



AdAlta
next generation protein therapeutics

PROSPECTUS

This Prospectus is being issued for a pro rata, non-renounceable offer of two (2) New Shares at an issue price of 2.5 cents (\$0.025) per New Share for every five (5) Shares held by Eligible Shareholders at the Record Date to raise approximately \$3.15 million before issue costs together with one (1) New Option with an exercise price of \$0.03 and an expiry date of 29 May 2024 being offered for every 2 New Shares subscribed for under the Offer.

**Valid acceptances must be received by
5:00 pm (Melbourne time) on 22 May 2023**

**ADALTA LIMITED
(ACN 120 332 925)**

IMPORTANT NOTICE

This document is important and should be read in its entirety. After reading this Prospectus, if you have any questions about the New Options or New Shares being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser. The New Options and New Shares offered under this Prospectus should be considered highly speculative.

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IMPORTANT INFORMATION

This Prospectus is dated 28 April 2023 and a copy was lodged with ASIC and given to ASX on that date.

Neither ASIC nor ASX take responsibility for the content of this Prospectus. Subject to the requirements of the Corporations Act and the Listing Rules, the Directors of the Company reserve the right to close the Offer earlier than the timetable set out in this Prospectus or vary any of the important dates set out in this Prospectus without prior notice, including extending the closing date of the Offer. No securities will be allotted or issued on the basis of this Prospectus after the expiry date of this Prospectus, which cannot be later than 13 months after the date of this Prospectus. The expiry date of this Prospectus is 28 May 2024.

In preparing this Prospectus, regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and that certain matters may reasonably be expected to be known to investors and their professional advisers. This Prospectus is a transaction specific prospectus for an offer of continuously quoted securities (as defined in the Corporations Act) together with options over continuously quoted securities and has been prepared in accordance with section 713 of the Corporations Act. Section 713 allows the issue of a more concise prospectus in relation to an offer of continuously quoted securities. This Prospectus does not include all information that would be included in a prospectus for an initial public offering.

This Prospectus should be read in its entirety. The risks associated with investing in the Company are significant and potential investors should carefully consider those risks and seek professional advice before deciding whether to invest. The risks associated with the Offer which the Company has identified are set out in Section 5 of this Prospectus and should be read carefully. If you do not fully understand this Prospectus or are in any doubt as to how to deal with it, you should consult your professional adviser.

Important capitalised terms and phrases used in this Prospectus are defined in the glossary in Section 11. Unless otherwise stated, a monetary reference in this prospectus is a reference to Australian currency.

Disclaimers

Any forecast or any forward looking statement contained in this Prospectus may involve significant elements of subjective judgment and assumption as to future events which may or may not be correct, and there are usually differences between forecasts and actual results because events and actual circumstances frequently do not occur as forecast and these differences may be material. Nothing contained in this Prospectus is, or may be relied on as, a promise or representation as to the future. Neither the Company nor any other person warrants the future performance of the Company or any return on any investment made under this Prospectus, except as required by law and then, only to the extent so required.

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

The information in this Prospectus does not constitute a securities recommendation or financial product advice, and does not purport to constitute all the information that you may require to enable

you to evaluate effectively and completely whether to take up your Entitlement or any New Options or New Shares under the Offer. In preparing this Prospectus, the Company has not taken into account the investment objectives, financial situation or particular needs of any particular person. Accordingly, before acting on this Prospectus, you should assess whether a further investment in the Company would be appropriate in light of your own financial circumstances.

Except to the extent prohibited by law, the Company, its officers, employees and advisers disclaim all liability that may otherwise arise due to any of this information being inaccurate or incomplete.

Publicly available information

Information about the Company is publicly available and can be obtained from ASIC and ASX (including ASX's website, www.asx.com.au). The contents of any website or ASIC or ASX filing by the Company are not incorporated into this Prospectus and do not constitute part of the Offer made under this Prospectus. This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest in New Options, New Shares or the Company.

Obtaining a copy of this Prospectus

Additional copies of this Prospectus are available from the registered office of the Company during normal business hours. A copy of the Prospectus can be downloaded from the website of the Company at www.adalta.com.au, or the website of ASX at www.asx.com.au. Any person accessing the electronic version of the Prospectus for the purposes of making an investment in the Company must be a resident of Australia or New Zealand and must only access the Prospectus from within Australia or New Zealand.

The Prospectus available on the Company's website does not include an Entitlement and Acceptance Form. Eligible Shareholders wishing to take up their Entitlement should complete the copy of the personalised Entitlement and Acceptance Form which accompanies a copy of this Prospectus sent to the Shareholder by post or email.

The Corporations Act prohibits any person passing onto another person the Entitlement and Acceptance Form unless it is attached to a copy of the Prospectus or it accompanies the complete and unaltered version of the Prospectus. Any person may obtain a copy of the Prospectus free of charge by contacting the Company (or downloading it from the Company's website).

Applications for New Options and New Shares (including New Options and New Shares forming the Shortfall) offered pursuant to this Prospectus can only be submitted on an Entitlement and Acceptance Form which accompanies this Prospectus.

International Shareholders

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer. Refer to Section 1.12 for further information for International Shareholders.

Contact details

If you have any query or question about the Offer or this Prospectus, you may contact the company secretary, Cameron Jones, by email at ir@adalta.com.au, or the Company's share registrar, Automic Registry Services, as follows:

- Email: hello@automicgroup.com.au
- Phone: 1300 288 664 (within Australia), or +61 2 9698 5414 (international)
- Address: Level 5/126 Phillip St, Sydney NSW 2000

INDICATIVE TIMETABLE*

EVENT	DATE
1AD announces to market proposed rights offer (and gives to ASX appendix 3B)	Friday, 28 April 2023 (prior to the commencement of trading)
Lodge transaction specific prospectus with ASIC and give to ASX together with an Appendix 2A applying for quotation of New Shares and New Options to be issued under prospectus, together with cleansing notice	Friday, 28 April 2023
Shares commence quotation on an 'ex' basis	Tuesday, 2 May 2023
Record date to participate in rights offer	Wednesday, 3 May 2023 at 7:00pm (Melbourne time) (at least 3 business days after the announcement of the rights offer and lodgement of the prospectus)
Despatch prospectus and entitlement and acceptance form to eligible shareholders and 1AD announces to market that this has occurred	Monday, 8 May 2023 (at least 1 business day and no more than 3 business days after the record date to participate in rights offer)
Rights offer opens	Monday, 8 May 2023
Rights offer closes	Monday, 22 May 2023 at 5:00pm (Melbourne time) (at least 7 business days after the announcement that the prospectus has been dispatched)
Last day to notify ASX of any change to exercise price of existing Options due to proposed issue of New Shares under Offer	Monday, 22 May 2023 (at least 5 business days before the change becomes effective, being the date of issue of securities under the rights offer)
Shares commence quotation on a deferred settlement basis	Tuesday, 23 May 2023 (next business day after the offer closes)
1AD announces to market results of rights offer and notifies underwriter of shortfall	Before noon Monday, 29 May 2023 (no more than 5 business days after offer closes)
Issue New Shares and New Options taken up under the pro rata entitlement (together with any shortfall shares and underwritten	Monday, 29 May 2023

shares) and lodge an Appendix 2A with ASX applying for quotation of the New Shares and New Options and notifying ASX of the names of the 20 largest recipients of the options, and the number and percentage of those securities received by each of those recipients together with distribution schedule in accordance with Listing Rule 3.10.5	
Exercise price adjustment of the existing Options takes effect	Monday, 29 May 2023
Deferred settlement trading ends	Monday, 29 May 2023 on market close (provided Appendix 2A is given to ASX before noon. If given after noon, deferred settlement trading ends on market close of next business day in which case normal trading will equally be delayed by 1 business day)
Normal trading of New Shares and New Options starts	Tuesday, 30 May 2023 on market open

** Note: These dates are indicative only and subject to change. The Company reserves the right, subject to the Corporations Act and the Listing Rules, to change any date including to extend the closing date of the Offer, to close the Offer early, to accept late acceptances either generally or in particular cases, or to withdraw or reduce the size of the Offer without notice. Any extension of the closing date will have a consequential effect on the issue date of new shares. If the Offer is withdrawn, application money will be returned without interest.*

CHAIRMAN'S LETTER

Dear AdAlta shareholders,

On behalf of the directors of AdAlta, I am pleased to invite all eligible shareholders to participate in the 2 for 5 non-renounceable rights offer, with 1 additional option being offered for every 2 shares subscribed for described in this Prospectus (**Offer**).

The shareholders of AdAlta who may participate in the Offer (eligible shareholders) are those who have a registered address in Australia or New Zealand and who hold shares in AdAlta at 7:00 pm (Melbourne time) on Wednesday 3 May 2023.

Under the Offer, if the rights are fully subscribed, AdAlta aims to raise approximately \$3.15 million from the issue of up to 126,150,371 new ordinary shares.

Subscribers will also receive 1 quoted option for every 2 shares subscribed for, on the terms set out in this Prospectus.

Once all of the expenses associated with the Offer have been met, AdAlta intends to use the balance of the money raised (including any funds raised from the subsequent exercise of the options) to:

- commence a multidose Phase I extension clinical study of the AD-214 product to strengthen AdAlta's partnering position by demonstrating safety at higher doses (and so reducing dose escalation requirements at the start of Phase II) and confirming trends seen in the earlier study;
- progress partnering discussions for the AD-214 product;
- continue evaluation of synergistic external technology and product collaboration and transaction opportunities to expand and accelerate AdAlta's product pipeline; and
- fund general working capital.

Details of your entitlement

A personalised entitlement and acceptance form accompanies this Prospectus and, as an eligible shareholder, you are entitled under the terms of the Offer to use that form to subscribe for 2 new ordinary shares in AdAlta at a price of \$0.025 for every 5 fully paid ordinary shares in AdAlta that you hold at 7:00pm Melbourne time on Wednesday 3 May 2023. You are also entitled to receive 1 new option for every 2 shares subscribed for under the Offer, with each option having an exercise price of \$0.030. The options will be issued for no consideration, and will be on the terms set out in this Prospectus. The price of \$0.025 per share represents a discount of 3.8% to the closing sale price on ASX of AdAlta ordinary shares on Thursday 27 April 2023 of \$0.026 (being the last day shares in the Company were traded prior to the date of this Prospectus).

Eligible shareholders who subscribe for their full entitlement will also have the opportunity to apply for additional shares (and receive the associated options) in any shortfall at the same price of \$0.025 each. There is no guarantee of the number of shortfall shares (if any) that will be available to eligible shareholders and the allocation of those shortfall shares among applicants will be at the discretion of the board of directors of AdAlta in accordance with the policy described in section 1.3 of this Prospectus.

