

24 October 2019

From the Chairman

Dear Adherium shareholder

I am pleased to invite you to attend Adherium's Annual General Meeting, for which the following documents are enclosed:

- Notice of the meeting, including an explanatory memorandum
- A personalised proxy form and return envelope

If you have elected to receive the Annual Report for the year ended 30 June 2019 in printed form, you should have already received this by separate mail. It is available to all shareholders in the investors section of our website (www.adherium.com).

The Annual General Meeting will be held at the offices of K&L Gates, Level 25, South Tower, 525 Collins Street, Melbourne, on Monday 25 November 2019, commencing at 11:00am (AEDT).

If you are able to attend, I look forward to welcoming you and ask you please to bring the personalised proxy form with you to assist with registration and admission to the meeting. If you are unable to attend but wish to appoint a proxy, please either lodge your vote online, following the instructions on the proxy form, or complete the proxy form and return it to the registry in the envelope provided.

Yours sincerely

A handwritten signature in black ink, appearing to read "Thomas Lynch". The signature is fluid and cursive, with a long horizontal stroke at the end.

Thomas Lynch
Non-Executive Chairman

ABN 24 605 352 510

Notice of Annual General Meeting

Notice is given that the Annual General Meeting (**AGM** or **the Meeting**) of Shareholders of Adherium Limited (**Adherium** or **the Company**) will be held as follows:

Date: **Monday 25 November 2019**

Time: **11:00am (AEDT)**

Venue: **Offices of K&L Gates
Level 25, Rialto South Tower,
525 Collins Street
Melbourne, VIC 3000**

This Notice of Annual General Meeting and Explanatory Memorandum should be read in its entirety. If you are in doubt as to how to vote on any of the Resolutions, you should seek advice from your accountant, solicitor or other professional adviser without delay.

Business

Financial Statements and Reports

To receive and consider the Company's annual financial report, including the directors' report and audit report for the period ended 30 June 2019.

Note: There is no requirement for Shareholders to vote upon or approve these reports and financial statements.

Resolutions

1. Resolution 1 - Adoption of Remuneration Report

To consider, and if thought fit, to pass the following resolution as an **ordinary resolution**:

"That the Company adopt the Remuneration Report for the year period ended 30 June 2019 as set out in the Company's Annual Report in accordance with Section 250R(2) of the Corporations Act."

Note: The vote on this Resolution is advisory only and does not bind the Directors or the Company.

Corporations Act - Voting Prohibition Statement: a vote must not be cast (in any capacity) on this Resolution 1 by, or on behalf of, a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such member (collectively, a **KMP**).

However, a KMP may cast a vote on this Resolution 1 as a proxy if the vote is not cast on behalf of a KMP and either:

- (a) the KMP is acting as proxy and the proxy form specifies how the proxy is to vote; or
- (b) the KMP is the Chair of the meeting and the appointment as proxy (i) does not specify the way the proxy is to vote on the Resolution, and (ii) which expressly authorises the Chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

The Chairman will vote all undirected proxies in favour of this Resolution 1.

2. Resolution 2 - Re-election of Mr Thomas Lynch as a Director

To consider, and if thought fit, to pass the following resolution as an **ordinary resolution**:

"That Thomas Lynch, who retires in accordance with the Company's Constitution and ASX Listing Rule 14.4 and, being eligible and having submitted himself for re-election, be appointed as a Director of the Company."

3. Resolution 3 - Re-election of Dr William Hunter as a Director

To consider, and if thought fit, to pass the following resolution as an **ordinary resolution**:

“That William Hunter, who retires in accordance with the Company’s Constitution and ASX Listing Rule 14.4 and, being eligible and having submitted himself for re-election, be appointed as a Director of the Company.”

4. Resolution 4 - Election of Mr Matthew McNamara as a Director

To consider, and if thought fit, to pass the following resolution as an **ordinary resolution**:

“That Mathew McNamara, who retires in accordance with the Company’s Constitution and ASX Listing Rule 14.4 and, being eligible and having submitted himself for re-election, be appointed as a Director of the Company.”

5. Resolution 5 - Special meeting to be held within 90 days (“Conditional Spill Resolution”)

Subject to and conditional upon at least 25% of the votes cast on Resolution 1 being cast against the adoption of the Remuneration Report (i.e. Resolution 1), to consider, and if thought fit, pass the following resolution as an **ordinary resolution**:

“That:

*(a) the Company convene another general meeting of the Company’s shareholders (“**Spill Meeting**”) within 90 days after the date of the passing of this Resolution 5;*

(b) all the Company’s directors who:

(i) were directors when the resolution to approve the Directors’ Report for the financial year ended 30 June 2019 was passed and who remain in office at the commencement of the Spill Meeting; and

(ii) who are not a managing director of the Company (who may, in accordance with the ASX Listing Rules, continue to hold office indefinitely without being re-elected to the office),

cease to hold office, immediately before the end of the Spill Meeting; and

(c) resolutions to appoint persons to offices that will be vacated immediately before the end of the Spill Meeting, be put to vote at the Spill Meeting.”

Note: Resolution 5 will only be put to the AGM if at least 25% of the votes cast on Resolution 1 to adopt the financial year 2019 Remuneration Report are cast against its adoption. If fewer than 25% of the votes on Resolution 1 are against adoption of the Remuneration Report, Resolution 5 will not be put. Please refer to the Explanatory Statement for more information.

Corporations Act - Voting Prohibition Statement: a vote must not be cast (in any capacity) on this Resolution 5 by, or on behalf of, a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such member (collectively, a **KMP**).

However, a KMP may cast a vote on this Resolution 5 as a proxy if the vote is not cast on behalf of a KMP and either:

- (a) the KMP is acting as proxy and the proxy form specifies how the proxy is to vote; or
- (b) the KMP is the Chair of the meeting and the appointment as proxy (i) does not specify the way the proxy is to vote on the Resolution, and (ii) which expressly authorises the Chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

The Chairman will vote all undirected proxies against this Resolution 5.

6. Resolution 6 - Issue of Shares to Thomas Lynch in Lieu of Payment of Director fees

To consider, and if thought fit, to pass the following resolution as an **ordinary resolution**:

“That, for the purpose of ASX Listing Rule 10.11 and for all other purposes, the Shareholders approve the issue of a number of Shares to Thomas Lynch (or his nominee) at the calendar monthly average closing price (per relevant month) in lieu of half of the monthly director's fees otherwise payable to Thomas Lynch for the corresponding month, such monthly entitlements to continue each month for the period 1 January 2019 until 30 November 2019, and otherwise on the terms and conditions set out in the Explanatory Memorandum.”

Corporations Act - Voting Prohibition Statement: a vote must not be cast on this Resolution 6 by, or on behalf of, a member of the Key Management Personnel (i) whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such member (collectively, a **KMP**) and (ii) where voting by that KMP is pursuant to a proxy, except that a KMP may cast a vote on this Resolution 6 as a proxy if either:

- (a) the KMP is acting as proxy and the proxy form specifies how the proxy is to vote; or
- (b) the KMP is the Chair of the meeting and the appointment as proxy (i) does not specify the way the proxy is to vote on the Resolution, and (ii) which expressly authorises the Chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

ASX Listing Rules - Voting Exclusion Statement

The Company will disregard any votes cast in favour of Resolution 6 by or on behalf of any person who is to receive securities in the Company pursuant to this Resolution 6, or an associate of that person. However, the Company need not disregard a vote on Resolution 6 if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the direction on the Proxy Form; or
- (b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

The Chairman will vote all undirected proxies in favour of this resolution.

7. Resolution 7 - Issue of Shares to Jeremy Curnock Cook in Lieu of Payment of Director fees

To consider, and if thought fit, to pass the following resolution as an **ordinary resolution**:

“That, for the purpose of ASX Listing Rule 10.11 and for all other purposes, the Shareholders approve the issue of a number of Shares to Jeremy Curnock Cook (or his nominee) at the calendar monthly average closing price (per relevant month) in lieu of half of the monthly director's fees otherwise payable to Jeremy Curnock Cook for the corresponding month, such monthly entitlements to continue each month for the period 1 January 2019 until 30 November 2019, and otherwise on the terms and conditions set out in the Explanatory Memorandum.”

Corporations Act - Voting Prohibition Statement: a vote must not be cast on this Resolution 7 by, or on behalf of, a member of the Key Management Personnel (i) whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such member (collectively, a **KMP**) and (ii) where voting by that KMP is pursuant to a proxy, except that a KMP may cast a vote on this Resolution 7 as a proxy if either:

- (a) the KMP is acting as proxy and the proxy form specifies how the proxy is to vote; or
- (b) the KMP is the Chair of the meeting and the appointment as proxy (i) does not specify the way the proxy is to vote on the Resolution, and (ii) which expressly authorises the Chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

ASX Listing Rules - Voting Exclusion Statement

The Company will disregard any votes cast in favour of Resolution 7 by or on behalf of any person who is to receive securities in the Company pursuant to this Resolution 7, or an associate of that person. However, the Company need not disregard a vote on Resolution 7 if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the direction on the Proxy Form; or
- (b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

The Chairman will vote all undirected proxies in favour of this resolution.

