



Adherium announces \$1.8m secured notes financing; ASX waiver granted

Melbourne, Australia – August 22, 2019: Adherium Limited (“**Adherium**” or the “**Company**”) (ASX: ADR) is pleased to announce it has received commitments from existing significant shareholders and new investors to subscribe for \$1.8m of secured notes to be issued by the Company (**2019 Notes**).

Subscribers to the 2019 Notes include One Funds Management Limited as trustee/manager of the Asia Pacific Health Fund II (**One Funds**), an existing substantial shareholder in Adherium, and Summatix Pty Ltd, an entity ultimately controlled through Canary Medical Inc. (**Canary**) by one of the directors of Adherium (Dr Bill Hunter). As previously announced, Adherium and Summatix have agreed to work together on a new strategic data-based initiative, with the objective of enabling clinicians globally to enhance their care of patients with asthma and chronic obstructive pulmonary disease (COPD).

Adherium expects to issue all of the 2019 Notes over the course of the next few weeks. The Company will be seeking shareholder approval in November 2019 for the conversion features in the 2019 Notes. Initially the 2019 Notes are subscribed as debt notes, and following shareholder approval would be regarded as convertible into shares (and options) in the Company.

Repayment of the 2019 Notes is to be secured over the assets of the Company and its wholly owned New Zealand subsidiary, however, subject to shareholder approval, the Company anticipates the 2019 Notes will convert on completion of a future capital raising. The ASX has granted Adherium a waiver from ASX Listing Rule 10.1 in relation to the security to be granted, details of which appear in Schedule 1 to this announcement. The Company has evaluated a number of different funding alternatives, and chose to seek a waiver from the ASX in order to be able to accept the support of the subscribers in the amounts and timeframe within which funding was required. The Adherium Board is satisfied the 2019 Notes are being entered into on arms’ length terms on the basis that those terms were negotiated with new investors independent of the Company and its associates. In the Board’s view the 2019 Notes terms are fair and reasonable from the perspective of the Company’s securityholders.

The relevant key terms of the 2019 Notes are:

- a) an interest rate of 9% per annum, with all interest payable upon the earlier of conversion or the maturity date, provided that where shareholder approval is not obtained by 30 November 2019 the interest rate will increase to 15% as from the date of subscription.
- b) a maturity date of 31 January 2020.
- c) the 2019 Notes are convertible at the election of the noteholder (other than upon a Milestone Raise Event, as defined below) into Shares (together with an option to buy 1 Share for every 5 Shares into which the 2019 Notes are converted) upon the Company receiving shareholder approval of the conversion terms.
- d) the Conversion Price is equal to:
 - (i) if converted by the noteholder at least 5 business days prior to the maturity date, a conversion price equal to 90% of the VWAP of the Adherium’s shares as traded on the ASX for the 5 trading days preceding the conversion date;



- (ii) if a **Milestone Raise Event** (being the Company completes an equity capital raise of at least \$2.5 million before the maturity date), a mandatory conversion will take place at a conversion price equal to the lower of:
 - A. 80% of the offer price paid under that Milestone Raise Event, and
 - B. the VWAP of the Shares as traded on the ASX for the 20 trading days preceding the date of the note deeds entered into with noteholders;
- (iii) if a Milestone Raise Event has not completed prior to the maturity date, at the election of the noteholder at a conversion price equal to 10% of the lower of the offer price in the uncompleted Milestone Raise Event and the VWAP of the Company's shares as traded on the ASX for the 5 trading days preceding the day the noteholder provides the Company with a conversion notice.
- e) repayment of the 2019 Secured Notes will be secured over the assets and undertaking of the Company and its wholly New Zealand subsidiary, but this security will cease on the 2019 Notes being converted or redeemed. If by the Maturity Date, the noteholder/s have not elected to convert and the Company has not achieved a Milestone Raise Event; the Company would either need to raise additional capital or refinance the 2019 Notes (not then converted) or risk enforcement by the noteholders of their security rights.
- f) Option Terms are summarised in Schedule 2 to this announcement.