To participate in the Offer, you will need to make the required payment in accordance with the instructions provided in the entitlement and acceptance form so that it is received by AdAlta's share registrar by 5:00pm Melbourne time on Monday 22 May 2023. Further details of how you may accept

the offer are also set out in section 9 of this Prospectus. To the extent that you do not take up your entitlement to participate in the Offer your percentage shareholding in AdAlta will be diluted.

Pre-commitments

AdAlta has received commitments of \$2.49 million in support of the Offer and any Shortfall.

The following directors of AdAlta have indicated they intend to take up their entitlements as follows:

- i. Timothy Oldham, CEO and Managing Director, via a controlled entity, intends to take up his entitlement in full and has underwritten additional commitments in the Shortfall up to a total commitment of \$15,000. Dr Oldham will not receive any fees in respect of underwritten amounts.
- ii. David Fuller, Non-executive Director, intends to take up his entitlement in full.

Substantial shareholder Platinum Investment Management Limited solely in its capacity as responsible entity for the Platinum International Health Care Fund intends to take up its entitlement in full and has made additional commitments in the Shortfall up to a total of \$0.97 million subject to their total shareholding not exceeding 19.9% of issued capital.

The Company's corporate advisor for the Offer, Peak Asset Management, has committed to subscribe for up to \$1.5 million of any excess Shortfall, following subscriptions by all other Shareholders and the entity controlled by Dr Timothy Oldham.

We thank Platinum Asset Management for their continued, active support and Peak for their initial commitment to our Company.

Further details of pre-commitments are described in section 1.5 of this Prospectus.

Further information

The new ordinary shares to be issued under the Offer will be issued on a fully paid basis and will rank equally from the date of their issue with the existing fully paid ordinary shares in AdAlta.

AdAlta will apply for the new options to be issued under the Offer to be quoted on ASX, and accordingly, subject to that application being accepted by ASX, these new options will also be able to be traded from the date of their issue.

Further information about the Offer and your entitlement to participate in the offer is set out in this Prospectus, which you should read in its entirety before deciding whether to participate in the Offer.

On behalf of the directors, I thank you for your continued support of AdAlta and encourage you to carefully consider this investment opportunity.

Yours faithfully



Dr. Paul MacLeman

Chairman

1. DETAILS OF THE OFFER

This Section provides details of the Offer made under this Prospectus. Before deciding whether to apply for New Shares and New Options under this Prospectus, you should read this Prospectus in its entirety.

1.1 Offer

The Offer is a pro rata, non-renounceable offer of two (2) New Shares and one (1) New Option for every five (5) Shares held by Eligible Shareholders at the Record Date at an issue price of 2.5 cents (\$0.025) per New Share to raise approximately \$3.15 million, before issue costs.

Approximately:

- (a) 126.15 million New Shares in the Company; and
- (b) 63.07 million New Options,

are being offered under the Offer (increasing the share capital of the Company by approximately 40%, and potentially as much as 60% if all New Options are exercised). New Shares will rank equally with existing Shares. The terms and conditions of the New Shares are set out in Section 6, and the terms and conditions of the New Options are set out in Section 7. An Entitlement and Acceptance Form setting out Eligible Shareholders' Entitlements accompanies the copy of this Prospectus distributed to Eligible Shareholders.

Calculation of any Eligible Shareholder's fractional Entitlements will be rounded up to the nearest whole number. Holdings of an Eligible Shareholder on different registers (or sub-registers) will not be aggregated for the purpose of calculating Entitlements.

As the Offer is non-renounceable, an Eligible Shareholder's rights to subscribe for their Entitlement to New Shares and New Options under the Offer are not able to be sold, traded or transferred. Any part of an Entitlement that is not accepted by you will lapse. Eligible Shareholders who take up their Entitlement in full (and exercise their New Options) will not have their percentage shareholding in the Company diluted as a result of the Offer. Eligible Shareholders who do not take up their Entitlement in full (and do not exercise their New Options) may, as a result of this Offer, have their percentage shareholding in the Company diluted.

1.2 Eligibility of Shareholders for the Offer

The Offer is made only to those Shareholders whose registered address is in Australia or New Zealand as at 7.00 pm (AEST time) on the Record Date.

Shareholders whose registered address is not in Australia or New Zealand, or who become registered holders of Shares in the Company after the Record Date, are not eligible to participate in the Offer.

1.3 Shortfall

It is a term of the Offer that if not all of the Entitlement rights are taken up and there is consequently a Shortfall, those Eligible Shareholders who subscribe for their full Entitlement under the Offer will also have the opportunity to apply for additional New Shares and New Options in the Shortfall at the same price of \$0.025 each per New Share and one New Options granted for no consideration for every two New Shares subscribed for. Eligible Shareholders are invited to apply for additional

New Shares and New Options in the Shortfall by completing the section of the personalised Entitlement and Acceptance Form which deals with the New Shares forming the Shortfall. Section 9.3 of this Prospectus provides further information regarding applications for New Shares and New Options forming the Shortfall. Applications must be submitted prior to the Closing Date together with payment in full for the number of New Shares forming the Shortfall applied for (the New Options are issued for no consideration based on the number of New Shares applied for).

Allocation of New Shares and New Options forming the Shortfall

Allocation of any New Shares and New Options forming the Shortfall will be at the discretion of the Board of Directors of the Company (or their delegate for this purpose) in accordance with the following policy:

- (a) If the Company receives applications from Eligible Shareholders for New Shares and New Options forming the Shortfall that would not result in the Offer being oversubscribed then the Company will, subject to the other terms of this policy, allocate those New Shares and New Options forming the Shortfall to the Eligible Shareholders who applied for them.
- (b) If the Company receives applications for New Shares and New Options forming the Shortfall that would result in the Offer being oversubscribed then the Company will not accept such oversubscriptions and will reject or scale back applications, provided that any such allocation or scale back will be in the ultimate discretion of the Board of Directors of the Company and provided that no Eligible Shareholders are to be allocated more New Shares or New Options forming the Shortfall than they applied for.
- (c) New Shares and New Options forming the Shortfall will be issued at the same time and in the same ratio (being one New Option for every two New Shares subscribed for) as all other New Shares and New Options are issued under the Offer.
- (d) The Company will not allocate or issue New Shares or New Options forming the Shortfall where it is aware that to do so would result in a breach of the Corporations Act, the Listing Rules or any other relevant legislation or law. Eligible Shareholders wishing to apply for New Shares or New Options forming the Shortfall must consider whether the issue of those New Shares and New Options applied for would breach the Corporations Act or the Listing Rules having regard to their own circumstances.
- (e) If the Company does not receive applications for all of the New Shares and New Options forming the Shortfall, then any remaining New Shares and New Options forming the Shortfall will be required to be subscribed for by those parties who have agreed to underwrite the Offer or subscribe for a placement of any residual Shortfall in accordance with the underwriting and placement arrangements described in Section 1.5 (to the extent those parties have made underwriting or subscription commitments).
- (f) The Directors of the Company (or their delegate for this purpose) reserve the right if there are still New Shares and New Options forming the Shortfall that have not been applied for as part of the underwriting or subscription commitments described in Section 1.5 to place or otherwise issue them at their discretion (but at not less than the price and in the same ratio as New Shares and New Options were offered under the Offer).

Return of surplus application money

Application money received but not applied towards subscriptions for New Shares and New Options forming the Shortfall will be refunded as soon as reasonably practicable following the allocation of those New Shares and New Options. No interest will be paid on application money held and returned.

No certainty regarding allocations

As a consequence of the arrangements described above, there can be no guarantee of the number of New Shares and New Options forming the Shortfall available to Eligible Shareholders. Eligible Shareholders and other applicants who apply for New Shares and New Options forming the Shortfall Offer will be bound to accept any lesser number of New Shares forming the Shortfall allocated to them in accordance with the allocation procedure described above.

1.4 No Minimum Subscription

There is no minimum subscription requirement for the Offer.

1.5 Pre-commitments

Platinum Investment Management Limited (acting solely in its capacity as responsible entity for the Platinum International Health Care Fund), a substantial shareholder of the Company, has agreed to subscribe for its entitlement under the Offer in full, and has further agreed to subscribe for any additional New Shares and New Options under the Shortfall provided that:

- Platinum Investment Management Limited (acting solely in its capacity as responsible entity for the Platinum International Health Care Fund) will only subscribe up to a maximum amount of \$970,393; and
- Platinum Investment Management Limited (acting solely in its capacity as responsible entity for the Platinum International Health Care Fund) will not increase its percentage holding of the Company to more than 19.9%.

To the extent its commitment to subscribe for any additional New Shares and New Options under the Shortfall exceeds the above thresholds, Platinum Investment Management Limited's Shortfall commitment will be scaled back.

Tijan Pty Ltd as trustee for the Tijan Trust, an entity associated with CEO and Managing Director, Dr Timothy Oldham, has committed to take up its entitlement in full, and has further agreed to underwrite the offer up to a total commitment of \$15,000. Neither Tijan Pty Ltd nor Dr Oldham will receive any fees in respect of underwritten amounts.

Non-executive Director, David Fuller, has committed to take up his entitlement in full.

The Company's corporate advisor for the Offer, Peak Asset Management (**Peak**), has committed to subscribe for up to \$1.5 million of any excess Shortfall, following subscriptions by Shareholders and those commitments mentioned above. This is part of Peak's terms of engagement, the payment for which is described in section 8.6.

1.6 Custodians and Nominees

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 Offer and the nominee must not take up any Entitlement or send any materials to the United States or to any person that is, or is acting for the account or benefit of, a U.S. Person.

1.7 Closing Date and Payment for New Shares

The Closing Date for the Offer is 5:00pm (AEST) on Monday, 22 May 2023.

Eligible Shareholders may submit payments for New Shares applied for using BPAY® or by electronic funds transfer, by following the instructions set out on the Entitlement and Acceptance Form. If you make payment by BPAY®, you do not need to return your Entitlement and Acceptance Form.

1.8 Allotment of New Shares

New Shares will be allotted and issued as soon as practicable after the Closing Date of the Offer, in accordance with Listing Rules and indicative timetable as set out in page (iv) of this Prospectus. Holding statements for all New Shares allotted shall be dispatched as soon as practicable in accordance with the Listing Rules after the Closing Date.

Until the allotment and issue of the New Shares under this Prospectus, application monies will be held by the Company in trust in a separate bank account maintained for that purpose only. Any interest earned on application monies will be for the benefit of the Company and will be retained by the Company irrespective of whether allotment takes place.