8. Resolution 8 - Issue of Shares to William Hunter in Lieu of Payment of Director fees

To consider, and if thought fit, to pass the following resolution as an **ordinary resolution**:

“That, for the purpose of ASX Listing Rule 10.11 and for all other purposes, the Shareholders approve the issue of a number of Shares to William Hunter (or his nominee) at the calendar monthly average closing price (per relevant month) in lieu of half of the monthly director's fees otherwise payable to William Hunter for the corresponding month, such monthly entitlements to continue each month for the period 1 January 2019 until 30 November 2019, and otherwise on the terms and conditions set out in the Explanatory Memorandum.”

Corporations Act - Voting Prohibition Statement: a vote must not be cast on this Resolution 8 by, or on behalf of, a member of the Key Management Personnel (i) whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such member (collectively, a **KMP**) and (ii) where voting by that KMP is pursuant to a proxy, except that a KMP may cast a vote on this Resolution 8 as a proxy if either:

- (a) the KMP is acting as proxy and the proxy form specifies how the proxy is to vote; or
- (b) the KMP is the Chair of the meeting and the appointment as proxy (i) does not specify the way the proxy is to vote on the Resolution, and (ii) which expressly authorises the Chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

ASX Listing Rules - Voting Exclusion Statement

The Company will disregard any votes cast in favour of Resolution 8 by or on behalf of any person who is to receive securities in the Company pursuant to this Resolution 8, or an associate of that person. However, the Company need not disregard a vote on Resolution 8 if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the direction on the Proxy Form; or
- (b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

The Chairman will vote all undirected proxies in favour of this resolution.

9. Resolution 9 - Issue of Shares to Bruce McHarrie in Lieu of Payment of Director fees

To consider, and if thought fit, to pass the following resolution as an **ordinary resolution**:

“That, for the purpose of ASX Listing Rule 10.11 and for all other purposes, the Shareholders approve the issue of a number of Shares to Bruce McHarrie (or his nominee) at the calendar monthly average closing price (per relevant month) in lieu of half of the monthly director's fees otherwise payable to Bruce McHarrie for the corresponding month, such monthly entitlements to continue each month for the period 1 January 2019 until 30 November 2019, and otherwise on the terms and conditions set out in the Explanatory Memorandum.”

Corporations Act - Voting Prohibition Statement: a vote must not be cast on this Resolution 9 by, or on behalf of, a member of the Key Management Personnel (i) whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such member (collectively, a **KMP**) and (ii) where voting by that KMP is pursuant to a proxy, except that a KMP may cast a vote on this Resolution 9 as a proxy if either:

- (a) the KMP is acting as proxy and the proxy form specifies how the proxy is to vote; or
- (b) the KMP is the Chair of the meeting and the appointment as proxy (i) does not specify the way the proxy is to vote on the Resolution, and (ii) which expressly authorises the Chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

ASX Listing Rules - Voting Exclusion Statement

The Company will disregard any votes cast in favour of Resolution 9 by or on behalf of any person who is to receive securities in the Company pursuant to this Resolution 9, or an associate of that person. However, the Company need not disregard a vote on Resolution 9 if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the direction on the Proxy Form; or
- (b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

The Chairman will vote all undirected proxies in favour of this resolution.

10. Resolution 10 - Issue of Shares to John Mills in Lieu of Payment of Director fees

To consider, and if thought fit, to pass the following resolution as an **ordinary resolution**:

“That, for the purpose of ASX Listing Rule 10.11 and for all other purposes, the Shareholders approve the issue of a number of Shares to John Mills (or his nominee) at the calendar monthly average closing price (per relevant month) in lieu of half of the monthly director's fees otherwise payable to John Mills for the corresponding month, such monthly entitlements to continue each month for the period 1 January 2019 until 18 October 2019, and otherwise on the terms and conditions set out in the Explanatory Memorandum.”

Corporations Act - Voting Prohibition Statement: a vote must not be cast on this Resolution 10 by, or on behalf of, a member of the Key Management Personnel (i) whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such member (collectively, a **KMP**) and (ii) where voting by that KMP is pursuant to a proxy, except that a KMP may cast a vote on this Resolution 10 as a proxy if either:

- (a) the KMP is acting as proxy and the proxy form specifies how the proxy is to vote; or
- (b) the KMP is the Chair of the meeting and the appointment as proxy (i) does not specify the way the proxy is to vote on the Resolution, and (ii) which expressly authorises the Chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

ASX Listing Rules - Voting Exclusion Statement

The Company will disregard any votes cast in favour of Resolution 10 by or on behalf of any person who is to receive securities in the Company pursuant to this Resolution 10, or an associate of that person. However, the Company need not disregard a vote on Resolution 10 if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the direction on the Proxy Form; or
- (b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

The Chairman will vote all undirected proxies in favour of this resolution.

11. Resolution 11 - Issue of Shares to Bryan Mogridge in Lieu of Payment of Director fees

To consider, and if thought fit, to pass the following resolution as an **ordinary resolution**:

“That, for the purpose of ASX Listing Rule 10.11 and for all other purposes, the Shareholders approve the issue of a number of Shares to Bryan Mogridge (or his nominee) at the calendar monthly average closing price (per relevant month) in lieu of half of the monthly director's fees otherwise payable to Bryan Mogridge for the corresponding month, such monthly entitlements to continue each month for the period 1 January 2019 until 30 November 2019, and otherwise on the terms and conditions set out in the Explanatory Memorandum.”

Corporations Act - Voting Prohibition Statement: a vote must not be cast on this Resolution 11 by, or on behalf of, a member of the Key Management Personnel (i) whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such member (collectively, a **KMP**) and (ii) where voting by that KMP is pursuant to a proxy, except that a KMP may cast a vote on this Resolution 11 as a proxy if either:

- (a) the KMP is acting as proxy and the proxy form specifies how the proxy is to vote; or
- (b) the KMP is the Chair of the meeting and the appointment as proxy (i) does not specify the way the proxy is to vote on the Resolution, and (ii) which expressly authorises the Chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

ASX Listing Rules - Voting Exclusion Statement

The Company will disregard any votes cast in favour of Resolution 11 by or on behalf of any person who is to receive securities in the Company pursuant to this Resolution 11, or an associate of that person. However, the Company need not disregard a vote on Resolution 11 if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the direction on the Proxy Form; or
- (b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

The Chairman will vote all undirected proxies in favour of this resolution.

12. Resolution 12 - Issue of Shares to Matthew McNamara in Lieu of Payment of Director fees

To consider, and if thought fit, to pass the following resolution as an **ordinary resolution**:

"That, for the purpose of ASX Listing Rule 10.11 and for all other purposes, the Shareholders approve the issue of a number of Shares to Matthew McNamara (or his nominee) at the calendar monthly average closing price (per relevant month) in lieu of half of the monthly director's fees otherwise payable to Matthew McNamara for the corresponding month, such monthly entitlements to continue each month for the period 18 October 2019 until 30 November 2019, and otherwise on the terms and conditions set out in the Explanatory Memorandum."

Corporations Act - Voting Prohibition Statement: a vote must not be cast on this Resolution 12 by, or on behalf of, a member of the Key Management Personnel (i) whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such member (collectively, a **KMP**) and (ii) where voting by that KMP is pursuant to a proxy, except that a KMP may cast a vote on this Resolution 12 as a proxy if either:

- (a) the KMP is acting as proxy and the proxy form specifies how the proxy is to vote; or
- (b) the KMP is the Chair of the meeting and the appointment as proxy (i) does not specify the way the proxy is to vote on the Resolution, and (ii) which expressly authorises the Chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

ASX Listing Rules - Voting Exclusion Statement

The Company will disregard any votes cast in favour of Resolution 12 by or on behalf of any person who is to receive securities in the Company pursuant to this Resolution 12, or an associate of that person. However, the Company need not disregard a vote on Resolution 12 if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the direction on the Proxy Form; or
- (b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

The Chairman will vote all undirected proxies in favour of this resolution.

13. Resolution 13 - Approval Secured Notes conversion features

To consider, and if thought fit, to pass the following resolution as an **ordinary resolution**:

"That for the purposes of the ASX Listing Rule 7.1 and all other purposes the operation of the conversion mechanism in:

- *each Convertible Note Deed between the Company and the respective Noteholder, such that the aggregate of AUD\$1,800,000 secured Debt Notes issued to the Noteholders; plus*
- *any additional amount under any secured note deeds signed by the Company prior to the shareholder meeting date (up to a maximum additional amount of \$1.25 million) on the same terms as the Convertible Note Deeds,*

become Convertible Notes (a form of 'equity security' for the purposes of the ASX Listing Rules) convertible into the Note Securities on the terms and conditions set out in the Explanatory Memorandum."

Voting Exclusion Statement: The Company will disregard any votes cast in favour of Resolution 13 by or on behalf of a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company)

However, the Company need not disregard a vote on Resolution 13 if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the direction on the Proxy Form; or
- (b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

The Chairman will vote all undirected proxies in favour of this Resolution 13.

