

ASX Release

SUDA LTD ISSUES CHAIRMAN'S LETTER

PERTH, AUSTRALIA – 28 August 2017: SUDA LTD (ASX: SUD), a leader in oro-mucosal drug delivery, today announces that it has mailed a letter to shareholders from Mr. Mike Stewart, Chairman of SUDA Ltd and a major shareholder.

Mike Stewart joined the Board as a Non-Executive Director in June 2009 and was appointed to the position of Chairman on 1 January 2014. He has a broad corporate and management background and has been extensively involved in bilateral donor funded and World Bank co-financed Aid Projects in under-developed countries.

The letter follows.



Further information:

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NOTES TO EDITORS:

About SUDA LTD

SUDA LTD (ASX: SUD) is a drug delivery company focused on oro-mucosal administration, headquartered in Perth, Western Australia. The Company is developing low-risk oral sprays using its OroMist® technology to reformulate existing pharmaceuticals. The many potential benefits of administering drugs through the oral mucosa (i.e.: cheeks, tongue, gums and palate) include ease of use, lower dosage, reduced side effects and faster response time. SUDA's product pipeline includes ZolpiMist™, a first-in-class oral spray of zolpidem for insomnia. ZolpiMist is marketed in the USA and SUDA has rights to the product outside of the US and Canada. SUDA's most advanced development-stage product, ArTiMist®, is a novel sublingual malaria treatment for children. In a Phase III trial, ArTiMist was shown to be superior to intravenous quinine. Other products in development include oral sprays for the treatment of migraine headache, chemotherapy-induced nausea and vomiting, erectile dysfunction and pre-procedural anxiety. For more information, visit www.sudaltd.com.au

28th August 2017

Letter to Shareholders from Mike Stewart–Chairman

Good Evening,

My name is Mike Stewart and I am the Chairman of SUDA Limited and a major shareholder. I am writing to you, both because I am passionate about what SUDA is striving to achieve, but probably like you, sometimes frustrated.

It would be wrong of me not to suggest that at times SUDA has been a frustrating investment. Most people have short-term expectations and want immediate returns. SUDA has not delivered that.

Unlike you, I have the benefit of understanding the internal workings of SUDA and the challenges we have faced so I am hoping to provide you with a more balanced view of the way I see things developing for SUDA in the future.

WHO AM I?

I am 66 years of age, been involved in SUDA since 2009 and Chairman since 2014. I have a background in earth sciences, corporate finance and commerce. I am a patient, cautious investor and I hold just under 25 million shares in SUDA, all of which I have purchased on market.

WHY HAS THE SHARE PRICE STAGNATED DESPITE EXCELLENT NEWS FLOW?

There are a number of factors:

- Management has focussed more on building a business rather than promoting the business. The pharmaceutical industry is a very complex business with high entry barriers and risks on the one hand, but very large returns for those who get the formulae right. It takes time and resources to build a viable business. I strongly believe that building the business is the absolute bedrock for developing long term and sustainable value for shareholders – value that will persist long after short-term promotional effects have disappeared.
- As you know the share market can be very fickle and shares are often over-bought or over-sold, something management has little day to day control over. I, and the Board, recognise that we need to do a better job of communicating our successes to the market and potential new shareholders. You should expect to see and hear more from SUDA in the coming months.
- SUDA, like other pharmaceutical businesses, is a long-term strategic investment for investors with patience. There is a saying:

“if you are not investing with a 5-10 year view you are not investing, you are speculating”

So, if you are seeking short-term returns, the pharmaceutical industry may not be for you. SUDA simply may not be for you.

Our Top 50 investors hold 40 per cent of the shares and, in the main, they hold and accumulate on price weakness. These investors have a real interest in what we do and have a longer-term investment horizon. By contrast, of our 2,500 shareholders, around 1,700 shareholders hold less than 200,000 shares (\$3,600) and account for much of the daily churn. They tend to sell into any small price rise and momentum trade.

SO, WHY SUDA?

In the 1980s, I spent a decade working on aid projects in underdeveloped countries, so I have a real understanding of the impact of tropical diseases in small rural communities. I was attracted to SUDA because of my interest in malaria and the significant impact ArTiMist could have for young children in malaria endemic areas. As time moved on I have witnessed our malaria project advance, against all odds, and I have assisted SUDA untangle a range of legal issues inherited (unfortunately) by the current Board.

Over time, I have seen management put in place the foundations and building blocks for what has become a very specialised pharmaceutical company with a diversified asset base.

Today, SUDA has some 10 highly qualified and dedicated staff covering areas such as research and development, regulatory affairs and business development and compliance. We have a world class, accredited formulation / laboratory facility and have built an impressive, patent protected intellectual property portfolio. Our product pipeline is quite outstanding and, slowly but surely, we are gaining recognition worldwide.

We have signed two important Licensing Agreements; one with Teva Pharmaceutical Industries and another with Eddingpharm. These deals alone are independently valued at \$66 – \$204 million. However, for me what is far more impressive is the Feasibility and Option Agreement with the big global player Pfizer. This speaks volumes about the calibre of our staff and our science.

As I see it, SUDA is a small company focused on building a global reputation and should be judged on what it achieves - by actions, rather than hollow claims.

GUIDANCE

Looking forward, it is always extremely difficult for management to provide guidance and timelines. There are too many variables and many are out of our control.

In my opinion, the issue is not whether we will do another commercial transaction or make a scientific breakthrough like we have done with our hydrotrope technology. The only question is when.

Transactions in the pharmaceutical space are complex and involve extensive due diligence. It is not uncommon for the due diligence and negotiation process to take 12-18 months with extensive market research, verification and documentation. Laboratory research and product formulation is also a time-consuming process and clinical trials are expensive. If it were easy, everyone would be doing it!

Putting together the right team and building a reputation for excellence also takes time, particularly on the global stage. It can take years to build a reputation and minutes to destroy it.

We have a bold mission: **to revolutionise drug delivery**. This is the mission that underlies the work done by our people, their efforts and their commitment. We have strong leadership, a strong team and a clear direction of what we are looking to achieve.

And for this reason, we have provided revenue guidance for the next 3 years.

I genuinely believe that we will continue to grow the value of SUDA with the right resources and dedication.

I have included a link to a Flash Note prepared by RM Capital and backed by an independent research report prepared by Stuart Roberts from Sydney-based NDF Research.

<http://www.sudaltd.com.au/index.php/analyst-reports>

The NDF Research report provides a very balanced background to SUDA and places a valuation on the company that is yet to be recognised by the share market. I hope you will take the time to read it.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Mike Stewart', with a horizontal line underneath.

Mike Stewart
Chairman