1.9 Allotment of New Options

New Options will be allotted and issued at the same time as New Shares, in accordance with the indicative timetable as set out in page (iv) of this Prospectus. Holding statements for all New Options allotted shall be dispatched as soon as practicable after the Closing Date.

1.10 ASX Quotation

The Company will apply to ASX for the New Shares and the New Options to be granted Official Quotation within 7 days of the date of this Prospectus (prior to 5 May 2023).

The ASX takes no responsibility for the contents of this Prospectus.

1.11 CHES System

The Company participates in the Clearing House Electronic Subregister System (**CHES**). ASX Settlement and Transfer Corporation Pty Limited (ACN 008 504 532) (**ASTC**), a wholly owned subsidiary of ASX, operates CHES in accordance with the Listing Rules and ASX Settlement Operating Rules.

Under CHES, Shareholders will not receive certificates for their New Shares but will receive a statement of their holdings indicating the allotment of their New Shares pursuant to their acceptance of the Offer made under this Prospectus.

No certificates will be issued for New Options. A holding statement indicating the allotment of their New Options pursuant to their acceptance of the Offer made under this Prospectus will instead be provided.

Shareholders who are broker-sponsored will receive a CHES statement from ASTC.

Shareholders registered under the issuer sponsored subregister will receive a statement from Automatic Registry Services.

1.12 International Shareholders (other than New Zealand)

This Offer does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer. Shareholders who do not have a registered address in Australia or New Zealand are not eligible to participate in the Offer. The laws of jurisdictions outside of Australia and New Zealand may restrict the distribution of this Prospectus. Anyone who comes into possession of this Prospectus outside Australia or New Zealand should seek advice on and observe any such restrictions. A failure to comply with those restrictions may constitute a violation of applicable securities laws.

The Company is of the view that it is unreasonable to extend the Offer to Shareholders with registered addresses outside Australia or New Zealand, having regard to:

- the small number of Shareholders with registered addresses outside Australia and New Zealand;
- the number and value of the New Shares which would be offered to ineligible Shareholders; and
- the cost of complying with the legal requirements and requirements of the regulatory authorities, in the respective overseas jurisdictions.

In particular, this Prospectus does not constitute an offer for sale or issue of the New Shares or New Options or any right to a security into the United States or to U.S. persons. The New Shares and New Options have not been, and will not be, registered under the U.S. Securities Act and must not be offered or sold within the United States or to U.S. persons unless they are registered under the U.S. Securities Act or an exemption from the registration required of the U.S. Securities Act is available.

Eligible Shareholders holding Shares on behalf of persons who are resident outside Australia and New Zealand are responsible for ensuring that participation in the Offer does not breach regulations in the relevant overseas jurisdiction. Return of a duly completed Entitlement and Acceptance Form or payment by BPAY® will constitute a representation that there has been no breach of such regulations. Shareholders who are nominees are therefore advised to seek

independent advice as how they should proceed. Where the Offer has been dispatched to a Shareholder domiciled outside Australia or New Zealand and where the country's securities code or legislation prohibits or restricts in any way the making of the offers contemplated by this Prospectus, the Prospectus is provided for information purposes only.

Each applicant for new shares warrants and represents that they:

- are an Australian or New Zealand citizen or resident in Australia or New Zealand;
- are located in Australia or New Zealand at the time of the application and is not acting for the account or benefit of any person in the United States or any other foreign person; and
- will not offer or sell the New Shares in the United States or in any other jurisdiction outside Australia or New Zealand, or to a United States person, except in transactions exempt from registration under the US Securities Act 1933 as amended, and in compliance with all applicable laws in the jurisdiction in which the New Shares are offered and sold.

1.13 New Zealand securities law requirements

The New Shares and the New Options are not being offered or sold to the public within New Zealand other than to Eligible Shareholders with registered addresses in New Zealand to whom the Offer is being made in reliance on the Financial Markets Conduct Act 2013 (New Zealand) and the Financial Markets Conduct (Incidental Offers) Exemption Notice 2021 (New Zealand).

Members of the public in New Zealand who are not existing shareholders of the Company on the Record Date are not entitled to apply for any shares pursuant to this Offer.

This Prospectus has been prepared in compliance with Australian law and has not been registered, filed with or approved by any New Zealand regulatory authority. This document is not an investment statement or prospectus in accordance with New Zealand law and is not required to, and may not, contain all the information that an investment statement or prospectus prepared in accordance with New Zealand law is required to contain.

1.14 Costs of participation

No brokerage, commissions or other transaction costs will be payable by Eligible Shareholders in respect of the application for, and allotment of, New Shares under this Prospectus.

1.15 Issue Expenses

The estimated expenses of the Offer, including the corporate adviser fees (but excluding options issued to the corporate advisors), professional fees, registry services and printing and postage are approximately \$0.28 million.

In addition, the Company has agreed to issue a further 15 million New Options to Peak Asset Management for assisting with the Offer, subject to the Offer raising a minimum of \$3 million, and any required shareholder approvals being received. In the absence of shareholder approvals (if any such approvals are required), the proportion of the fee payable in New Options will be payable in cash to the equivalent value.

1.16 Application of Funds Raised

The purpose of the Offer is to raise funds for the purposes of:

- (a) commencing a multidose Phase I extension clinical study of the AD-214 product;
- (b) progressing partnering discussions for the AD-214 product;
- (c) continuing evaluation of synergistic external technology and product collaboration and transaction opportunities to expand and accelerate the Company's product pipeline; and
- (d) general working capital purposes.

The Company's existing cash reserves will be used to progress previously committed AD-214 development costs and other internal and co-developed discovery programs.

Shareholders are strongly urged to read Sections 2 and 3 of this Prospectus carefully so as to better understand the purpose of the Offer, how the funds to be raised under the Offer will be applied, the key assumptions involved and the potential impact the new funding will have on the Company's future growth and enterprise value.

1.17 Discretions

Without limiting the other powers and discretions set out in this Prospectus, the Directors of the Company (or their delegate for this purpose) may implement the Offer in the manner they think fit and settle any difficulty, anomaly or dispute which may arise either generally or in a particular case in connection with, or by reason of, the operation of the Offer or a matter in this Prospectus, as they think fit, whether generally or in relation to any Shareholder or any Shares, and the determination of the Directors (or their delegate) is conclusive and binding on all relevant Shareholders and other persons to whom the determination relates.

1.18 Taxation

Shareholders should consult their own professional taxation advisers to obtain advice in relation to the taxation laws and regulations applicable to their personal circumstances. The Company cannot, and does not, offer any advice to shareholders relating to taxation implications.

1.19 Governing law

The Offer and the contracts arising due to acceptance of the Offer are governed by the law in force in Victoria, Australia.

2. PURPOSE AND EFFECT OF THE OFFER

2.1 Purpose of the Offer

The Offer is being undertaken principally to provide funds in order to:

- (a) commence a multidose Phase I extension clinical study of the AD-214 product;
- (b) continue partnering discussions for the AD-214 product;
- (c) continue evaluation of synergistic external technology and product collaboration and transaction opportunities to expand and accelerate the Company's product pipeline; and
- (d) fund general working capital.

The proceeds of the Offer are planned to be used in accordance with the table set out below which shows the expected use of funds raised from the Offer (assuming the Offer is fully subscribed and excluding any proceeds from the exercise of the New Options), which will be principally applied over the next 9 months.*

Purpose	Maximum Offer funds to be applied (A\$Million)
Recommence clinical development of the AD-214 protein	1.36
Continue partnering discussions for the AD-214 protein	0.41
Evaluation of synergistic external technology and product collaboration and transaction opportunities	0.52
Working capital	0.58
Costs related to Offer	0.28
TOTAL	3.15

* *The Board reserves the right to alter this budget as a result of a change in circumstances or intervening events.*

The above is a statement of current intentions as of the date of this Prospectus. As with any budget, intervening events and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board may determine to alter the way funds are applied as it considers necessary and appropriate having regard to the circumstances and business needs at the time.

2.2 Share Capital

If fully subscribed, the Offer will raise approximately \$3.15 million (before expenses of the Offer which are estimated to be \$0.28 million) and result in the issue of approximately 126.15 million New Shares, and a further 63.07 million New Options. This assumes that the total number of Shares in the Company currently on issue does not change before the Record Date for the purposes of determining Entitlements under the Offer (e.g. due to the exercise of Options currently on issue).

2.3 Market Price of Existing Shares on ASX

The highest and lowest market sale price of the Company's Shares on the ASX, during the three months immediately preceding the lodgement of this Prospectus with ASIC and the respective dates of those sales are set out below:

Highest: 4.5 cents on 27 January 2023

Lowest: 2.6 cents on 21 April 2023

The last market sale price prior to the date of lodgement of this Prospectus with ASIC was 2.6 cents on 27 April 2023.

2.4 Existing Options

The Company currently has on issue 14,984,060 unquoted Options, each entitling the holder to acquire one Share at various exercise prices with various expiry dates.

The terms of the Options do not permit their holders to participate in the Offer, except by exercise of the Options and thereby acquiring the underlying Shares in the Company before the Record Date for the Offer. This is unlikely as the exercise price of each Option is materially higher than the price at which Shares in the Company have been trading on ASX in recent times.

The terms of the Options do provide for an adjustment in their exercise price according to the formula in rule 6.22.2 of the ASX Listing Rules. The exercise price adjustment takes effect upon issue of the New Shares offered under the Offer and is, in part, dependent on the difference between the price under the Offer and the volume weighted average closing price of the Company's Shares sold on ASX for the 5 trading days ending on the day before the 'ex date' for the Offer. Accordingly, that market price will be determined after the 'ex date' and if there is any change to the exercise price of any Options in consequence, the Company will notify ASX of the change in accordance with rule 3.11.2 of the ASX Listing Rules.

2.5 Effect of Offer on Control

If all Eligible Shareholders take up their full Entitlements, there would be no significant effect on the control of the Company, as the Offer is made pro-rata and in that case no rights would lapse or revert to the Shortfall as described at Section 1.3.

Based on publicly available information as at the date of this Prospectus, the following persons (together with their associates) have a relevant interest in 5% or more of the Shares on issue in the Company:

Substantial holder	No. of shares	%
Fletcher Meurs Investments Pty Ltd	27,029,924	8.6%
Meurs Group	53,594,168	17.0%
Platinum Investment Management Limited solely in its capacity as responsible entity for the Platinum International Health Care Fund	49,048,028	15.6%

The potential effect that the issue of the New Shares and New Options under the Offer will have on the control of the Company, and the consequences of that effect, will depend on a number of factors including the level of Shareholder participation in the Offer, which Shareholders participate, the extent of any Shortfall, which Shareholders apply and are issued Shares in any Shortfall and the extent to which any underwriters are required to meet their respective commitments to subscribe for Shortfall and underwrite the Offer.