14. Resolution 14 - Approval of Convertible Notes convertible by Related Party

To consider, and if thought fit, to pass the following resolution as an **ordinary resolution**:

"Subject to the approval of Resolution 13, that for the purposes of the ASX Listing Rule 10.11 and all other purposes, the operation of the conversion mechanism in the Convertible Note Deed relating to the issue of AUD\$750,000 Debt Notes by the Company to an entity associated with one of the Directors, Dr Bill Hunter, such that the AUD\$750,000 secured Debt Notes are regarded as AUD\$750,000 Convertible Notes (a form of 'equity security' for the purposes of the ASX Listing Rules) convertible into the Note Securities on the terms and conditions set out in the Explanatory Memorandum."

Voting Exclusion Statement

The Company will disregard any votes cast in favour of Resolution 14 by or on behalf of any person who is to receive securities in the Company pursuant to this Resolution 14, or an associate of that person. However, the Company need not disregard a vote on Resolution 14 if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the direction on the Proxy Form; or
- (b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

The Chairman will vote all undirected proxies in favour of this resolution.

15. Resolution 15 - Approval of additional 10% Placement Facility

To consider and if thought fit, pass the following resolution as a **special resolution**:

“That, for the purpose of ASX Listing Rule 7.1A and for all other purposes, the Shareholders approve the issue of equity securities of up to 10% of the total issued capital of the Company (at the time of the issue), calculated in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 over a 12 month period and on the terms and conditions set out in the Explanatory Memorandum.”

Voting Exclusion Statement: The Company will disregard any votes cast in favour of Resolution 15 by or on behalf of any person (or their associates) who is expected to participate, or will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of the Company's ordinary securities).

However, the Company need not disregard a vote on Resolution 15 if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the direction on the Proxy Form; or
- (b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

At the date of this Notice of Meeting, the Company has not approached any particular existing Shareholder or security holder or an identifiable class of existing security holder to participate in an issue of equity securities under the 10% Placement Facility (as defined in the Explanatory Memorandum). Therefore, no existing Shareholder's votes will be excluded under the above voting exclusion.

The Chairman will vote all undirected proxies in favour of this Resolution.

Other business

To consider any other business that may lawfully be brought forward in accordance with the Constitution of the Company or the law.

Other information

An Explanatory Memorandum accompanies and forms part of this Notice of Annual General Meeting.

All Shareholders should read the Explanatory Memorandum carefully and in its entirety. Shareholders who are in doubt regarding any part of the business of the Meeting should consult their financial or legal adviser for assistance.

Voting by proxy

Any Shareholder entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote instead of that Shareholder.

The proxy does not need to be a Shareholder of the Company.

A Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If no proportion or number is specified, each proxy may exercise half of the Shareholder's votes.

With respect to Resolutions 1 and 5-12, if a Shareholder appoints the Chairman of the Meeting as proxy and does not direct the Chairman how to vote on either of those Resolutions, the Shareholder authorises the Chairman to vote in accordance with his voting intention as stated in this Notice of Meeting, namely in favour of each of those Resolutions, even if he is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

Proxies must be:

- (a) lodged at the Company's share registry, Computershare Investor Services Pty Limited; or
- (b) faxed to the fax number specified below.

not later than 11:00am (AEDT) on Saturday 23 November 2019.

Address (hand deliveries): Computershare Investor Services Pty Limited
Yarra Falls, 452 Johnson Street,
Abbotsford, Victoria, 3067

Address (postal deliveries): C/- Computershare Investor Services Pty Limited, GPO Box 242,
Melbourne VIC 3001, Australia

Fax number for lodgement: (within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

The Proxy Form has been enclosed. Please read all instructions carefully before completing the Proxy Form.

Bodies Corporate

A body corporate may appoint an individual as its representative to exercise any of the powers the body may exercise at meetings of the Company's Shareholders. The appointment may be a standing one. Unless the appointment states otherwise, the representative may exercise all of the powers that the appointing body could exercise at a meeting or in voting on a Resolution. The representative should bring to the meeting evidence of his or her appointment, including any authority under which the appointment is signed, unless it has previously been given to the Company.

Online Voting

You can lodge your vote online at:

www.investorvote.com.au

Custodian Voting

Custodians who are subscribers of Intermediary Online, please submit your votes electronically via www.intermediaryonline.com

Entitlement to vote

In accordance with Section 1074E(2)(g)(i) of the Corporations Act and Regulation 7.11.37 of the Corporations Regulations, the Company has determined that for the purposes of the meeting all shares will be taken to be held by the persons who held them as registered Shareholders at 11:00am (AEDT) on Saturday 23 November 2019. Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

All Enquiries

Call: (within Australia) 1300 850 505 (outside Australia) +61 3 9415 4000

Voting Intentions

Subject to any voting restrictions and exclusions, the Chairman intends to vote in favour of all Resolutions on the agenda. In respect of undirected proxies, subject to any voting restrictions and exclusions, the Chairman intends to vote in favour of all Resolutions on the agenda.

By order of the Board



Rob Turnbull
Joint Company Secretary
23 October 2019

This Explanatory Memorandum sets out further information regarding the proposed Resolutions to be considered by Shareholders of Adherium Limited (**Adherium** or **the Company**) at the 2019 Annual General Meeting to be held commencing at 11:00am (AEDT) on Monday 25 November 2019 at the offices of K&L Gates, Level 30 North Tower, 525 Collins Street, Melbourne, VIC 3000.

The Directors recommend that Shareholders read this Explanatory Memorandum before determining whether or not to support the Resolutions.

Financial statements and reports

Under Section 317 of the Corporations Act, Adherium is required to lay its Annual Report, Directors' Report and Remuneration Report before its Shareholders at its Annual General Meeting. The Annual Report is submitted for Shareholders' consideration and discussion at the Annual General Meeting as required. Meeting attendees are invited to direct questions to the Chairman in respect of any aspect of the report they wish to discuss.

Representatives of Adherium's auditor, PricewaterhouseCoopers (PwC), will be present for discussion purposes on matters of relevance to the audit.

1. Resolution 1 – Adoption of Remuneration Report

Board recommendation and undirected proxies. The Board recommends that Shareholders vote in **FAVOUR** of Resolution 1. The Chairman of the meeting intends to vote undirected proxies in **FAVOUR** of Resolution 1.

Resolution 1 provides Shareholders the opportunity to vote on Adherium's Remuneration Report. The Remuneration Report is contained within the Directors' Report in the Annual Report. Under Section 250R(2) of the Corporations Act, the Company must put the adoption of its remuneration report to a vote at its Annual General Meeting.

This vote is advisory only and does not bind the Directors or the Company. However, under the Corporations Act:

- (a) if at least 25% of the votes cast at any annual general meeting (**AGM**) on a resolution to adopt the remuneration report are cast against the adoption of the remuneration report ("first Strike"), the Company's subsequent remuneration report must include an explanation of the Board's proposed action in response to the "no vote" or an explanation of why no action has been taken; and
- (b) if at the following AGM the Company's remuneration report also receives a "no vote" of at least 25% of the votes cast ("second strike"), then Shareholders will be asked to vote at that following AGM on whether or not the Company is to hold another general Shareholder's meeting (within the following 90 days) to vote on a "spill resolution" under section 250V of the Corporations Act.

At the 2018 Annual General Meeting (AGM) the Company recorded a "strike". Under the Corporations Act a strike occurs when more than 25% of votes cast are against the non-binding resolution to adopt the Remuneration Report. The Board received no specific feedback on the reasons for this "first strike", however based on general discussions with shareholders and investor representatives it seemed to relate to the decline in value of the Company's traded shares, and the progress achieved against strategic initiatives into new channels to market for the Company's technology, rather than a vote against the remuneration report per se.

Through the latter part of calendar year 2018, the Board was similarly disappointed with progress, and in December 2018 undertook a reorganisation of the Company to create a smaller, simpler, more dynamic operational structure, and from it has developed discrete programs with partners in line with scaling commercially. This reshaping of the business saw the discontinuation of a number of non-core activities, including the "direct-to-consumer" offering. The focus is now on overseeing development of enterprise solutions and supporting our current and new customers' growth with Hailie™ sensors and related software. The reorganisation also addressed ongoing total remuneration to key management

personnel, which the Board felt was at a level disproportionate to the stage of progress achieved by the Company.

The Directors have also agreed from 1 January 2019 to reduce director fee cash payments by 50%, with the balance of fees to be deferred and converted to shares in Adherium at a monthly average closing price, subject to approval of shareholders at the next general meeting. This 'conversion' of cash fees into Shares is the subject of Resolutions 6 to 12 in this Notice.

In addition, no short-term cash incentives have been awarded to key management personnel in relation to the financial 2019 year.

Going forward, the Board intends to augment senior management of the Company in a measured and focused way, recruiting positions as the operations of the Company grow and support them. The Board also acknowledges that over the medium term it will be appropriate to review its composition in order to align its diversity and skill set with the next phase of growth of the Company's business.