The Company intends to seek the shareholder approval at its 2019 Annual General Meeting. Further details of that meeting will be provided in due course.

The funds raised from the issue of the 2019 Notes will be used for working capital purposes.

About Adherium (ASX: ADR): Adherium is a provider of digital health solutions and a global leader in connected respiratory medical devices, with more than 150,000 sold globally. The company develops, manufactures and supplies a broad range of connected medical devices for respiratory medications for patients, pharmaceutical companies, healthcare providers and contract research organisations. Adherium's Hailie™ solution is designed to help patients achieve better adherence and provide visibility to parents and caregivers. It does this by tracking medication use and reminding the user with helpful nudges when it's time to take doses, and by providing access to usage history to better understand patterns in their asthma and COPD. These tools ultimately enable people who live with asthma or COPD to more easily manage their condition alongside their physician. Learn more at adherium.com.

Schedule 1 - ASX Waiver

1. Based solely on the information provided, ASX Limited (**'ASX'**) grants Adherium Limited (**"Company"**) a waiver from listing rule 10.1 to the extent necessary to permit the Company to grant security over the assets and undertakings of the Company and its subsidiaries to Canary Medical Inc., an entity controlled by Bill Hunter, a director of the Company (**"Canary"**), and One Funds Management Limited as trustee/manager of the Asia Pacific Health Fund II (**"One Funds"**), a substantial shareholder of the Company, under a proposed general security deed (**"Security"**) to be granted in connection with the subscription by Canary and One Funds of debt notes to be issued by the Company to raise up to \$1.8 million, without obtaining shareholder approval on the following conditions.
 - 1.1 The Security includes a term that if an event of default occurs and Canary or One Funds exercises its rights under the Security, neither Canary, One Funds nor any of their associates can acquire any legal or beneficial interest in an asset of the Company or its subsidiaries in full or part satisfaction of the Company's obligations under the Security, or otherwise deal with the assets of the Company, without the Company first having complied with any applicable listing rules, including listing rule 10.1, other than as required by law or through a receiver, or receiver or manager (or analogous person, including without limitation an administrator or liquidator) appointed by the Company, Canary or One Funds exercising its power of sale under the Security and selling the assets to an unrelated third party on arm's length commercial terms and conditions and distributing the cash proceeds to the Company, Canary or One Funds in accordance with their legal entitlements.
 - 1.2 A summary of the material terms of the Security is made in each annual report of the Company during the term of the Security.
 - 1.3 Any variations to the terms of the Security which is:
 - 1.3.1 not a minor change; or
 - 1.3.2 inconsistent with the terms of the waiver,must be subject to securityholder approval.
 - 1.4 The Company, Canary, One Funds must seek to discharge the Security when the funds advanced under the secured notes are either repaid to Canary or One Funds or converted by Canary or One Funds, or if it is not discharged, seek shareholder approval for the continuation of the Security for any further period.
 - 1.5 The Company immediately releases to the market an announcement which sets out the terms of the waiver upon finalisation of the agreement with Canary and One Funds.
 - 1.6 The Company immediately release to the market an announcement which sets out the material terms of the transaction and this waiver upon finalisation of the general security deed, including:
 - 1.6.1 the Company's plans with respect to the repayment of the funds advanced under a general security deed, and discharge of the Security, including the timeframe within which it expects the repayment and discharge to occur; and
 - 1.6.2 a statement of the reasons why the Company has chosen to obtain a financial accommodation from a listing rule 10.1 party rather than a lender that is not a related



party, and the steps the Company's board has taken to satisfy itself that the transaction is being entered into on arms' length terms and is fair and reasonable from the perspective of the Company's securityholders.

2. ASX has considered Listing Rule 10.1 only and makes no statement as to the Company's compliance with other listing rules.