For example, if all Eligible Shareholders take up their Entitlement the issue of the New Shares would not be expected to have any material effect or consequence on the control of the Company other than with respect to those Shareholders who do not reside in Australia or New Zealand.

However, if one or more Eligible Shareholders do not take up their Entitlements in full, and the Offer proceeds, there will be a dilutionary effect on those Shareholders' proportional shareholdings in the Company. Furthermore, other investors who participate to the maximum extent possible and/or underwrite could acquire a relevant interest in more than 20% of the issued voting Shares in the Company, which may have a material impact on the control of the company.

For example, if no Entitlements are taken up, and the entire Shortfall is subscribed for by Platinum Investment Management Limited solely in its capacity as responsible entity for the Platinum International Health Care Fund, Tijan Pty Ltd as trustee for the Tijan Trust and Peak Asset Management to the extent they have respectively committed, their voting power in the Company would change as follows:

The voting power in the Company of this person...	which currently approximately...	is	would change to approximately...
Platinum Investment Management Limited solely in its capacity as responsible entity for the Platinum International Health Care Fund	15.6%		19.9%
Tijan Pty Ltd as trustee for the Tijan Trust	0.1%		0.2%
Peak Asset Management	0%		14.5%

The above potential control outcomes are based on the substantial holder notifications received by the Company, and other relevant shareholdings in the Company that the Company has been able to ascertain from its register of members, and the firm participation and underwriting commitments entered into with the Company or notified to the Company in writing, as at the date of this Prospectus.

2.6 Arrangements for further issues of securities

In addition to the Shares and Options referred to in Sections 2.2 to 2.4 of this Prospectus, the Company has arrangements in place as at the date of this prospectus that will likely result in the issue of the following additional securities after the record date for the Rights Offer:

Party to be issued securities	Reason for issue	Number and type of securities to be issued
Peak Asset Management	As part of remuneration for assisting in the Offer, subject to certain milestones (being a minimum raise of \$3 million under the Offer and placement of any Shortfall) and shareholder approval if required	15 million New Options ¹

¹ If shareholder approval is required for this issue, and is not obtained, AdAlta has agreed to pay to Peak a cash amount equivalent to the value of these options.

3. STATEMENT OF FINANCIAL POSITION AND PRO FORMA CAPITAL STRUCTURE

Set out below is a pro forma Statement of Financial Position for the Company after taking into account the effect of the Offer. This statement is based on the audited accounts of the Company as at 31 December 2022, lodged with the ASX on 27 February 2022.

The pro forma Consolidated Statement of Financial Position illustrates the effect of the Offer based upon the following assumptions and qualifications:

- (a) there being no other material changes to the Company's Statement of Financial Position since 31 December 2022;
- (b) the Offer being fully subscribed resulting in the Company issuing an additional 126.15 million New Shares and 63.07 million New Options raising a total of approximately \$3.15 million;
- (c) the costs of the Offer estimated as being \$0.28 million; and
- (d) the activities of the Company since 31 December 2022 not being recognised in the pro forma Statement of Financial Position.

Basis of preparation

The pro-forma Consolidated Statement of Financial Position has been prepared using historical financial information extracted from the Company's audited consolidated financial statements for the 6 months ended the 31 December 2022.

This information is a summary only and does not contain the disclosures provided in annual financial report or half-yearly financial report in accordance with the Corporations Act.

Copies of the most recent annual report (for the year ended 30 June 2022) and half-yearly report (for the 6 months ended 31 December 2022) are available from the Company's announcements page on ASX, or on the Company's website (<https://adalta.com.au/>).

**PRO-FORMA CONSOLIDATED STATEMENT OF
FINANCIAL POSITION AS AT 31 DECEMBER 2022**

	31.12.2023 (reviewed)	Offer	Pro-forma Statement (unaudited)
Assets			
Current assets			
Cash and cash equivalents	7,336,135	2,875,759	10,211,894
Trade and other receivables and prepayments	158,272	-	158,272
Other current assets	132,054	-	132,054
Total current assets	7,626,461	2,875,759	10,502,220
Non-current assets			
Property, plant and equipment	50,876	-	50,876
Total non-current assets	50,876	-	50,876
Total assets	7,677,337	2,875,759	10,553,096
Liabilities			
Current liabilities			
Trade and other payables	828,691	-	828,691
Borrowings	4,010,928	-	4,010,928
Provisions	112,253	-	112,253
Total current liabilities	4,951,872	-	4,951,872
Non-current liabilities			
Borrowings	-	-	-
Provisions	15,093	-	15,093
Total non-current liabilities	15,093	-	15,093
Total liabilities	4,966,965	-	4,966,965
Net assets	2,710,372	2,875,759	5,586,131
Equity			
Issued capital	41,010,888	2,875,759	43,886,647
Reserves	1,809,007	-	1,809,007
Accumulated losses	(40,109,523)	-	(40,109,523)
Total equity	2,710,372	2,875,759	5,586,131

4. COMPANY STRATEGY

4.1 Our purpose

The principal business of AdAlta is the discovery and development of next generation protein- and cell-based therapeutics. AdAlta's focus is to deliver antibody-like precision in applications beyond the limits of traditional antibody formats.

The Company creates value by:

- (a) Discovering new protein therapeutics and diagnostics using its i-body™ platform. i-bodies are a new class of small, targeted proteins that mimic the properties of the single domain antibodies found in the shark immune system: they are the first fully human, single domain antibody-like proteins.

i-bodies have been engineered so their unique properties (small size, stability and long, flexible binding domain) make them ideally suited for addressing drug targets considered challenging or 'undruggable' by traditional antibody therapies. They can also be coupled to diverse therapeutic or diagnostic "cargoes", enabling these cargoes to be delivered to difficult to reach targets within the human body.

- (b) Progressing or developing protein-based product candidates through pre-clinical studies, product development and early-stage clinical trials.

This value is converted to revenue by:

- (a) Partnering with biotechnology and biopharmaceutical companies to co-develop i-body enabled products for targets identified by these partners. In return we receive research fees, development and commercialisation milestones, and royalties.
- (b) Out-licensing i-body products developed by us at various stages of discovery, preclinical or early clinical development to larger biopharmaceutical and biotechnology companies. In return we receive upfront payments, further development and commercialisation milestones, and royalties.

4.2 Our pipeline

AdAlta currently has five active development programs ranging from discovery to Phase II-clinical trial ready. The product franchise is building across the fields of inflammation/fibrosis and immunology (including cellular immunotherapy).

AD-214 – fibrosis

AdAlta's lead product candidate, AD-214, targets the G-Protein Coupled Receptor (GPCR) known as CXCR4 and is being developed as a 'first-in-class' therapeutic for fibrotic diseases.

After completing Phase I clinical trials in healthy volunteers in mid-2021, the Company has been focussed on preparing for Phase II clinical efficacy trials and expanding the range of potential indications and routes of administration in which AD-214 might be applicable.

In October 2022, the Company announced that it had progressed preclinical studies of AD-214 in four indications and two routes of administration.² In addition to the original focus on the

² <https://1ad.live.irmau.com/irm/pdf/cb594848-4929-455d-a8a6-a4e6e4f41f53/AD214-progress-and-priorities.pdf>

degenerative and fatal orphan disease, Idiopathic Pulmonary Fibrosis (IPF) and related Interstitial Lung Diseases (ILDs), AdAlta now has encouraging preclinical results suggesting efficacy of AD-214 in kidney and eye fibrosis. Proof of principle demonstrating that AD-214 could be delivered via inhalation has also been obtained. This is a potentially more convenient and value-enhancing route of administration for IPF that partners could use for extending the lifecycle of the product. The Company has elected to focus on intravenous delivery of AD-214 for lung and kidney fibrosis as the fastest and most cost-effective path to demonstrating efficacy in Phase II clinical studies in multiple indications. AdAlta also has a collaboration with GPCR Therapeutics Inc (Korea) to evaluate AdAlta's CXCR4 inhibiting i-bodies as cancer therapeutics, using GPCR Therapeutics' proprietary combination inhibition approach.³

The markets for new antifibrotics are significant. Two existing therapies approved for IPF and ILDs generate sales of US\$4.7 billion in 2022,⁴ have limited efficacy and significant side effects that limit patient compliance.

The demand for novel antifibrotics continues to be validated by strong partnering interest shown for AD-214, as well as recent peer transactions. In August 2022, Genentech licensed Phase II antifibrotic vixarelimab from Kiniksa Pharmaceuticals for US\$80 million up front and US\$620 million in potential milestones.⁵ In October 2022, AbbVie purchased DJS Antibodies for US\$225 million, primarily for a preclinical IPF product candidate.⁶

AD-214 is protected to 2036 by granted composition of matter patents in USA, European Union, Japan, China, India, Australia and other markets.⁷

The Company is actively evaluating several partnership opportunities to finance Phase II clinical trials for AD-214.

AdAlta is now planning to return AD-214 to clinical studies in the September quarter of 2023. With partnering momentum building, AdAlta has carefully reviewed investments that could be made to maintain and accelerate development momentum, add value for partners and generate new data. The Company has identified an opportunity to return AD-214 to clinical studies in the September quarter of 2023, at least 12 months earlier than would be possible to commence a full Phase II program.

AdAlta is planning an extension of the previously completed Phase I study of AD-214 in healthy volunteers to evaluate the safety of higher doses of AD-214. The study will use drug product already on hand. This creates value for partners and enhances licensing transaction potential by extending the safety profile of multiple doses of AD-214 to doses that will likely be tested in Phase II, confirms trends in pharmacokinetics, receptor occupancy and adverse events that will support dose selection in Phase II and reducing the time required for dose ranging at the beginning of Phase II.

³ <https://1ad.live.irmau.com/irm/pdf/ad0986f4-afde-4a66-8087-b4ad9a6afbc9/1AD-amp-GPCR-Therapeutics-to-evaluate-CXCR4-ibodies-in-cancer.pdf>

⁴ Global Data, Idiopathic Pulmonary Fibrosis Competitive Landscape, April 2023

⁵ <https://investors.kiniksa.com/news-releases/news-release-details/kiniksa-pharmaceuticals-announces-global-license-agreement>

⁶ <https://news.abbvie.com/news/press-releases/abbvie-acquires-djs-antibodies-further-strengthening-immunology-pipeline.htm>

⁷ <https://1ad.live.irmau.com/irm/pdf/45f0c687-06e1-40bb-ba32-e2293854f8c6/Second-Japan-patent-for-AD214.pdf>

The study, which remains conditional on Human Research Ethics Committee (HREC) approval and successfully completing the Offer, is planned to commence in the September quarter and deliver initial top line results by the end of 2023.

i-CAR-cellular immunotherapy – immuno-oncology

Chimeric Antigen Receptor (CAR) cell therapies involve modification of a patient's immune cells (T cells, NK cells, macrophages, etc) so that they produce a CAR on the cell surface that enables the patient's immune system to recognise and kill diseased cells such as cancer.

