be developed into further products that are commercially exploitable.

The Company relies on its ability to develop and commercialise intellectual property. A failure to protect its intellectual property successfully may lead to a loss of opportunities and adversely impact on AdAlta's operating results and financial position.

There can be no assurance that any patents the Company may own or control or licence now and, in the future, will afford the Company a competitive advantage, commercially significant protection of the intellectual property, or that any of the projects that may arise from the intellectual property will have commercial application. Any challenge to the Company's intellectual property position would divert the limited resources of the Company away from its primary development program and may result in the Company requiring additional funds to complete that program. It may also result in the Company being unable to fully utilise its intellectual property portfolio or being required to in-licence certain intellectual property in order to be able to conduct its

development program in a manner which will allow commercialisation of its products, and which may reduce the profits available from such activities.

There is always a risk of third parties claiming involvement in technological and medical discoveries. The granting of a patent does not guarantee that the rights of others are not infringed or that a competitor will not develop competing intellectual property that circumvents such patents. The patent position of pharmaceutical companies can be highly uncertain and frequently involve complex legal and scientific evaluation. The breadth of claims allowed in pharmaceutical patents and their enforceability cannot be predicted.

(g) **Reliance on key personnel** – Due to the specialised nature of the Company's business and its size, its ability to commercialise its products and maintain its research program will depend in part on its ability to attract and retain suitably qualified management, scientists, research personnel and consultants. The Company also faces competition to employ and retain the services of such individuals.

There can be no assurance that the Company will be able to attract or retain sufficiently qualified scientific and management personnel or maintain its relationship with key scientific organisations and contractors.

The loss of key scientific and management personnel, and the associated corporate knowledge of those people could have a detrimental impact on the Company, and this may adversely affect the Company by impeding the achievement of its research, product development and commercialisation objectives.

(h) **Competitive risk** – There are a number of companies with drugs at various stages of development for the treatment of IPF and other fibrotic diseases.

There are also a number of companies developing biological platforms similar to those the Company is developing.

The Company's potential competitors may include companies with substantially greater resources and access to more markets. Therefore, competitors may succeed in developing products that are safe, more effective or otherwise commercially superior than those being developed by AdAlta or which could render the Company's products obsolete and/or otherwise uncompetitive. The Company's ability to implement its business plan would be significantly hindered by this and the Company may be unable to generate revenues or profits, even if its drug development activity is successful.

(i) **Currency risk** – Expenditure in overseas jurisdictions are subject to the risk of fluctuations in foreign exchange. The Company's payment obligations to many of its third-party service providers, including its manufacturer and certain pre-clinical testing are expected to be in foreign currency. If there are adverse currency fluctuations against the Australian dollar, there is a risk that the work items in the proposed development program may cost more than that budgeted for and as a result the Company may need to obtain additional funds to complete the program.

No assurance can be given that future funding will be available, or that it will be available on terms acceptable to the Company. As a result, the Company's ability to complete its development programs may be delayed or halted until such funds are raised (if at all), preventing the Company from commercialising its intellectual property and generating revenues.

(j) **Sufficiency of funding** – AdAlta is currently not profitable and does not expect to become profitable until after achieving successful commercialisation of its products to allow sufficient sales revenue to fund on-going company operations. The Company will not have sufficient capital from the Placement and the Offer to fully commercialize its lead candidate and other programs using its platform technology. Accordingly, the Company will either have to raise additional capital through further offers or rely on securing grants or commercial transactions to further its development programs.

The Company's ability to raise further capital (equity or debt) or secure grants or a commercial (including licensing) transaction within an acceptable time, or a sufficient amount and on terms acceptable to it will vary according to a number of factors, including the success of current projects, the result of research and development and other cyclical factors affecting the Company and financial and share markets generally. No assurance can be given that future funding will be available, or that it will be available on terms acceptable to the Company. As a result, the Company's ability to complete its development programs may be delayed or halted until such funds are raised (if at all), preventing the Company from commercialising its intellectual property and generating revenues.

(k) **Risk of manufacturing** – The Company's products have not yet been produced on a scale sufficient for large scale clinical trials, multiple simultaneous trials or commercial production. If the Company is unable to manufacture products in sufficient quantities or in suitable formulations and presentations or at an appropriate cost level, it may not be able to conduct appropriate clinical tests to prove its product. Further, it may be unable to produce the products at a price point which is profitable in the context of commercial sales of the product. The Company's ability to implement its business plan would be significantly hindered by this failure and the Company may be unable to generate a profit, even if its drug development activity is successful.