As set out in the Notice of Meeting, Key Management Personnel (including Directors) and their closely related parties must not cast a vote on the Remuneration Report, unless as holders of directed proxies for Shareholders eligible to vote on Resolution 1.

2. Resolution 2 – Re-election of Mr Thomas Lynch as a Director

Board recommendation and undirected proxies. The Board (with the exception of Mr Lynch due to his interest in the outcome) recommends that Shareholders vote in **FAVOUR** of Resolution 2. The Chairman of the Meeting intends to vote undirected proxies in **FAVOUR** of Resolution 2.

In accordance with clause 13.3(b) of the Company's Constitution and ASX Listing Rule 14.4, Mr Lynch who is due to retire, is eligible for re-election and has submitted himself for re-election at this Meeting.

Resolution 2 provides for the re-election of Mr Lynch as Director of the Company.

Mr Lynch is an independent non-executive Director, and is Chairman of the Board.

Mr Lynch has extensive capital markets experience in the internationalisation of the healthcare sector. Until recently he was chair of Icon plc, one of the world's largest clinical research organisations having served on its board for 22 years. Mr Lynch is currently a Chairperson at several notable organisations, including Evofem Holdings, Evofem, Dublin Academic Medical Centre, Sigmoid Pharma, Molecular Medicine Ireland and the Queen's University of Belfast Foundation. Mr Lynch also serves as a non-executive director of GW Pharma plc, a biotechnology company listed on NASDAQ and AIM. In a pro-bono capacity, Mr Lynch serves as chair of the Ireland East Hospital Group, the largest hospital group in Ireland. Mr Lynch has also served in a range of roles at Elan Corporation plc and Amarin Corporation plc. Throughout his career, Mr Lynch has been involved in the listing of a number of companies on the NASDAQ market and brings significant international capital markets experience to Adherium.

Mr Lynch has held no other Australian public company directorships in the last three years.

The Directors (excluding Mr Lynch) unanimously recommend that Shareholders vote in favour of Resolution 2.

3. Resolution 3 – Re-election of Dr William Hunter as a Director

Board recommendation and undirected proxies. The Board (with the exception of Dr Hunter due to his interest in the outcome) recommends that Shareholders vote in **FAVOUR** of Resolution 3. The Chairman of the Meeting intends to vote undirected proxies in **FAVOUR** of Resolution 3.

In accordance with clause 13.3(b) of the Company's Constitution and ASX Listing Rule 14.4, Dr Hunter who is due to retire, is eligible for re-election and has submitted himself for re-election at this Meeting.

Resolution 3 provides for the re-election of Dr Hunter as Director of the Company.

Dr Hunter is presently an Executive Director supporting the Company's business development, although for no additional remuneration.

Dr Hunter has extensive experience in commercialising medical device technologies. He co-founded Angiotech Pharmaceuticals in 1992 and assumed the position of CEO in 1997 when Angiotech was a venture-stage, private, pre-clinical company with less than 50 employees. He led Angiotech through its IPO and listing on the Toronto Stock Exchange and NASDAQ. Dr Hunter has over 200 patents and patent applications to his name and products in which he was an inventor or co-inventor, including the TAXUS® Drug-Eluting Coronary Stent, the Zilver PTX Peripheral Drug-Eluting Stent, the Quill barbed wound closure device and the 5-FU Anti-Infective Catheter. Combined, these products have generated revenues of over \$12 billion and have helped the lives of over 15 million patients globally. He is currently President and CEO of Cardiome Pharma Corp (NASDAQ: CRME), a Director of Rex Bionics, Co-Founder of Canary Medical and is an Industry Expert Advisor for BioScience Managers (manager of a major shareholder in Adherium). He has previously served as a director of Epirus Biopharmaceuticals (NASDAQ: EPRS) and Union Medtech. Dr Hunter completed his BSc from McGill University and a MSC and MD from the University of British Columbia. Dr Hunter served as a practising physician in British Columbia for five years.

Dr Hunter held no other Australian public company directorships in the last three years.

The Directors (excluding Dr Hunter) unanimously recommend that Shareholders vote in favour of Resolution 3.

4. Resolution 4 – Election of Mr Matthew McNamara as a Director

Board recommendation and undirected proxies. The Board (with the exception of Mr McNamara due to his interest in the outcome) recommends that Shareholders vote in **FAVOUR** of Resolution 4. The Chairman of the Meeting intends to vote undirected proxies in **FAVOUR** of Resolution 4.

Resolution 4 provides for the re-election of Mr McNamara as Director of the Company.

Mr McNamara was appointed to the Board on 18 October 2019. In accordance with clause 13.1(d) of the Company's Constitution and ASX Listing Rule 14.4, Mr McNamara retires as a director, is eligible for election and has submitted himself for election at this Meeting.

Mr McNamara is currently the Chief Investment Officer and director of BioScience Managers Pty Ltd. Mr McNamara has over 25 years' experience in the Healthcare & Medical Sciences sector. After initially being a Molecular Biology Research Assistant, he spent 11 years in sales & marketing and general management with Merck & Co. and Johnson and Johnson Medical Pty Ltd respectively. He has served as SVP Business Development of eBioinformatics Inc. and was CEO of a Life Sciences Venture Capital Fund, SciCapital Pty Ltd.

Mr McNamara has held no other Australian public company directorships in the last three years.

The Directors (excluding Mr McNamara) unanimously recommend that Shareholders vote in favour of Resolution 4.

5. Resolution 5 – Special meeting to be held within 90 days (“Conditional Spill Resolution”)

Board recommendation and undirected proxies. The Board recommends that Shareholders vote **AGAINST** Resolution 5. The Chairman of the meeting intends to vote undirected proxies **AGAINST** Resolution 5.

The Corporations Act requires that a Spill Resolution be included in the notice of meeting for an AGM where at least 25% of the votes cast at the **previous** AGM on the resolution to adopt the remuneration report were cast against the adoption of the remuneration report. As at least 25% of the votes cast at the 2018 AGM on the resolution to adopt the remuneration report were cast against the adoption of the remuneration report, this Spill Resolution (i.e. this Resolution 5) is required to be put to this Meeting if at least 25% of the votes cast on Resolution 1 to adopt the financial 2019 remuneration report are cast against the adoption of the financial 2019 remuneration report. If the Spill Resolution is put, it will be considered as an ordinary resolution, which means that for the resolution to be passed it requires approval of a simple majority of the votes cast by or on behalf of shareholders entitled to vote on the matter.

If the Spill Resolution is put to the Meeting and passed, the Company will hold another meeting of Shareholders, known as Spill Meeting, within 90 days of this Resolution 5 being approved. Under section 250V(1)(b)(i) of the Corporations Act, the following directors will cease to hold office immediately before the end of the Spill Meeting (unless they resign before the Spill Meeting):

- (a) Thomas Lynch;
- (b) Jeremy Curnock Cook;
- (c) William Hunter;
- (d) Bruce McHarrie;
- (e) Matthew McNamara; and
- (f) Bryan Mogridge.

This assumes those Directors seeking election or re-election at this 2019 AGM are re-elected. Even though Mr Thomas Lynch, Dr William Hunter and Mr Matthew McNamara are seeking re-election / election at this year's AGM, if re-elected or elected at the 2019 Annual General Meeting they will still need to be re-elected at the Spill Meeting to remain in office after the Spill Meeting.

Each of these Directors is eligible to stand for re-election at the Spill Meeting.

The Spill Meeting, if required, will be subject to separate notice of meeting, to be prepared and distributed to Shareholders in accordance with the Constitution and the Corporations Act. Nominations for director appointments at the Spill Meeting may be made in accordance with the Constitution and may include the Directors listed above.

If put to Shareholder vote, the Directors unanimously recommend that Shareholders vote AGAINST this Resolution 5.

The Chairman of the meeting intends to vote undirected proxies in AGAINST Resolution 5.

6. Resolutions 6 to 12 – Approval of proposed Share issue to Directors in lieu of cash payment of Director's Fees.

Background

As announced on 31 January 2019, as part of a general costs saving and to further align with shareholder interests the Board members have agreed to have half of their Directors Fees paid in Shares instead of cash, where the number of Shares to be issued is calculated by reference to the monthly average of daily closing prices of Shares as traded on the ASX (**Monthly Average Price**) corresponding to the calendar month for which the fees have accrued. The Monthly Average Price for a particular month is the issue price of the Shares to be issued to the Directors.

This agreement by the Directors and the Company was stated to be subject to Shareholder approval, hence resolutions 6 to 12 being put to Shareholders. No Shares (in lieu of Director's fees) have been issued yet.

Upon Shareholder approval, the aggregate notional Share allocations for the months of January 2019 through to November 2019 will be issued.

The Monthly Average Prices for each calendar month from January through to November 2019 are as follows:

Table 6.1

Calendar Month	Issue Price (Monthly Average Price)
January 2019	\$0.03486
February 2019	\$0.02390
March 2019	\$0.02714
April 2019	\$0.03205
May 2019	\$0.03096
June 2019	\$0.02753
July 2019	\$0.02765
August 2019	\$0.02245
September 2019	\$0.02935
October 2019 *	\$0.02935
November 2019 *	\$0.02935

* ASX Listing Rules require the maximum number of Shares to be issued to be specified. Accordingly, shareholder approval is sought on the basis of using the Monthly Average Price for September 2019 in determining the applicable number of Shares issued for October and November 2019.