CAR-T cell therapies have revolutionised treatment of blood cell cancers. There are now six USA FDA approved CAR-T cell therapies⁸ which have been successfully used to treat patients who have failed multiple rounds of chemotherapy. The market for CAR cell therapies is projected to grow from US\$1 billion in 2020 to more than US\$20.3 billion by 2028,⁹ with more than 50% of revenues to be derived from CAR-cell therapies against solid tumours by 2030.¹⁰

i-bodies may offer particularly unique advantages in the field of CAR cell therapy. Until now, fragments of monoclonal antibodies called scFv's have been used to target CAR cells to tumours. The smaller size of i-bodies makes them suitable for the creation of combination CARs capable of targeting of multiple tumour antigens. Their unique targeting capability enable them to target novel and difficult to access tumour antigens. They are small enough to be made and secreted by immune cells to help overcome immune system suppression induced by tumours. These are significant advantages over scFv fragments, making i-bodies potentially part of the solution to extending the potential of these therapies to solid tumours.

In August 2021, AdAlta entered a collaboration agreement with Carina Biotech Pty Ltd (Carina), an Australian biotechnology company, to develop next generation i-body enabled CAR-T cell therapies (i-CAR-T's) for solid tumours.

Under the collaboration, Carina and AdAlta will combine Carina's advanced CAR-T cell therapy technology platform with AdAlta's i-body platform to develop CAR-T and dual or bi-specific CAR-T products for up to five different targets. The companies will share development costs to reach the value enhancing pre-clinical proof of concept stage, at which point they will jointly own the products created.¹¹

The collaboration has already demonstrated that i-bodies can successfully be incorporated into CAR-T cells that meet required manufacturing specifications and kill cancer cells *in vitro*. Carina has now completed initial screening of multiple i-CAR-T constructs against the undisclosed tumour target "A" and will progress three candidates into further *in vitro* and *in vivo* efficacy studies in the first half of 2023. The parties have now also selected the next two tumour targets "B" and "C" for the collaboration, with discovery scheduled to commence during CY Q2 2023. These targets could be utilised in various gastrointestinal, gynaecological and neurological cancers.¹²

The collaboration with Carina has enabled AdAlta to strategically position its i-body technology at the forefront of next generation CAR cell therapies. AdAlta is now also evaluating a number of

⁸ <https://www.fda.gov/vaccines-blood-biologics/cellular-gene-therapy-products/approved-cellular-and-gene-therapy-products>

⁹ Grandview Research, "T-cell Therapy Market Size, Share & Trends Analysis" Feb 2021

¹⁰ Polaris Market Research, "CAR-T Cell Therapy Market Share, Size Trends, Industry Analysis Report", June 2021

¹¹ <https://1ad.live.irmau.com/irm/pdf/c6b210f1-4dc0-4390-838e-b8e3cfe4f4c7/CART-collaboration-with-Carina-Biotech.pdf>

¹² <https://1ad.live.irmau.com/irm/pdf/4c2edc6f-42d0-4478-bd4d-7b961c203ab2/Half-Yearly-Report-and-Accounts.pdf>

collaboration opportunities with international CAR cell therapy companies to deploy our i-bodies into their technology in a similar manner.

i-PET-imaging – immuno-oncology

In September 2019, AdAlta commenced a collaboration with GE Healthcare Technologies Inc (GEHC) to develop i-body enabled PET (i-PET) imaging agents for use in immuno-oncology. The aim of these i-PET imaging agents is to enable identification of patients who are not responding to immune checkpoint inhibitor therapy well before their tumours progress. Further updates on this program will be provided in consultation with GEHC and as milestones are achieved.

Other programs

GPCR Therapeutics are now evaluating several CXCR4 i-bodies under the collaboration announced in October 2022.

In January 2023, the Company announced that its collaborators at University of Western Australia had published research suggesting the potential to use i-bodies binding to a cell membrane protein called RANKL as improved therapies for osteoporosis and other bone diseases. AdAlta is open to industry collaborations to advance this program.¹³

AdAlta has initiated i-body discovery projects against several other targets and is able to progress these should suitable partnerships be secured.

4.3 Our future strategy

AdAlta's continued success depends on the Company:

- (a) discovering an inventory of well characterised i-bodies against therapeutic targets that:
 - a) are difficult for traditional antibodies to address; and
 - b) in demand by potential partners;
- (b) progressing selected i-body-enabled products towards clinical trials, with a focus on opportunities that have the shortest time and lowest cost to achieve valuable inflection points such as pre-clinical or clinical evidence of efficacy; and
- (c) entering co-discovery and co-development collaborations with other biopharmaceutical companies to progress other i-body discovery programs and/or to access complementary technology to enable acceleration of product development opportunities.

A key near term focus will be realising return on our investment in AD-214 by out-licensing the molecule or otherwise obtaining non-dilutive financing for Phase II clinical trials. We are in active discussions with a number of parties to achieve this and continue to make modest investments in the asset to support these activities and maintain overall development timelines.

Our next priority is to identify opportunities to rapidly advance our follow-on pipeline towards clinical milestones or partnerable data milestones. We have a portfolio of existing programs and a list of potential candidates for future internal discovery efforts. In addition, we are evaluating several external licensing and collaboration opportunities that could leverage the i-body platform and bring the next generation of therapeutic products through our pipeline more rapidly.

¹³ <https://1ad.live.irmau.com/irm/pdf/9e901142-f0fb-40e6-b18c-7839acf0ba9c/Publication-highlights-lbody-potential-in-osteoporosis.pdf>

4.4 Future milestones

Key milestones anticipated during the remainder of calendar year 2023, assuming \$3.15 million raised through the Offer, are:

2023 second quarter

- *In vitro* cell killing of A-i-CAR-T cells against Target A completed
- Commence discovery of i-bodies for Carina targets B and C commence

2023 second half

- HREC approval of AD-214 Phase I extension clinical study
- First patient first visit for AD-214 Phase I extension clinical study
- First headline results from AD-214 Phase I extension clinical study
- *In vivo* proof of concept studies of A-i-CAR-T cells commence

The Company will also progress evaluation of AD-214 licensing and i-body enabled and related technology transactions. Timing of these transactions depends on the outcomes of technical due diligence, commercial negotiations and the continued assessment of whether any transaction is in the best interests of shareholders.

5. RISK FACTORS

5.1 General

The Company's activities are subject to a number of risks which may impact future financial performance and the price at which New Shares may be sold. Some of these risks can be mitigated by the use of safeguards and appropriate controls. However, others are outside the Company's control and cannot be mitigated. Therefore, investors who acquire New Shares and New Options may be exposed to a number of risks. Broadly, these risks can be classified as risks that are general to investing in trading companies and risks specific to an investment in Shares and the Company's underlying business.

This Section sets out the identified major risks associated with investing in New Shares and New Options. This list is not exhaustive and investors should read this Prospectus in its entirety before making an investment decision. Investors should also have regard to their own investment objectives and financial circumstances, and should consider seeking appropriate independent investment advice before deciding whether to invest in the New Shares and New Options.

5.2 Risk factors specific to the Company

(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 (itself or through partners); (e) establish cost competitive and reliable supply chains for its products; (f) manage expanding operations; and (g) respond effectively to competitive pressures and developments.

In particular, to generate a return on its investment in research and development of its products, the intention of the Company is to secure agreements with other biopharmaceutical companies to further develop and commercialise its products. There is no guarantee that AdAlta will be able to secure such agreements or the terms on which they may be secured in which case the Company may need to secure ongoing development financing from other sources and delay or halt development of certain product development programs.

(b) *Costs of development program*

The development program which the Company proposes to undertake with the funds raised under the 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 the clinical study which the Company proposes to undertake with the funds are raised under this Offer it must obtain necessary approvals from Human Research Ethics Committees and regulatory authorities. Before the Company or its commercialisation partners can undertake further clinical trials or 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 secure 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. Certain loan facilities are secured against these receipts. If the status of the Company or its connected entities should change, or the Australian Federal Government changes its R&D Tax Incentive (**RDTI**) program 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*

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 discretion 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, including the clinical study of AD-214 planned with the proceeds of the Offer, 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) *Risk of product development and manufacturing*

The Company's products, including AD-214, have not yet been produced on a scale sufficient for large scale clinical trials, multiple simultaneous trials or commercial production. The development of formulations and packaging for the Company's products, including AD-214, are not yet complete. 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 or in a format sufficient convenient for patients and healthcare professionals to adopt in the context of commercial sales of the product. The Company's ability to implement its business plan and partner its assets would be significantly hindered such this failure and the Company may be unable to generate a profit, even if its drug development activity is successful.

(g) *Discovery and pre-clinical development of other assets*

The expansion of the Company's pipeline depends on its continued ability to be able to discover i-bodies that bind to desirable drug targets with appropriate affinity and inducing desired pharmacological and biological functions. The studies necessary to discover i-body enabled therapeutics, demonstrate pre-clinical (animal model) proof of efficacy and safety and to successfully manufacture such products at clinical and commercial scale may take longer or cost more than is projected, may not produce the expected or desired outcome and may not result in partnerable or clinic ready assets.

(h) *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:

- (1) be found to be unsafe or ineffective;
- (2) fail to demonstrate any material benefit or advancement in safety and/or efficacy of an existing product;
- (3) fail to receive necessary regulatory approvals;
- (4) be difficult or impossible to manufacture on the necessary scale;
- (5) be uneconomical to market or otherwise not commercially exploitable;
- (6) fail to be developed prior to the successful marketing of a similar product by competitors;
- (7) compete with products marketed by third parties that are superior; and
- (8) fail to achieve the support or acceptance of physicians, patients or the medical community.

(i) *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.

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.

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.

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 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.

(j) 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.

(k) 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.

(l) Currency risk

Expenditure in overseas jurisdictions is 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. The Company intends to forward purchase foreign currency against known near term contractual obligations to aid in financial planning. If there are adverse currency fluctuations against the Australian dollar, there is a risk that the work items in any 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.