(l) **Product liability risk** – The process of securing marketing approval of a new product is both costly and time consuming. The intention of the Company is to out-license product candidates prior to completion of clinical trials and obtaining of marketing authorisations from relevant regulatory authorities. The conduct of clinical trials will expose the Company to product liability risks and future sales of its products may, and if the Company decides to develop a product candidate and take it to market directly will, expose the Company to product liability risks which are inherent in the research and development, manufacturing, marketing and use of its products.

The Company intends to obtain and maintain adequate levels of insurance to cover product liability risks. Despite this, there can be no guarantee that adequate insurance coverage will be available at an acceptable cost (or in adequate amounts), if at all, or that product liability or other claims will not materially and adversely affect the operations and condition of the Company. A product liability claim may give rise to significant liabilities as well as damage the Company's reputation.

(m) **Third party service provider risk** – The Company will conduct much of its development and manufacturing activities through a series of contractual relationships with third parties. All contracts, including those entered into by the Company, carry a risk that the respective parties will not adequately or fully comply with their respective contractual rights and obligations, or that these contractual relationships may be terminated. This may adversely affect the Company by impeding the achievement of its research, product development and commercialisation objectives.

(n) **Healthcare insurers and reimbursement** – In many markets, treatment volumes are likely to be influenced by the availability and amounts of reimbursement of patients' medical expenses by third party payer organisations including government agencies, private health care insurers and other health care payers. There is no assurance that reimbursement of any products or services developed and commercialised by the Company will be available to patients at all or without substantial delay. Even if such reimbursement is provided, the approved reimbursement amounts may not be sufficient to enable the Company or its commercialisation partners to sell products on a profitable basis.

(o) **Risk in drug development** – The Company has limited history in drug development. Accordingly, the Company cannot guarantee that the i-body platform, its drug discovery, pre-clinical or clinical programs will result in the development of any products, or even if it does that the products will be approved or commercialized successfully. The Company's ability to generate revenues or profits, may therefore be adversely affected by this lack of experience.

The development and commercialisation of pharmaceutical products is subject to the inherent risk of failure, including the possibility that products may:

(i) be found to be unsafe or ineffective;

(ii) fail to demonstrate any material benefit or advancement in safety and/or efficacy of an existing product;

(iii) fail to receive necessary regulatory approvals;

(iv) be difficult or impossible to manufacture on the necessary scale;

(v) be uneconomical to market or otherwise not commercially exploitable;

(vi) fail to be developed prior to the successful marketing of a similar product by competitors;

(vii) compete with products marketed by third parties that are superior; and

(viii) fail to achieve the support or acceptance of physicians, patients or the medical community.

All of the above factors could adversely affect the Company and impede the achievement of its commercialisation objectives.

(p) **General disruption of business operations** – The Company is exposed to a large range of operational risks relating to both current and future operations. Such operational risks include occupational health & safety, pandemics and natural disasters. A disruption in the Company's operations or those of its customers may have an adverse impact on the Company's growth prospects, operating results and financial performance.

(p) **General risks** – There are risks associated with any share market investment. These include market fluctuation, liquidity, general economic conditions, interest rates and inflation rates; currency fluctuations; changes in investor sentiment towards equities or particular market sectors; political instability; force majeure events and taxation, amongst others. Other risks include those normally found in conducting business, including litigation resulting from breach of agreements or in relation to employees or any other cause. These could adversely affect the Company's operations or the value of its shares.

(r) **Reputational risk** – The Company's reputation and brand and its products are important to the Company's standing in the pharmaceutical and biotechnology industries.

Reputational damage could arise due to a number of circumstances including:

(i) inadequate services or unsatisfactory clinical outcomes for patients;

(i) error, malpractice or negligence of the Company's employees; or

(i) error, malpractice or negligence of the licensed medical specialists performing the treatments.

Any reputation damage or negative publicity around the Company or its products could adversely impact the Company's business by preventing it from attracting and retaining high calibre professionals, eventually reducing its attractiveness to licensing partners and adversely impacting on its ability to raise funds in the broader market, all of which would adversely affect the Company and impede the achievement of its commercialisation objectives.

(s) **Impact of COVID-19** – The global impact of COVID-19, and the advice and responses from health and regulatory authorities, is continuously developing. The global economic outlook is facing uncertainty which has had and may continue to have a significant impact on capital markets and share prices. The Company's Directors are closely monitoring the situation and considering the impact on the Company's business from both a financial and operational perspective. To date, COVID-19 has affected equity markets, governmental action, regulatory policy, quarantining, self-isolations and travel restrictions. These impacts are creating risks for the Company's business and operations in the short to medium term. The Company has in place business continuity plans and procedures developed to manage the key risks, such as COVID-19, that may cause a disruption to the Company's business and operations.

6.3 No recommendation

The information in this document does not constitute a recommendation to subscribe for New Shares and this document does not purport to contain all the information that you may require to evaluate a possible application for New Shares. You should make your assessment of what information is relevant to your decision to participate in the Offer.