Schedule 2 - Option Terms

Option Terms and Conditions

Each Conversion Option (**Option**) entitles the holder (**Option Holder**) to subscribe for and be issued one fully paid share (**Share**) in the capital of **Adherium Limited** ACN 605 352 510 (**Company**) on the following terms:

1. Subject to clause 2 and any restrictions imposed by the Australian Securities Exchange (**ASX**), each Option is exercisable at any time after the date on which the Option is issued (**Issue Date**), until and including their expiry date, namely 7 years from the Issue Date (**Expiry Date**). Any Options not exercised by the Expiry Date will automatically lapse on the Expiry Date.
2. The Options may be exercised for part or all of the Options issued by the Option Holder giving written notice in the form set out below (**Notice of Exercise**) to the Company at Level 11, 16 Kingston Street, Auckland, New Zealand prior to the Expiry Date.
3. The Options are to be issued upon the Conversion of Convertible Notes (**2019 Notes**) into Shares, the terms of which conversion are included in a Convertible Note Deed executed in August 2019 and to which the template for this Option Certificate (and Option terms) was attached. The exercise price for each Option (which is payable immediately on exercise) is the same price as the Conversion Price of the 2019 Notes that were Converted to result in the issue of these Options (**Exercise Price**).
4. On receipt by the Company of the Notice of Exercise and payment of the Exercise Price, the Company must within 3 Business Days, and if the Shares are listed on the ASX within the time period prescribed by the Listing Rules of the ASX (**ASX Listing Rules**):
 - (a) allot to the Option Holder one Share in the Company for each Option exercised by the Option Holder;
 - (b) cause to be despatched to the Option Holder the relevant acknowledgement of issue, a holding statement or Share certificate (as applicable) as soon as is reasonably practicable detailing the issue of the relevant Share; and
 - (c) issue (if applicable) a new holding statement (or option certificate) for the balance of the Options that remain unexercised.
5. Shares allotted on the exercise of Options will rank equally in all respects with the then existing issued ordinary fully paid Share in the capital of the Company (except in respect to any dividends which shall have been declared but not yet distributed before the actual exercise of an Option) and will be subject to the provisions of the Constitution of the Company.
6. The Options are transferable by an Option Holder on written notice to the Company, and where the Shares are quoted, in accordance with the ASX Listing Rules, provided that the Options cannot be transferred or assigned within 12 months after the Issue Date except in accordance with all applicable laws.
7. If any reorganisation (including consolidation, subdivision, reduction, return or cancellation) of the issued capital of the Company occurs before the expiry of any Options, the number of Options to which each Option Holder is entitled or the Exercise Price of his or her Options or both must be reorganised in accordance with the ASX Listing Rules applying to a reorganisation at the time of the reorganisation (which adjustment formula will apply even where the Company is not admitted to the ASX Official List).
8. An Option does not confer the right to participate in new issues of capital offered to holders of Shares (**Rights Entitlement**) during the currency of the Options without exercising the Options.

However, the Company will use reasonable endeavours that for the purpose of determining Rights Entitlements to any such issue, the Option Holder is to receive, subject to applicable laws, at least 5 business days written notice from the Company of the pending closing or record date and sufficient time for the Option Holder to exercise the Options prior to that closing or record date in order to qualify for the participation in the Rights Entitlement.

9. If the Shares are listed for quotation on the ASX, the Company will apply to the ASX for, and will use its best endeavours to obtain, quotation or listing of all Shares allotted on the exercise of any Options within 10 Business Days (as defined in the Listing Rules of the ASX) of allotment.
10. In the event of the liquidation of the Company, all unexercised Options will lapse upon the occurrence of that liquidation.
11. The Options do not provide any entitlement to dividends paid to ordinary Shareholders.
12. The Options do not entitle the Option Holder to vote at any meeting of Shareholders
13. To the extent (if any) that any of these Option Terms and Conditions are inconsistent with or contrary to the ASX Listing Rules, the ASX Listing Rules provisions will prevail and these Option Terms and Conditions are deemed to incorporate the relevant ASX Listing Rules provisions as an amendment to these terms; and
14. These Terms and Conditions are governed by the laws of the State of Victoria. The parties submit to the non-exclusive jurisdiction of the courts of Victoria.