(m) 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 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.

(n) 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.

(o) 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.

(p) 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.

5.3 General Risks

A number of factors which are outside of the Company's control may significantly impact on the Company, its performance and the value of New Shares. These factors include:

(a) *Investment and Economic Risk*

Economic factors both in Australia and internationally beyond the control of the Company, such as interest rates, inflation, exchange rates, taxation, changes in government policy and legislation, may negatively impact on the operational performance of the Company.

The Company's revenues, expenses and cash flows could be negatively affected by any of these factors, which in turn may affect the value of New Shares and New Options.

No assurances can be made that the Company's performance will not be adversely affected by any such market fluctuations or factors. None of the Company or its Directors or any other person guarantees the performance of the Company or the market price at which its Shares trade.

The New Shares and New Options issued under the Offer carry no guarantee in respect of profitability, dividends, or return of capital. The value of the New Shares will be subject to a range of factors beyond the control of the Company and its Directors including the demand and availability of Shares.

An investment in New Shares and New Options should be considered speculative.

(b) *Government policy*

The Company's capacity to conduct its operations, as well as industry profitability generally, can be affected by changes in government policy which may be beyond the control of the Company.

(c) *Future capital needs and additional funding*

The future capital requirements of the Company will depend on many factors. There can be no guarantee that the Company will be able to raise additional capital to meet future funding requirements.

Any inability to obtain additional finance, if required, would have a material adverse effect on the Company's business and its financial condition and performance.

(d) *Taxation risk*

Variations in the taxation laws of Australia and other countries in which the Company operates could impact the Company's financial performance. Interpretation of taxation law could also change, leading to a change in taxation treatment of investments or activities.

(e) *Changes in regulatory environment*

Changes to laws and regulations or accounting standards which apply to the Company from time to time could adversely impact the operating and financial performance and cash flows of the Company.

(f) *Speculative nature of investment*

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 or New Options.

An investment in New Shares and New Options 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 and New Options pursuant to this Offer.

(g) *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 and safety, pandemics and natural disasters. A disruption in the Company's operations or those of its customers or suppliers may have an adverse impact on the Company's growth prospects, operating results and financial performance.

(h) *Other 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.

(i) *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:

- (1) inadequate services or unsatisfactory clinical outcomes for patients;
- (2) error, malpractice or negligence of the Company's employees;
- (3) error, malpractice or negligence of the licensed medical specialists performing the treatments;
- (4) inadequate, erroneous or negligent service provision or other unacceptable environmental, social or governance behaviours by third party contractors; or
- (5) loss or unplanned or unauthorised disclosure of data including personal information as a result of cyber attack.

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.

5.4 Other Risk Factors

Other risk factors include those normally found in conducting business including litigation resulting from the breach of agreements or in relation to employees (through personal injuries, industrial matters or otherwise) or any other cause, strikes, lockouts, loss of service of key management or operational personnel, non-insurable risks, delay in resumption of activities after reinstatement following the occurrence of an insurable risk and other matters that may interfere with the Company's business or trade.

Before any decision is made to subscribe for securities under the Offer, the above matters, and all other matters described in this document must be carefully considered. The New Shares and New Options to be allotted pursuant to this Prospectus should be regarded as speculative in nature and carry no guarantee with respect to the payment of dividends, return of capital or their market value.

The above list of risk factors should not to be taken as exhaustive of the risks faced by the Company or the Shareholders. The above factors, and others not specifically referred to above, may in the future materially affect the Company's financial performance and the value of the New Shares and New Options.

6. RIGHTS AND LIABILITIES ATTACHING TO THE NEW SHARES

6.1 Rights attaching to the New Shares

The rights attaching to ownership of the New Shares arise from a combination of:

- (a) the Constitution; and
- (b) in certain circumstances, the Corporations Act and the general law.

The following is a summary of the more significant rights attaching to the New Shares. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of the Shareholders.

Further details of the rights attaching to Shares are set out in the Constitution of the Company, a copy of which can be downloaded from the Company's website at <https://adalta.com.au/>.

6.2 Variation of rights

The rights attaching to the New Shares may only be varied by the consent in writing of the holders of three-quarters of the Shares, or with the sanction of a special resolution passed at a general meeting.

6.3 Voting rights

Subject to any rights or restrictions, at general meetings of Shareholders:

- (a) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (b) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
- (c) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid Share held, or in respect of which that Shareholder is appointed a proxy, attorney or representative, have one vote for the Share, but in respect of partly paid Shares shall have such number of votes as bears the same proportion to the total of such Shares registered in the Shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

6.4 General meetings

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

The Directors may convene a general meeting at their discretion.

6.5 Dividends

Shareholders will be entitled to a share of any dividends declared, distributed among members in proportion to the capital paid up, from the date of payment. No dividend carries interest against the Company and the declaration of Directors as to the amount to be distributed is conclusive.

Shareholders may be paid interim dividends or bonuses at the discretion of the Directors. The Directors may set aside a sum out of the profits of the Company, as reserves, before recommending dividends of the profits.

6.6 Winding-up

If the Company is wound up, the liquidator may with the sanction of a special resolution, divide the assets of the Company amongst shareholders as the liquidator sees fit. If the assets are insufficient to repay the whole of the paid up capital of shareholders, they will be distributed in such a way that the losses borne by shareholders are in proportion to the capital paid up.

6.7 Transfer of Shares

Shares can be transferred upon delivery of a proper instrument of transfer to the Company. The instrument of transfer must be in writing, in the approved form, and signed by the transferor and the transferee. Except where the operating rules of an applicable clearing and settlement facility licensee provide otherwise, until the transferee has been registered, the transferor is deemed to remain the holder, even after signing the instrument of transfer.

The Directors may in their absolute discretion refuse to register any transfer of Shares or other securities where the Shares or other securities are not quoted by ASX.

While the Shares are quoted on ASX their transfer may be effected through CHESS in accordance with the ASX Settlement Operating Rules.

6.8 Unmarketable parcels

The Company's Constitution provides for the sale of unmarketable parcels subject to any applicable laws and provided a notice is given to the minority Shareholders stating that the Company intends to sell their relevant Shares unless an exemption notice is received by a specified date.

7. TERMS OF THE NEW OPTIONS

The terms of the New Options are as follows:

Issue date	29 May 2023
Issue price	Nil. One (1) New Option will be issued for no consideration for every two (2) New Shares acquired under the Offer.
Exercise price of options	\$0.03 upon exercise to acquire one (1) Share for each New Option exercised.
Expiry date of options	29 May 2024
Exercise period	<p>Each New Option is exercisable immediately on issue. The New Options may be exercised at any time before their expiry date, by delivering a duly completed form of notice of exercise together with payment by EFT (or such other form of payment as is acceptable to the Company) for the exercise price. The Company will issue 1 fully paid ordinary share for each New Option validly exercised.</p> <p>The exercise of each New Option is subject to compliance with the Corporations Act 2001 (Cth) (in particular, the requirements of Chapter 6 of the Corporations Act).</p>
Minimum number able to be exercised	New Options will only be able to be exercised in a minimum number of 100,000 options at a time (unless the holder holds less than that number, at which time the minimum number of options able to be exercised will be the number held).
Terms of shares issued	Any shares issued as a result of exercising a New Option will be issued as fully paid ordinary shares on the same terms and rank in all respects on equal terms, with existing ordinary shares in the Company.
Quotation of Shares issued	Application for official quotation of Shares allotted and issued as a result of the exercise of the New Options will be made within five (5) business days from the date of issue of the Shares in accordance with ASX Listing Rule 2.8.3.
Option register	New Options will be registered in the name of the holder in an option register maintained by the Company's share registrar. The share registrar will issue holding statements that evidence the number of New Options held. No option certificates will be issued.
Reconstruction of capital	<p>If there is a reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company:</p> <ul style="list-style-type: none">• the number of New Options or the exercise price of the New Options or both will be adjusted as specified in ASX Listing Rule 7.22 as it applies at the time of the reorganisation; and• in all other respects the terms for the exercise of the New Options will remain unchanged.

Adjustment for pro rata share issues	If there is a pro rata issue of Shares the exercise price of the New Options will be adjusted in accordance with the formula in ASX Listing Rule 6.22.
Adjustment for issue of bonus shares	If there is a bonus issue of Shares, the number of Shares issued upon exercise of a New Option will be adjusted in accordance with ASX Listing Rule 6.22.
New issues of shares	The New Options do not confer a right to participate in new issues of shares unless the New Options have been exercised on or before the record date for determining entitlements to the issue.
Notice of adjustments	The Company will give written notice to the option holder of any adjustment of the exercise price of the New Options and any increase or decrease in the number of New Options.
Dividend rights	While they remain unexercised, the New Options will not give a holder an entitlement to receive any dividends declared and paid by the Company on its shares.
Applicable law	Each New Option is issued subject to: <ul style="list-style-type: none"> • the Corporations Act; • the ASX Listing Rules; and • the Company's constitution.
Quotation of the New Options	The Company will apply to ASX for official quotation of the New Options.
Change of terms	The terms of a New Option may be changed to the extent necessary to comply with the ASX Listing Rules applying to a reorganisation of capital at the time of the reorganisation.

8. ADDITIONAL INFORMATION RELEVANT TO THE OFFER

8.1 The Company is a Disclosing Entity

The Company is a disclosing entity for the purposes of the Corporations Act and, as such, is subject to regular reporting and disclosure requirements. As a listed company, the Company is required to comply with all applicable continuous disclosure and reporting requirements in the Listing Rules.

The ASX maintains records of company announcements for all companies listed on the ASX. The Company's announcements may be viewed on the ASX's website at www.asx.com.au.

Copies of documents lodged with ASIC in relation to the Company may be obtained from, or inspected at an office of ASIC.

The Company will provide a copy of any of the following documents, free of charge, to any person who requests a copy of the document before the Closing Date:

- (a) the annual financial report of the Company for the year ended 30 June 2022, being the annual financial report most recently lodged by the Company with the ASIC; and
- (b) the financial report for the half-year ended 31 December 2022, being the financial report most recently lodged by the Company with the ASIC;
- (c) any continuous disclosure notices (that is, documents in which the ASX was notified of information relating to the Company) given by the Company after 27 February 2023, being the date of lodgement of the 31 December 2022 half yearly financial report and before lodgement of a copy of this Prospectus with the ASIC. These documents are:

02/03/2023	ShareCafe Webinar Presentation 3 Mar 2023
24/03/2023	Retirement of Non-Executive Director
24/03/2023	Final Director's Interest Notice
14/04/2023	Notification of cessation of securities – 1AD
14/04/2023	Notification regarding unquoted securities – 1AD
28/04/2023	Quarterly Appendix 4C and Activities Report

The Company may make further announcements to ASX from time to time. Copies of announcements are released by ASX on its website (www.asx.com.au), and will also be made available on the Company website (<https://adalta.com.au/>). Copies of announcements can also be obtained from the Company on request. Prospective investors are advised to refer to ASX's website or the Company website for updated releases about events or matters affecting the Company.