Based on the above Monthly Average Price figures, below is a table showing, for the months January 2019 through to November 2019 (inclusive) the Directors, which upon Shareholder Approval, have agreed for their director's fees to be taken as Shares instead of in cash payments (**Directors Fees Shares**) and the total number of Shares that have accrued for that period for each Director:

Table 6.2:

Resolution	Director	50% of Monthly Director's Fees, to be taken as Shares	Aggregate Directors Fees Shares deferred (not yet issued) for the period January to November 2019
6	Thomas Lynch	\$4,166.67	1,625,468
7	Jeremy Curnock Cook	\$2,083.33	812,734
8	William Hunter	\$2,083.33	812,734
9	Bruce McHarrie	\$2,083.33	812,734
10	John Mills	\$2,083.33	711,985
11	Bryan Mogridge	\$2,083.33	812,734
12	Matthew McNamara	\$2,083.33	103,038

For John Mills, who retired as a director on 18 October 2019 and Matthew McNamara, who was appointed as a director on 18 October 2019, and who both accrue directors fees at the rate of \$2,083.33 per month, the number of Director Fees Shares to be issued for October 2019 is proportionate to the period to retirement and from appointment, respectively.

Regulatory Requirements

ASX Listing Rule 10.11 provides that a listed company must not, without the approval of ordinary shareholders, issue equity securities to a related party. A "related party" (as defined in the ASX Listing Rules) includes the directors of the listed company. If shareholder approval is received pursuant to this resolution, approval is not required under Listing Rule 7.1.

The Company has not sought shareholder approval under Chapter 2E of the Corporations Act for a 'related party' transaction as the Board believes that the proposed issues to Directors, being at a 20 Day VWAP price, is on reasonable commercial terms.

Reason for issue

The deferral of director fees, and for the deferral to be satisfied through the issue of Shares, was implemented as part of a general costs saving and to further align with shareholder interests.

Board recommendations

- The Board (except for Thomas Lynch) unanimously recommends that shareholders vote in favour of Resolution 6.
- The Board (except for Jeremy Curnock Cook) unanimously recommends that shareholders vote in favour of Resolution 7.
- The Board (except for William Hunter) unanimously recommends that shareholders vote in favour of Resolution 8.
- The Board (except for Bruce McHarrie) unanimously recommends that shareholders vote in favour of Resolution 9.
- The Board unanimously recommends that shareholders vote in favour of Resolution 10.
- The Board (except for Bryan Mogridge) unanimously recommends that shareholders vote in favour of Resolution 11.
- The Board (except for Matthew McNamara) unanimously recommends that shareholders vote in favour of Resolution 12.

ASX Listing Rules

ASX Listing Rule 10.11 provides that a listed company must not, without the approval of ordinary shareholders, issue equity securities to a related party. A "related party" (as defined in the ASX Listing Rules) includes the directors of the listed company.

ASX Listing Rule 10.13 requires that the notice in relation to a proposed resolution to approve an issue of securities to a related party, include the following information:

- (a) The names of the person to whom the securities will be issued
As listed in Table 6.2 above.
- (b) The maximum number of securities to be issued to the respective Directors
The Director Fees Shares issued for the period January 2019 through to November 2019 will total 5,691,427, as listed in Table 6.2 above. The number of Shares to be issued is calculated by dividing half of the amount Directors Fees for a particular month (as shown in Table 6.2) by the monthly average of daily closing prices of Shares as traded on the ASX corresponding to that calendar month. For the months of October and November 2019, the number of Directors

Fees Shares to be issued has been determined based on the monthly average of daily closing prices of Shares as traded on the ASX for September 2019.

- (c) The date by which the entity will issue the securities:
No later than 1 month after the date of this Annual General Meeting.
- (d) The issue price of the securities and a statement of the terms of the issue:
For the months January 2019 through to September 2019, the issue prices are as listed in Table 6.1 above. For the months October and November 2019, the issue price will be the Monthly Average Price for September 2019.
- (e) The intended use of the funds raised
There will be no funds raised from the issue of the Shares, but there will be a saving on the Company's cash resources in the amount of \$4,166 per month with respect to the Chairman and \$2,083 per month for each other non-executive Director for every month for which the Directors Fees Shares are issued.

The Chairman of the meeting intends to vote undirected proxies in favour of Resolutions 6-12.

7. Resolution 13 – Approval of Secured Debt Notes conversion terms

Board recommendation and undirected proxies. The Board (with the exception of Mr Curnock Cook and Dr Hunter due to interests in the outcome through association with Noteholders) recommends that Shareholders vote in **FAVOUR** of Resolution 13. The Chairman of the Meeting intends to vote undirected proxies in **FAVOUR** of Resolution 13.

Resolution 13 seeks shareholder approval of the operation of the Conversion Mechanisms for the Secured Debt Notes (**Shareholder Approval**).

Background and Financing.

On 22 August 2019 the Company announced it had received commitments for contributions of \$1,800,000 (**Financing**) of secured debt notes (**Debt Notes**, or **Convertible Notes** once Shareholder approval is obtained) from existing significant Shareholders and new professional and sophisticated investors, (collectively, **Noteholders**). The Company has issued Debt Notes with a face value of \$1,800,000.

The Company is also seeking additional funding of up to \$1.25 million (**Additional Debt Notes**) on the same terms as the Debt Notes. Where the Company enters into any such Additional Debt Notes prior to the shareholder meeting it will immediately make an ASX announcement and the reference to Debt Notes in Resolution 13 will include those Additional Debt Notes. A reference in this explanatory memorandum to Debt Notes, Convertible Notes or Noteholders includes the Additional Debt Notes.

Until the Company obtains shareholder approval as described in Resolution 13, the Debt Notes are secured debt notes (which are not an 'equity security' for the purposes of the ASX Listing Rules). The operation of the conversion mechanisms of the Debt Notes is subject to prior Shareholder Approval and complying with all ASX and other corporate law requirements (**Conversion Mechanisms**). Obtaining Shareholder Approval pursuant to the terms of this Notice will satisfy all required approvals and requirements.

The terms and conditions applicable to the Convertible Notes are prescribed by the Convertible Note Terms contained in the Secured Note Deeds entered into between the Company and each Noteholder, a summary of which appears as Annexure A to this Notice. Upon Shareholder Approval, the Debt Notes become convertible into Shares and Options (collectively **Note Securities**)(which are a form of 'equity security' for the purposes of the ASX Listing Rules), upon the basis of one Option being issued for every five Shares issued upon the Conversion of a Convertible Note.

The Financing terms were negotiated with new investors independent of the Company and its associates. In the Board's view the Debt Notes were entered into on arms' length terms, and the terms are fair and reasonable from the perspective of the Company's securityholders.

Events Leading to the Debt Note Financing

Following the reorganisation undertaken in December 2018, the Board continued to assess the Company's funding requirements in light of its business objectives, including the expectation of potentially raising new capital. Achieving the business objectives will continue to be dependent on continuing to gain new customers, successfully deploying the Company's adherence solution to existing customers, and careful expense management. The reorganisation significantly reduced ongoing committed cash outflows.

While Directors are encouraged by the progress being made by the business and are confident of the ongoing growth opportunities of the Company, these opportunities have taken longer to come to fruition than expected. In order to maintain working capital, the Board considered a smaller financing to be convertible on shareholder approval to be preferable to undertaking a wider capital raising at the share price at the time. The Company has evaluated a number of different funding alternatives, and chose to accept the support of the Debt Note subscribers in the amounts and timeframe (including securing a waiver from ASX Listing Rule 10.1) within which funding was required.

Importantly, upon Shareholder Approval the Debt Notes become convertible. If converted, this will effectively capitalise the debt and relieve the Company of the obligations of repayment under the secured Debt Notes. While this capitalization would increase the voting percentage of certain of the Noteholders in the Company – this was in the opinion of the Board a better outcome than having the Company under the Debt Notes subject to a secured debt which would otherwise be repayable on their Maturity Date. Further, where the Convertible Notes are converted with approval of shareholders, it was also felt that would place the Company in a better position to raise further capital in the future.

There is no guarantee that shareholders will approve the conversion mechanism for the Debt Notes, or that the conditions required to convert the Convertible Notes will arise – in which case the Company will be need to repay the Debt Notes (with interest) by 31 January 2020.

Recommendation of the Directors

In making its determinations and recommendations, the Board considered and relied upon a number of substantive factors, observed that a number of procedural safeguards were and are present to represent effectively the interests of the Company and the Company's shareholders, and considered a variety of uncertainties, risks and other potentially negative factors concerning the Financing (which the Board concluded were outweighed by the potential benefits of the Financing).