6.4 Taxation implications

Eligible Shareholders should be aware that there may be taxation implications associated with participating in the Offer. The Directors do not consider it appropriate to give Shareholders advice regarding the taxation consequences of subscribing for New Shares under this Offer Document.

The Company, its advisers and its officers do not accept any responsibility or liability for any such taxation consequences to Shareholders. Shareholders should consult their professional tax adviser in connection with subscribing for New Shares under this Offer Document.

6.5 Governing law

This Offer Document and the contracts which arise on the acceptance of the personalised Entitlement & Acceptance Forms are governed by the laws applicable in Victoria, Australia. Each Eligible Shareholder submits to the non-exclusive jurisdiction of the courts of Victoria.

6.6 Enquiries concerning this Offer Document

Enquiries relating to this Offer Document should be directed to the Company at Enquiries@adalta.com.au.

7. DEFINED TERMS

$ or **AUD** means Australian dollar and USD or US$ means United States dollar.

Additional Shares means New Shares applied for by an Eligible Shareholder under the Top-Up Facility that are in excess of the Eligible Shareholder's Entitlement.

Applicant refers to a person who submits an Entitlement & Acceptance Form or makes payment via BPAY® or EFT.

Application refers to the submission of an Entitlement & Acceptance Form or making payment via BPAY® or EFT.

Application Monies means monies payable by Applicants in respect of their Applications.

ASX means ASX Limited ACN 008 624 691 or the Australian Securities Exchange, as the context may require.

Board means the Board of Directors of the Company.

Closing Date means the closing date of the Offer being 5.00pm (AEDT) on 23 July 2020 (subject to the right of the Company to vary the date without notice).

Company or **AdAlta** means AdAlta Limited ACN 120 332 925.

Directors means the directors of the Company.

Eligible Shareholder means a Shareholder whose details appear on the Company's register of Shareholders as at the Record Date whose registered address is in Australia or New Zealand.

Entitlement means the entitlement to subscribe for 1 New Share for every 4 Shares held by an Eligible Shareholder on the Record Date and as set out in the Entitlement & Acceptance Form and Entitlements has a corresponding meaning.

Entitlement & Acceptance Form means the Entitlement & Acceptance Form accompanying this document.

FDA means the US Food and Drug Administration.

HREC means Human Research Ethics Committee.

IND means Investigational New Drug application made to the FDA to commence clinical trials in the United States and **pre-IND meeting** means a formal meeting with FDA for regulatory guidance prior to submitting an IND.

Ineligible Foreign Shareholder means a Shareholder, at the Record Date whose registered address is not situated in Australia or New Zealand.

Issue Price means $0.10 per New Share.

Listing Rules means the listing rules of the ASX.

New Shares means the Shares proposed to be issued pursuant to this Offer.

Offer means non-renounceable pro rata offer of New Shares on the basis of 1 New Share for every 4 Shares held on the Record Date at the Issue Price pursuant to this Offer Document.

Offer Document means this offer document dated 14 July 2020.

Opening Date means the opening date of the Offer being 14 July 2020 (subject to the right of the Company to vary the date without notice).

Partnership means a business collaboration, joint venture or similar unincorporated arrangement (not being a legal partnership arrangement), and the words **partner** and **partnering** each have a corresponding meaning

Placement has the meaning as provided in section 1;

Record Date means 7.00pm (AEDT) on 9 July 2020.

Share means a fully paid ordinary share in the capital of the Company.

Share Registry means Automic Registry Services.

Shareholder means a holder of Shares.

Shortfall or **Shortfall Shares** means any New Shares not taken up by Eligible Shareholders under the Offer or the Top-Up Facility.

Shortfall Offer means the offer by the Directors to place any Shortfall at their discretion (other than to Directors and related parties of the Company) within 3 months after the close of the Offer at a price not less than the Issue Price of $0.10 per New Share.

TGA means Australian Therapeutic Goods Administration.

Top-Up Facility means the mechanism by which Eligible Shareholders can apply for Additional Shares.

8. CORPORATE DIRECTORY

DIRECTORS

Dr Paul MacLeman (Chair)

Ms Elizabeth (Liddy) McCall (alternate Dr James Williams)

Dr Robert Peach

Dr David Fuller

Dr Timothy Oldham

COMPANY SECRETARY

Cameron Jones

REGISTERED OFFICE AND PRINCIPAL ADMINISTRATIVE OFFICE

Unit 15, 2 Park Drive

Bundoora VIC 3083, Australia

WEBSITES

www.AdAlta.com.au

SHARE REGISTRY

Automic Pty Ltd

Level 5, 126 Philip Street

Sydney, NSW 2000