The annual financial report, half-yearly financial report and the continuous disclosure notices referred to above have been identified for the purposes of section 713(4) of the Corporations Act and are not taken to form part of the content of this Prospectus.

The Company's Constitution and the consents referred to in Section 8.8 are also available for inspection for a period of 12 months after the date of this Prospectus during normal business hours at the Company's office at:

AdAlta Limited
Unit 15, 2 Park Drive
Bundoora, Victoria 3083

8.2 Section 713 Prospectus

This Prospectus has been issued under the provisions of section 713 of the Corporations Act. Section 713 enables disclosing entities to issue prospectuses in relation to securities in a class of securities that has been quoted on the ASX at all times in the 12 month period preceding the date of the prospectus (or options over such securities). Copies of documents lodged at ASIC in relation to the Company (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, an office of ASIC.

The New Shares to be issued under this Prospectus are in a class of securities that has been continuously quoted on the ASX in the 12 month period preceding the date of this Prospectus.

As the New Shares form part of the same class as the Company's existing Shares, ASIC Corporations (Exposure Period) Instrument 2016/74 allows the Company to accept Entitlement and Acceptance Forms upon the lodgement of this Prospectus with ASIC.

The level of disclosure that applies to this Prospectus requires that it must contain all the information investors and their professional advisers would reasonably require to make an informed assessment of:

- (a) the effect of the Offer on the Company; and
- (b) the rights and liabilities attaching to the securities being offered.

The Prospectus must contain this information only to the extent to which it is reasonable for investors and their professional advisers to expect to find the information in the Prospectus. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospectus of the issuing company. Accordingly, this Prospectus does not contain the same level of disclosure as a prospectus of an unlisted company or an initial public offering prospectus.

Having taken such precautions and having made such enquiries as are reasonable, the Company believes that the Company has complied with the general and specific requirements of ASX as applicable from time to time throughout the 12 months before the date of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company. Information that is already in the public domain has not been reported in this Prospectus, other than that which is considered necessary to make the Prospectus complete.

8.3 The Board of Directors, Interests of Directors and Management

Details of the interests of each Director in securities of the Company immediately before lodgement of this Prospectus with ASIC are set out in the table below. The table does not take into account any securities the Directors may acquire under the Offer.

Relevant Interests of Directors (including indirect interests)

Director	Shares	Options
Paul MacLeman	472,970	3,055,000 ¹
Tim Oldham	501,750	6,129,090 ²
Robert Peach	1,453,126	1,200,000 ¹
David Fuller	210,668	1,200,000 ¹

¹Options were approved by Shareholders at the 2021 Annual General Meeting 'AGM'. The exercise price is \$0.0847 per option. 50% of options vested on 29 November 2022 and the remaining 50% vest on 29 November. The expiry date is 29 November 2025.

² Tim Oldham has been issued options approved at the 2019 and 2022 AGM. 4,929,060 options were approved by Shareholders at the 2019 AGM. The options have an exercise price of \$0.2485 and expire 26 November 2025. All options have vested. 1,200,000 options were approved by Shareholders at the 2021 AGM. The exercise price is \$0.0847 per option. 50% of options vested on 29 November 2022 and the remaining 50% vest on 29 November. The expiry date is 29 November 2025. These terms are the same as the other Directors as outlined above.

8.4 Payments and Benefits to Directors

Except as set out in this Prospectus, no person has paid or agreed to pay any amount, or provided or agreed to provide any benefit to:

- (a) any Director in order to induce them to become, or to qualify as, a Director; or
- (b) any Director for services provided by him in connection with:
 - (1) the formation or promotion of the Company, or
 - (2) the Offer.

The remuneration paid or payable to each Director for the last two years (including cash and non-cash benefits) is set out in Section 8.5 below.

8.5 Remuneration of Directors and Executives

As Chief Executive Officer and Managing Director, Dr Tim Oldham is currently paid \$343,845 per annum including statutory superannuation and is eligible for short term incentive of 40% of base salary for achieving the KPIs and Stretch KPIs at the sole discretion of the Company on an annual basis.

As a non-executive Director and Chair, Dr Paul MacLeman is currently paid \$75,000 per annum including statutory superannuation.

As a non-executive Director, Dr Robert Peach is currently paid \$50,000 per annum.

As a non-executive Director, Dr David Fuller is currently paid \$50,000 per annum.

The following tables shows the annual remuneration paid to both executive and non-executive Directors for the last two financial years ended 30 June 2021 and 30 June 2022:

	Short term benefits		Post-employment benefits	Total cash payments	Share based payments	Total earned remuneration
	Cash salary and fees	Other	Superannuation		Equity-settled	
2022	\$	\$	\$	\$	\$	\$
<i>Non-executive directors:</i>						
Dr Paul MacLeman	68,181	-	6,819	75,000	60,806	135,806
Ms Elizabeth (Liddy) McCall ¹⁴	50,000	-	-	50,000	-	50,000
Dr Robert Peach	50,000	-	-	50,000	23,884	73,884
Dr David Fuller	50,000	-	-	50,000	23,884	73,884
Dr James William ¹⁵	-	-	-	-	-	-
<i>Executive directors:</i>						
Dr Timothy Oldham	314,976	66,662 ¹⁶	15,075 ¹⁷	396,714	87,831	484,545
TOTALS	533,157	66,662	21,894	621,714	196,405	818,119

¹⁴ Liddy McCall was contracted under a service agreement with Yuuwa Capital LP. Fees were paid directly to Yuuwa Capital LP. Yuuwa Capital LP is a venture capital fund that is managed by its General Partner, Yuuwa Management LP/Yuuwa Capital management Pty Ltd which is associated with James Williams and Liddy McCall. Alternate directors do not receive a directors fee. James Williams and Liddy McCall retired on 24 March 2023.

¹⁵ Alternate director to Liddy McCall. James Williams and Liddy McCall retired on 24 March 2023.

¹⁶ Bonus paid in September 2021 in respect to achievement of short term incentives in the period ending 30 June 2021 of \$24,662 and Bonus accrued for in respect to achievement of short term incentives in the period ending 30 June 2022 of \$42,000.

¹⁷ \$8,493 required to be paid as statutory superannuation was paid as salary as opted out of superannuation contribution due to combined employers concessional super contribution exceeding the cap for FY22.

	Short term benefits		Post-employment benefits	Total cash payments	Share based payments	Total earned remuneration
	Cash salary and fees	Other	Superannuation		Equity-settled	
2021	\$	\$	\$	\$	\$	\$
<i>Non-executive directors:</i> ¹⁸						
Dr Paul MacLeman	58,980	-	5,603	64,583	-	64,583
Ms Elizabeth (Liddy) McCall ¹⁹	40,000	-	-	40,000	-	40,000
Dr Robert Peach	40,000	-	-	40,000	-	40,000
Dr David Fuller ²⁰	40,000	-	-	40,000	-	40,000
<i>Executive directors:</i>						
Dr Timothy Oldham	300,000	29,750	21,694	351,444	147,906	499,350
TOTALS	478,980	29,750	27,297	536,027	147,906	683,933

Further details of the remuneration of Directors is set out in the Remuneration Report set out in the Annual Report of the Company for the year ended 30 June 2022.

¹⁸ Non-executive director fees were suspended effective 1 April 2020 under the Company's COVID-19 risk management plan and were not reinstated until 1 September 2020. Paul MacLeman continued to receive 50% of his fee as Chair during this period. As of 1 January 2021 director fees were increased \$10,000 per annum for Non-executive Chair and \$50,000 per annum for Non-executive directors.

¹⁹ Liddy McCall was contracted under a service agreement with Yuuwa Capital LP. Fees were paid directly to Yuuwa Capital LP. Yuuwa Capital LP is a venture capital fund that is managed by its General Partner, Yuuwa Management LP/Yuuwa Capital management Pty Ltd which is associated with James Williams and Liddy McCall. James Williams resigned as a director on 27 March 2020 and transitioned as an alternate director to Liddy McCall on the same day. Alternate directors do not receive a directors fee. James Williams and Liddy McCall retired on 24 March 2023.

²⁰ David Fuller was appointed 22 July 2020.

8.6 Interests of, and Issue of Payments and Benefits to, Advisors and Experts

Except as set out in this Prospectus, neither Peak Asset Management nor any person named in this Prospectus as performing a function in a professional, advisory, expert or any other capacity in connection with the preparation and distribution of this Prospectus, promoters of the Company (together, **Prescribed Persons**) holds, or at any time in the past two years held, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired in connection with the formation or promotion of the Company or the Offer; or
- (c) the Offer.

Except as set out in this Prospectus, no amounts have been paid or agreed to be paid to any Prescribed Person and no benefit has been given or agreed to be given to any Prescribed Person for services provided by a Prescribed Person in connection with:

- (a) the formation or promotion of the Company; or
- (b) the Offer.

Piper Alderman will receive the sum of approximately \$49,000 (excluding GST and disbursements) from the Company for the provision of legal services to the Company in connection with the Offer.

Peak Asset Management have acted as corporate adviser for the Offer under this Prospectus, for which it will receive fees pursuant to its mandate consisting of a fee calculated as 1% of funds received pursuant to the Offer and 5% of all funds raised by Peak in placing the Shortfall. Peak Asset Management will also receive 15 million options on the same terms as the New Options (subject to certain milestones being achieved and shareholder approval if required as described in section 1.15 of this Prospectus). In the absence of required shareholder approvals, the proportion of the fee payable in New Options will be payable in cash to the equivalent value.

8.7 Litigation

As at the date of this Prospectus, the Company is not involved in any material legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

8.8 Consents

Piper Alderman has given and as at the date of this Prospectus has not withdrawn its consent to be named as the Company's solicitors in relation to the Offer. No statement in this prospectus is made by Piper Alderman or is based on a statement made by Piper Alderman, and no responsibility for the contents of this prospectus or any notice or other document given by the Company to ASX or any other person in respect of the Offer, is taken by Piper Alderman.