Having undertaken a thorough review of, and carefully considered, information concerning the Company and upon consideration of all of the Company's alternatives, the Board (with Dr Bill Hunter and Mr Jeremy Curnock Cook abstaining due to their association with two of the Proposed Noteholders, namely Summatix Pty Ltd and One Funds Management Limited, respectively, as previously announced) determined that the Financing is in the best interests of the Company (considering the interests of all affected stakeholders) and unanimously recommends that Shareholders vote in favour of Resolution 13.

Some of the key factors considered as a part of the evaluation and approval process included, but were not limited to, the following:

- a) The current financial position of the Company, as well as the financial position, opportunities and the outlook for future potential and operating performance of the Company and the business currently operated by the Company.
- b) Estimated cash flow projections for the Company.
- c) Current price of the Company's Shares on the ASX market.
- d) Alternatives available to the Company (including the potential adverse impact on the value of the Company's assets if the group was placed into administration).

Based on the Company's current financial position, the Board believes that there is significant uncertainty as to whether the Company would be able to successfully refinance the Debt Notes by their repayment date if shareholder approval of Resolution 13 is not forthcoming, and

especially if the Milestone Capital Raise (as referred to in Annexure A) does not eventuate. The Company is unlikely to have sufficient funds to be able to meet its ongoing commitments in respect of its assets and debts. In these circumstances, the Board believes that it is highly likely that the Company would become insolvent. If shareholders do not approve the Conversion Mechanisms in the Debt Notes, the Company believes it would need to call an immediate trading halt in the Company's securities until such time as there was sufficient certainty that the Company could redeem the Debt Notes.

ASX Listing Rule 7.1

Resolution 13 seeks approval and authorization by the shareholders for the purposes of ASX Listing Rule 7.1 of the Conversion Mechanisms contained in the secured Note Deed such that the non-convertible Debt Notes will become a Convertible Notes issued to the Noteholders.

ASX Listing Rule 7.1 provides that, subject to certain exceptions, prior approval of shareholders is required for the issue of equity securities if the equity securities will, when aggregated with the equity securities issued by a company during the previous 12 months, exceed 15% of the number of equity securities on issue at the commencement of that 12 month period.

A Convertible Note is an 'equity security' for the purposes of the ASX Listing Rules.

As the convertibility of these Debt Notes (without prior shareholder approval) would exceed the Company's 15% placement limit under ASX Listing Rule 7.1, shareholder approval is required in relation to the Conversion Mechanisms so that the Debt Notes may be regarded as Convertible Notes.

ASX Listing Rule 7.3 disclosure requirements

In accordance with the disclosure requirements of ASX Listing Rule 7.3, the following information must be provided to shareholders to enable them to consider and approve the Conversion Mechanisms and the resultant issue of the Convertible Notes in Resolution 13:

- a) *the maximum number of Shares and Options (collectively **Note Securities**) that may be issued through the conversion of Convertible Notes is calculated by reference to the Conversion Price as described in Annexure A. As the Conversion Price is potentially based on the application of a formula involving a future Share price, the maximum number of Note Securities that may be issued through conversion is unknown. In a "worse case" scenario if the Company has not been able to achieve the additional target capital raise of at least \$2.5 million by 31 January 2020, and the Convertible Notes are due for repayment, the then anticipated "distressed financial position" of the Company could result in an extremely low share price. In those circumstances, by way of illustration, a conversion price of 10% of 1 cent (hypothetical 5 day VWAP), would result in up to 3.05 billion new Shares and 601 million Options being issued to the Noteholders (or their assignees), significantly diluting existing Adherium shareholders;*
- b) *Certificates confirming the convertibility of the Convertible Notes (i.e. Convertible Note Certificates) will be issued no later than three months after the date of the Meeting i.e. no later than 24 February 2020;*
- c) *the issue price for the Convertibles Notes is an aggregate of \$1,800,000 across all Noteholders, and up to \$1.25 million for all Noteholders under the proposed Additional Debt Notes, with each Note having a face value and issue price of \$1.00. There is no floor on the conversion price and the issue of Shares on conversion of the Convertible Notes could be highly diluting to existing security holders if the market price of the Shares falls substantially or if the company raises capital at a substantially lower price. Refer to the disclosure around the maximum number of shares under subsection a) above;*
- d) *the Convertible Note Certificates will be issued to the Noteholders, namely professional and sophisticated investors including current noteholders One Funds Management Limited as trustee for the Asia Pacific Healthcare Fund II, K One W One Limited, Summatix Pty Limited, JMID Pty Ltd as trustee for the JAM Superfund A/C and Calcium Investments Limited;*

- e) *the terms of the Convertible Notes are set out in Annexure A, and the terms of the Options are set out in Annexure B, to this Notice, and apply to both the \$1,800,000 Debt Notes and the \$1.25m Additional Notes. Any Shares issued on Conversion will rank equally with the existing quoted Shares of the Company. All Options that issue upon Conversion of the Notes will be unlisted and will rank equally with all other Options issued on Conversion of the Notes. Only Shares will be issued upon the exercise of any Options;*
- f) *there will be no funds raised by the approval of the Conversion Mechanisms. The Company received \$1,800,000 in subscriptions from the issue of the Debt Notes and may receive up to an additional \$1.25 million under the Additional Debt Notes, all of which funds are to be applied for working capital purposes.*

Resolution 14 - Approval of Convertible Notes convertible by Related Party

Board recommendation and undirected proxies. The Board recommends that Shareholders vote in **FAVOUR** of Resolution 14. The Chairman of the Meeting intends to vote undirected proxies in **FAVOUR** of Resolution 14.

Resolution 13 provided for Shareholders to approve the Conversion Mechanism of the Debt Notes so that those notes could be regarded as Convertible Notes. As announced on 22 August 2019, part of the funding secured pursuant to convertible note deeds was through Summatix Pty Ltd, an entity associated with one of the Directors, Dr Bill Hunter. The amount subscribed for the Debt Notes was \$750,000.

Regulatory Requirements

ASX Listing Rule 10.11 provides that a listed company must not, without the approval of ordinary shareholders, issue equity securities to a related party. A "related party" (as defined in the ASX Listing Rules) includes the directors of the listed company. For the Debt Note to be regarded as convertible into equity securities in the Company, shareholder approval is required for that convertibility mechanism to operate. If shareholder approval is received pursuant to this resolution, approval is not required under Listing Rule 7.1.

The Company has not sought shareholder approval under Chapter 2E of the Corporations Act for a 'related party' transaction as the Board believes that the issue of the Debt Notes was on arms-length commercial terms, the Debt Notes having been negotiated and finalised with independent third parties.

ASX Listing Rule 10.13 requires that the notice in relation to a proposed resolution seeking approval pursuant to Listing Rule 10.11 include the following information:

- (a) The names of the person to whom the securities will be issued

Summatix Pty Ltd, being an entity associated with a Director, Dr Bill Hunter.

- (b) The maximum number of securities to be issued to the respective Directors, or the formula for their calculation

The maximum number of Shares and Options (collectively Note Securities) that may be issued through the conversion of Convertible Notes is calculated by reference to the Conversion Price as described in Annexure A. As the Conversion Price is potentially based on the application of a formula involving a future Share price, the maximum number of Note Securities that may be issued through conversion is unknown. In a "worse case" scenario if the Company has not been able to achieve the additional target capital raise of at least \$2.5 million by 31 January 2020, and the Convertible Notes are due for repayment, the then anticipated distressed financial position of the Company could result in an extremely low share price. In those circumstances, by way of illustration, a conversion price of 10% of 1 cent (hypothetical 5 day VWAP), would result in up to 750 million new Shares and 150 million Options being issued to Summatix Pty Ltd (or its assignees).

- (c) The date by which the entity will issue the securities:

A Convertible Note Certificate confirming the convertibility of the Convertible Notes will be issued no later than 1 month after the date of this meeting.

- (d) The issue price of the securities and a statement of the terms of the issue:

Each Debt Note was issued for \$1.00 per Note. The terms of the Convertible Notes are set out in Annexure A, and the terms of the Options are set out in Annexure B, to this Notice. Any Shares issued on Conversion will rank equally with the existing quoted Shares of the Company. All Options that issue upon Conversion of the Notes will be unlisted and will rank equally with all other Options issued on Conversion of the Notes. Only Shares will be issued upon the exercise of any Options.

- (e) The intended use of the funds raised

There will be no funds raised by the approval of the Conversion Mechanisms for the Debt Notes issued to Summatix Pty Ltd. The Company received \$750,000 in subscriptions from the issue of these Debt Notes, which funds were applied for working capital purposes.

8. Resolution 15 – Approval of additional 10% Placement Facility

Board recommendation and undirected proxies. The Board recommends that Shareholders vote in **FAVOUR** of Resolution 15. The Chairman of the Meeting intends to vote undirected proxies in **FAVOUR** of Resolution 15.

The purpose of this Resolution 15 is to authorise the Company to issue up to a further 10% of its issued share capital (**Placement Securities**) through one or more placements under ASX Listing Rule 7.1A during the 10% Placement Period (as defined below) (**10% Placement Facility**) in addition to and without using the Company's 15% placement capacity under ASX Listing Rule 7.1. This would effectively provide the Company with a total placement capacity of 25% (less that part of its placement capacity already utilised and not available under ASX Listing Rule 7.1).