Peak Asset Management has given and as at the date of this Prospectus has not withdrawn its consent to be named as the Company's corporate advisers in relation to the Offer. Peak Asset Management has not authorised or caused the issue of any part of this Prospectus. No statement in this prospectus is made by Peak Asset Management or is based on a statement made by Peak Asset Management, and no responsibility for the contents of this prospectus or any notice or other

document given by the Company to ASX or any other person in respect of the Offer, is taken by Peak Asset Management.

Platinum Investment Management Limited solely in its capacity as responsible entity for the Platinum International Health Care Fund has given and as at the date of this Prospectus has not withdrawn its consent to be named in this Prospectus. Platinum Investment Management Limited has not authorised or caused the issue of any part of this Prospectus and expressly disclaims and takes no responsibility for the Prospectus nor any attachment to the Prospectus.

9. ACTION REQUIRED BY SHAREHOLDERS

9.1 What Eligible Shareholders may do

The number of New Shares and New Options to which Eligible Shareholders are entitled under the Offer ('your Entitlement') is shown on the accompanying Entitlement and Acceptance Form.

As an Eligible Shareholder, you may:

- (a) take up your Entitlement in full and subscribe for all of the New Shares and New Options to which you are entitled;
- (b) take up your Entitlement in full and subscribe for all of the New Shares and New Options to which you are entitled and apply for New Shares and New Options forming the Shortfall (if there is one);
- (c) take up part of your Entitlement and allow the balance to lapse; or
- (d) do nothing and allow your Entitlement to lapse.

9.2 Taking up all or part of your Entitlement

If you wish to take up all or part of your Entitlement complete the accompanying Entitlement and Acceptance Form for New Shares and New Options in accordance with the instructions set out in the form (for all of the New Shares and New Options offered to you or such lesser number you wish to accept). Forward your completed Entitlement and Acceptance Form (including electronic funds transfer instructions and authority) to reach the Company's Share Registrar, Automic Registry Services, no later than 5.00pm (AEST) on 22 May 2023 at the address set out below:

AdAlta Limited
c/- Automic Registry Services
Level 5/126 Phillip St, Sydney NSW 2000

A BPAY® option is also available. In order to use BPAY®, please follow the instructions set out on the Entitlement and Acceptance Form.

If you are accepting all or part of your Entitlement and payment is being made by BPAY®, you are not required to return the Entitlement and Acceptance Form. Your BPAY® payment must be received by no later than 5.00pm Melbourne time on Monday, 22 May 2023.

9.3 Applying for Shortfall

If there is a Shortfall and you are an Eligible Shareholder and you wish to take up additional New Shares and New Options complete the additional New Shares and New Options section of the Entitlement and Acceptance Form in accordance with the instructions set out in the Entitlement and Acceptance Form. In order to apply for New Shares and New Options under the Shortfall you Forward your completed Entitlement and Acceptance Form (including electronic funds transfer instructions and authority) to reach the Company's Share Registrar, Automic Registry Services, no later than 5.00pm (AEST) on 22 May 2023 at the address set out below:

AdAlta Limited
c/- Automic Registry Services
Level 5/126 Phillip St, Sydney NSW 2000

A BPAY® option is also available. In order to use BPAY®, please follow the instructions set out on the Entitlement and Acceptance Form.

If you are accepting all or part of your Entitlement and payment is being made by BPAY®, you are not required to return the Entitlement and Acceptance Form. Your BPAY® payment must be received by no later than 5.00pm Melbourne time on 22 May 2023.

9.4 Consequences of doing nothing – Entitlement not taken up

You will receive no benefit if you do not take up your Entitlement. It is therefore important that you consider taking action either to take up your Entitlement in accordance with the above instructions and the instructions on the back of the Entitlement and Acceptance Form.

9.5 Applications and Payment

If your Entitlement and Acceptance Form is not completed correctly, or if the accompanying payment is for the wrong amount, it may still be accepted by the Company. The Company's decision as to whether to accept the application or how to construe, amend or complete it, shall be final, but no Applicant will be treated as having offered to purchase more New Shares than indicated by the amount of the cheque for application monies.

You are urged to lodge your Application as soon as possible. Entitlement and Acceptance Forms must not be circulated to prospective investors unless attached to a copy of this Prospectus.

Please do not forward cash, cheques or postal notes by mail. Receipts for payment will not be issued.

Eligible Shareholders may submit payments for New Shares applied for using BPAY®. In order to use BPAY®, please follow the instructions set out on the Entitlement and Acceptance Form. If you make payment by BPAY®, you do not need to return your Entitlement and Acceptance Form.

9.6 Acceptance

Receipt of your payment will constitute acceptance in accordance with, and your agreement to, the terms of the Offer, including those set out in this Prospectus.

By lodging a completed Entitlement and Acceptance Form entitlement and acceptance form, the applicant is taken to have warranted to and for the benefit of the Company that it is able to participate in the Offer without breaching any applicable law or regulation. Each applicant should seek professional advice before doing so if there is any doubt about this.

9.7 Enquiries

If you have any query or question about the Offer, you may contact Cameron Jones, AdAlta's company secretary at ir@adalta.com.au or for any other registry related matters contact AdAlta's share registrar as follows:

Automic Registry Services

Email: hello@automicgroup.com.au

Phone: 1300 288 664 (within Australia), or +61 2 9698 5414 (international) between 8:30 am and 5:00 pm (Melbourne time) Monday to Friday

Address: Level 5/126 Phillip St, Sydney NSW 2000

9.8 Personal Information and Privacy Act

Eligible Shareholders have already provided certain personal information to the Company and its share registrar. If Eligible Shareholders apply for New Shares and New Options, the Company and its share registrar may update that personal information or collect new information. Such information will be used to assess the Application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration.

Your personal information may be used and disclosed to persons inspecting the registers, regulatory bodies, print service providers, mail houses retained for Company purposes and Company's share registrar.

If you do not provide the information requested in the Entitlement and Acceptance Form, the Company may not be able to process the Application or administer your holding of Shares appropriately.

Under the *Privacy Act 1998* (Cth), you may access, correct and update personal information held by, or on behalf of the Company or its share registrar by contacting the Company as follows:

AdAlta Limited
Attention: Company Secretary
Unit 15, 2 Park Drive
Bundoora, Victoria 3083
Ph: +61 3 9479 5159

10. DIRECTORS AUTHORISATION

The Directors of the Company have authorised the issue of this Prospectus on behalf of the Company.

This Prospectus has been signed by a Director for and on behalf of the Directors, in accordance with section 351 of the Corporations Act.

A handwritten signature in black ink, appearing to read 'Paul MacLeman', with a stylized flourish at the end.

Dr. Paul MacLeman
Chairman

11. GLOSSARY

In this Prospectus the following terms have the meanings ascribed to them below, unless the context otherwise requires.

TERM	DEFINITION
ASIC	Australian Securities and Investments Commission
ASTC	ASX Settlement and Transfer Corporations Pty Ltd
ASX	Australian Securities Exchange Limited
Board	The board of Directors of AdAlta Limited
Business Day	A day that is not a Saturday, Sunday or public holiday or bank holiday in Melbourne
CHESS	Clearing House Electronic Subregister System
Closing Date	The date the Offer closes, being 5.00pm (AEST) on 22 May 2023, unless extended by the Company
Company	AdAlta Limited ACN 120 332 925
Constitution	The constitution of the Company
Corporations Act	<i>Corporations Act 2001</i> (Cth)
Directors	The directors of AdAlta Limited
Eligible Shareholder	A Shareholder entitled to participate in the Offer as described in Section 1.2
Entitlement	The entitlement of a Shareholder to participate in the Offer
Entitlement and Acceptance Form	The form described as such accompanying this Prospectus (for Eligible Shareholders only)
International Shareholder	A holder of Shares having a registered address outside Australia or New Zealand
Issuer Sponsored Statement	Issued sponsored holding statement to be issued by CHESS
Listing Rules	The official listing rules of the ASX
Lodgement Date	The date on which this Prospectus was lodged with ASIC, being Friday, 28 April 2023

TERM	DEFINITION
New Options	Options offered under this Prospectus, the terms of which are set out in Section 6
New Shares	Shares offered under this Prospectus
Offer	The non-renounceable offer of 2 New Shares for every 5 Shares held at the Record Date at a price of 2.5 cents (\$0.025) per New Share, with one additional New Option for every 2 New Shares subscribed for made in accordance with this Prospectus, further details of which are set out in Section 1 of this Prospectus. The Offer includes both the Entitlement and the Shortfall.
Official List	Has the meaning given to the term 'official list' in the Listing Rules
Official Quotation	Has the meaning given to the term 'quotation' in the Listing Rules
Options	Unquoted options issued by the Company
Peak Asset Management	CoPeak Corporate Pty Ltd ACN 632 277 144 as trustee for the Peak Asst Management Unit Trust
Prescribed Persons	Prescribed Persons has the meaning given to it in Section 8.6
Prospectus	This Prospectus dated 28 April 2023
Record Date	7.00pm on Wednesday 3 May 2023
Section	A section under this Prospectus
Shareholder	A registered holder of Shares appearing on the Company's share register
Shares	Ordinary fully paid shares in the capital of the Company
Share Registrar	Automic Registry Services
Shortfall	The difference between the total number of New Shares and New Options that could be issued under the Offer were all Entitlement rights taken up in full and the total number of New Shares and New Options to be issued in consequence of the Entitlement rights that are actually taken up
Statement of Financial Position	The statement on the financial position of the Company
U.S. Person	The meaning given in Regulation S under the US Securities Act

TERM	DEFINITION
U.S. Securities Act	The United States Securities Act of 1933, as amended

12. CORPORATE DIRECTORY

Registered Office

AdAlta Limited
Unit 15, 2 Park Drive
Bundoora VIC 3083

Website

www.adalta.com.au

Directors

Paul MacLeman (Chairman)
Tim Oldham (CEO & Managing Director)
Robert Peach (Non-Executive Director)
David Fuller (Non-Executive Director)

Company Secretary

Cameron Jones

ASX Code

Shares: 1AD

Corporate Adviser

Peak Asset Management
39/55 Collins Street
Melbourne VIC 3000

Principal Legal Adviser

Piper Alderman
23/459 Collins Street
Melbourne VIC 3000

Auditor

Dry Kirkness Audit Pty Ltd*
Ground Floor, 50 Colin Street
West Perth WA 6005

Share Registrar

Automic Registry Services
Level 5, 126 Phillip Street
Sydney NSW 2000
Ph: 1300 288 664 (within Australia)
Ph: + 61 2 9698 5414 (outside Australia)
Email: hello@automicgroup.com.au
Website: automicgroup.com.au

**This entity has not been involved in the preparation of this Prospectus and has not consented to being named in this Prospectus. Its name is included for information purposes only.*



AdAlta
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