An "eligible entity" for the purposes of ASX Listing Rule 7.1A is an entity that (as at the date of the annual general meeting):

- is not included in the S&P / ASX 300 Index; and
- has a market capitalisation of \$300 million or less.

As at the date of this Notice of Meeting, the Company is an "eligible entity" for the purposes of ASX Listing Rule 7.1A.

Placement Securities issued must be in the same class as an existing quoted class of equity securities of the Company. The Company, as at the date of this Notice of Meeting has on issue one class of equity securities, namely fully paid ordinary shares (ASX Code: ADR).

The Company is seeking Shareholder approval by this special resolution to have the ability to issue Placement Securities. The exact number of Placement Securities that could be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 and described below.

ASX Listing Rule 7.1A.2 provides that eligible entities that have obtained Shareholder approval at an annual general meeting under ASX Listing Rule 7.1A may issue, or agree to issue, during the 12-month period after the date of the annual general meeting, up to the number of equity securities (i.e. Placement Securities) calculated in accordance with the following formula:

(A × D) – E

- A =** The number of fully paid shares on issue 12 months before the date of issue or agreement to issue:
- plus the number of fully paid shares issued in the 12 months under an exception in ASX Listing Rule 7.2;
 - plus the number of partly paid shares that became fully paid in the 12 months;
 - plus the number of fully paid shares issued in the 12 months with approval of shareholders under ASX Listing Rules 7.1 or 7.4; and
 - less the number of fully paid shares cancelled in the 12 months.
- D =** 10%.
- E =** The number of equity securities issued or agreed to be issued under ASX Listing Rule 7.1A.2 in the 12 months before the date of issue or agreement to issue, that are not issued with the approval of shareholders under ASX Listing Rules 7.1 or 7.4.

Specific disclosures required by ASX Listing Rule 7.3A

Pursuant to and in accordance with ASX Listing Rule 7.3A, the below information is provided in relation to the approval of the 10% Placement Facility:

a. Issue Price

In accordance with the ASX Listing Rule 7.1A.3, Placement Securities (if any) will be issued at an issue price of not less than 75% of the volume weighted average price of the Company's equity securities in that class over the 15 trading days on which trades in that class were recorded immediately before:

- i. the date on which the price at which the securities are to be issued is agreed; or
- ii. if the securities are not issued within 5 trading days of the date mentioned in paragraph (i) above, the date on which the securities are issued.

b. Risk of Economic and Voting Dilution

If Resolution 15 is approved by Shareholders and the Company issues Shares under the 10% Placement Facility, the existing Shareholders' voting power in the Company will be diluted.

Shareholders should be aware that there is a risk that:

- the market price for the Company's equity securities in that class may be significantly lower on the date of the issue of the Placement Securities than on the date of the approval under Listing Rule 7.1A (being the date of the Annual General Meeting); and
- the Placement Securities may be issued at a price that is at a discount to the market price for the Company's equity securities on the issue date or the Placement Securities are issued as part of consideration for the acquisition of a new asset, which may have an effect on the amount of funds raised by the issue of the Placement Securities.

The table below is included for illustrative purposes only and shows the dilution of existing Shareholders on the basis of the current market price of shares as at 11 October 2019 and the current number of ordinary securities for variable "A" calculated in accordance with the formula in ASX Listing Rule 7.1A.2 as at the date of this Notice of Meeting. The table also shows the voting dilution impact where the number of shares on issue (variable A in the formula) changes and the economic dilution where there are changes in the issue price of shares issued under the 10% Placement Capacity.

Number of Shares on issue*	Number of Shares that may be issued under 10% Placement Facility	Dilution		
		Funds raised based on issue price of \$0.018 (50% decrease in issue price of \$0.036)	Funds raised based on issue price of \$0.036 (issue price)	Funds raised based on issue price of \$0.054 (50% increase in issue price of \$0.036)
174,031,986	17,403,198	\$313,258	\$626,515	\$939,773
261,047,979 (50% increase)	26,104,797	\$469,886	\$939,773	\$1,409,659
348,063,972 (100% increase)	34,806,397	\$626,515	\$1,253,030	\$1,879,545

* The number of shares on issue (variable "A" in the formula) could increase as a result of the issue of shares that do not require Shareholder approval under ASX Listing Rule 7.1 or that are issued with Shareholder approval under ASX Listing Rule 7.1.

Table 1 has been prepared on the following assumptions:

- the current shares on issue are the shares on issue as at the date of this Explanatory Memorandum;
- the current issue price set out above is the closing price of the shares on the ASX on 11 October 2019;
- the Company issues the maximum number of Placement Securities available under the 10% Placement Facility; and
- no options are exercised into shares before the date of the issue of the Placement Securities under the 10% Placement Facility.

c. Issue date

The Company will only issue Placement Securities during the 10% Placement Period (as defined below).

Shareholder approval under ASX Listing Rule 7.1A is valid from the date of Shareholder approval until the earlier of:

- the date that is 12 months after the date of approval under ASX Listing Rule 7.1A, that is any time up to 24 November 2020; or
- the date the Company obtains Shareholder approval for a transaction under ASX Listing Rule 11.1.2 (significant change to nature or scale of activities) or ASX Listing Rule 11.2 (disposal of main undertaking),

("10% Placement Period").

d. Purpose of Issue

The Company may seek to issue Placement Securities for:

- cash consideration: The Company may use the funds raised (without limitation):
 - to advance initiatives in the commercialisation of the Company's technology in accordance with its business plan; or
 - for general working capital purposes.
- non-cash consideration: This may include (without limitation) an acquisition of new assets and other investments. If such circumstances arise, the Company will provide a valuation of the non-cash consideration as required by ASX Listing Rule 7.1A.3.

There are no current proposals to utilise the 10% Placement Facility. Should any specific proposals be approved by the Board, the Company will announce same to ASX as required by its continuous disclosure obligations.

e. Allocation Policy

The Company will comply with the disclosure obligations under ASX Listing Rules 7.1A.4 and 3.10.5A upon issue of any Placement Securities using the 10% Placement Facility. The Company's allocation policy will be dependent on the prevailing market conditions at the time of any proposed issue. The identity of the allottees of Placement Securities will be determined on a case-by-case basis having regard to a range of factors, including but not limited to, the following:

- the methods for raising funds that are available to the Company, including but not limited to, a rights issue and other fundraising structures in which existing security holders can participate;
- the effect of the issue of the Shares on the control of the Company;
- the financial situation and solvency of the Company; and
- advice from corporate, financial and broking advisers (if applicable).

The allottees under the 10% Placement Facility have not been determined as at the date of this Notice of Meeting but may include existing substantial Shareholders and/or new Shareholders who are not related parties or associates of a related party of the Company.

f. Previous Approval under ASX Listing Rule 7.1A

The total number of equity securities issued in the 12 months preceding the date of this Meeting is set out in the below table:

Type of Equity Security	Number	% of Number on issue at start of 12-month period
Ordinary shares	7,016,635	4.0%
Unlisted options	Nil	Not applicable

The following are the details of all issues of equity securities by the Company during the 12 months preceding the date of this Meeting:

Date	Number of equity securities issued (ORD)	Shareholder	Purpose of issue	Date approved by Shareholders	Price issued including discount to market price	Issued for cash? Value of non cash consideration and current value of that consideration at 4.7 cents per Share
10 July 2019	7,016,635	Adherium ESP Trustee Limited, holding as trustee for employees and consultants of the Company who have been issued the Shares	Employee Share Plan award	Not applicable	Pursuant to the Company's Employee Share Plan: <ul style="list-style-type: none"> • 3,553,866 fully paid ordinary shares issued at a price per share of \$0.027 (3.5% discount) • 1,154,251 fully paid ordinary shares issued at a price per share of \$0.075 (nil discount) • 1,154,251 fully paid ordinary shares issued at a price per share of \$0.15 (nil discount) • 1,154,267 fully paid ordinary shares issued at a price per share of \$0.25 (nil discount) 	Consideration: Employee Share Plan Loans totalling \$95,954 Current value: \$167,032 Consideration: Employee Share Plan Loans totalling \$86,568.82 Current value: \$54,250 Consideration: Employee Share Plan Loans totalling \$173,137.65 Current value: \$54,250 Consideration: Employee Share Plan Loans totalling \$288,566.75 Current value: \$54,251

9. Questions and Comments by Shareholders at the Meeting

In accordance with the Corporations Act, a reasonable opportunity will be given to Shareholders - as a whole - to ask questions or make comments on the management of the Company at the Annual General Meeting.

Similarly, a reasonable opportunity will be given to Shareholders - as a whole - to ask questions to the Company's external Auditor, PricewaterhouseCoopers (**PwC**), relevant to:

- (a) the conduct of the audit;
- (b) the preparation and contents of the audit;
- (c) the accounting policies adopted by the Company in relation to the preparation of its financial statements; and
- (d) the independence of the Auditor in relation to the conduct of the audit.

Shareholders may also submit a written question to PwC if the question is relevant to the content of PwC's audit report or the conduct of its audit of the Company's financial report for the year ended 30 June 2019.

Relevant written questions to PwC must be received by no later than 5:00pm (AEDT) on 18 November 2019. A list of those questions will be made available to Shareholders attending the meeting. PwC will either answer questions at the Meeting or table written answers to them at the meeting. If written answers are tabled at the Meeting, they will be made available to Shareholders as soon as practicable after the Meeting.

Please send written questions for PwC to:

By facsimile - +61 3 9602 4709;

Post to – C/- Mertons Corporate Services Pty Ltd – Level 7, 330 Collins Street, Melbourne VIC 3000

by no later than 5:00pm (AEDT) on 18 November 2019.

Glossary

In this Explanatory Memorandum, and the Notice of Meeting:

Annual General Meeting / AGM means the annual general meeting of the Company to be held at 11:00am AEDT on 25 November 2019 pursuant to the Notice of Meeting.

Annual Report means the Directors' Report (including Remuneration Report), the Financial Report and the Auditor's Report in respect to the financial year ended 30 June 2019.

ASX means ASX Limited (ACN 008 624 691) and, where the context permits, the Australian Securities Exchange operated by the ASX.

ASX Listing Rules or **Listing Rules** means the Listing Rules of the ASX as amended from time to time.

Board means the board of directors of the Company.

Company means Adherium Limited.

Constitution means the constitution of the Company.

Corporations Act means the *Corporations Act 2001 (Cth)*.

Director means a director of the Company.

Directors' Report means the annual Directors' Report prepared under chapter 2M of the Corporations Act for the Company and its controlled entity.

Explanatory Memorandum means this explanatory memorandum which forms part of the Notice of Meeting.

Key Management Personnel or **KMP** means the key personnel as disclosed in the Remuneration Report.

Meeting means the Annual General Meeting of the Company the subject of this Notice of Meeting scheduled to occur on Monday 25 November 2019.

Monthly Average Price means the average of daily closing prices of Shares as traded on the ASX for each calendar month.

Notice of Meeting or **Notice** means this notice of the Annual General Meeting.

Proxy Form means the proxy form accompanying this Notice of Meeting.

Remuneration Report means the remuneration report of the Company for the year ended 30 June 2019 as set out in the Company's Director's Report for the year ended 30 June 2019.

Resolution means the resolutions referred to in the Notice of Meeting.

Shareholder means a holder of a Share.

Share means an ordinary share in the capital of the Company.

Annexure A

The key terms of the Convertible Note Deed are summarised as follows:

Term	Description
Use of Funds:	Company's working capital purposes.
Interest:	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.
Maturity Date:	A maturity date of 31 January 2020.
Security and priority:	Repayment of the Debt 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 Convertible 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 (as defined below); the Company would either need to raise additional capital or refinance the Convertible Notes (not then converted) or risk enforcement by the Noteholders of their security rights.
Requisite Approvals	The Debt Notes will remain secured debt notes unless and until the Company obtains all Requisite Approvals. "Requisite Approvals" comprise: <ul style="list-style-type: none"> (a) shareholder approvals under the applicable listing rules of the ASX (Shareholder Approval); (b) ASX final approvals or consents; and (c) Australian corporate law approvals required under applicable law, regulation or policy requirements, in each case for the Debt Notes to be Convertible into Shares and for the issue of the Shares upon Conversion.
Convertible Notes	The face value (together with all accrued interest) of each Convertible Note is convertible at the election of the Noteholder (other than upon a Milestone Raise Event, as defined below) into 1 Share (plus, at no additional cost to the Noteholder, 1 option (to buy 1 Share) for every 5 Shares into which that Noteholder's Convertible Notes are converted) (Option) .
Conversion Limitation	Where an individual Noteholder has specified in their Note Deed a limit to the number of Shares into which their Convertible Notes may Convert (including upon a Milestone Raise Event, as described below) and the Convertible Notes in excess of that limit remain unconverted, then those 'unconvertable' Convertible Notes remain outstanding and accrue Interest until such time as the limitation does not apply to some or all of those 'unconvertable' Convertible Notes, at which time the 'unconvertable' Convertible Notes that can be converted may be converted by the Company on its election (where the initial conversion was a mandatory conversion in relation to completion of a Milestone Raise Event), or otherwise at the Noteholder's election.

<p>Conversion Price</p>	<p>The Conversion Price is equal to:</p> <p>(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 day the Noteholder provides the Company with a conversion notice;</p> <p>(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:</p> <p>A: 80% of the offer price paid under that Milestone Raise Event; and</p> <p>B: \$0.0219 (being 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 the Noteholders);</p> <p>(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</p> <p>A: offer price in the uncompleted Milestone Raise Event, and</p> <p>B: 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.</p>
<p>Repayment:</p>	<p>Repayment is due on earlier of:</p> <ul style="list-style-type: none"> • Maturity Date; or • the occurrence of an Event of Default (described below). <p>If repayment is due to the occurrence and subsistence of an Event of Default, the Company must upon written notice from the Noteholder (Default Redemption Notice) redeem the relevant Notes the subject of a Default Redemption Notice by paying the Principal outstanding plus accrued interest (including interest at the annual rate equal to the rate fixed by the Victorian Attorney-General from time to time under section 2 of the <i>Penalty Interest Rate Act (Vic) 1983</i> (and if Shareholder Approval is not obtained by 30 November 2019, a further 6% higher), as from the date of service of the default redemption notice).</p>
<p>Events of default:</p>	<p>The Convertible Note Deed also includes customary Events of Default including –</p> <ul style="list-style-type: none"> • the Company breaches a material term of the Deed; • any warranty is materially misleading or untrue; • occurrence of an insolvency event; • Court judgement in excess of \$100,000 is obtained against the Company.

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 (**Notice of Exercise**) to the Company at Level 11, 16 Kingston Street, Auckland, New Zealand prior to the Expiry Date.
3. The Options are issued upon the conversion of Convertible 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 the 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 Convertible Notes that were converted to result in the issue of the 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 the Option Terms and Conditions are inconsistent with or contrary to the ASX Listing Rules, the ASX Listing Rules provisions will prevail and the Option Terms and Conditions are deemed to incorporate the relevant ASX Listing Rules provisions as an amendment to the terms; and
14. The 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.



Adherium Limited
ABN 24 605 352 510



ADR

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Need assistance?



Phone:
1300 850 505 (within Australia)
+61 3 9415 4000 (outside Australia)



Online:
www.investorcentre.com/contact



YOUR VOTE IS IMPORTANT

For your proxy appointment to be effective it must be received by **11:00am (AEDT) Saturday 23 November 2019.**

Proxy Form

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

APPOINTMENT OF PROXY

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

SIGNING INSTRUCTIONS FOR POSTAL FORMS

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

ATTENDING THE MEETING

If you are attending in person, please bring this form with you to assist registration.

Corporate Representative

If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Appointment of Corporate Representative" prior to admission. A form may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Lodge your Proxy Form:

XX

Online:

Lodge your vote online at www.investorvote.com.au using your secure access information or use your mobile device to scan the personalised QR code.

Your secure access information is



Control Number: 999999
SRN/HIN: I9999999999
PIN: 99999

For Intermediary Online subscribers (custodians) go to www.intermediaryonline.com

By Mail:

Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001
Australia

By Fax:

1800 783 447 within Australia or
+61 3 9473 2555 outside Australia



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

MR SAM SAMPLE
 FLAT 123
 123 SAMPLE STREET
 THE SAMPLE HILL
 SAMPLE ESTATE
 SAMPLEVILLE VIC 3030

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

Proxy Form

Please mark to indicate your directions

Step 1 Appoint a Proxy to Vote on Your Behalf

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I/We being a member/s of Adherium Limited hereby appoint

the Chairman of the Meeting **OR**

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Adherium Limited to be held at the Offices of K&L Gates, Level 25, Rialto South Tower, 525 Collins Street, Melbourne, VIC on Monday 25 November 2019 at 11:00am (AEDT) and at any adjournment or postponement of that meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Resolutions 1 and 5-12 (except where I/we have indicated a different voting intention in step 2) even though Resolutions 1 and 5-12 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

The Chairman of the Meeting intends to vote undirected proxies in favour of each Item of business with the exception of Resolution 5 where the Chairman of the Meeting intends to vote against.

Important Note: If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Resolutions 1 and 5-12 by marking the appropriate box in step 2.

Step 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain		For	Against	Abstain
1	Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	9	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	Re-election of Mr Thomas Lynch as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	10	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	Re-election of Dr William Hunter as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	11	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	Election of Mr Matthew McNamara as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	12	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	Conditional Spill Resolution - Special Meeting to be held within 90 days	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	13	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6	Issue of Shares to Thomas Lynch in Lieu of Payment of Director fees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	14	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7	Issue of Shares to Jeremy Curnock Cook in Lieu of Payment of Director fees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	15	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8	Issue of Shares to William Hunter in Lieu of Payment of Director fees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business with the exception of **Resolution 5** where the Chairman of the Meeting intends to vote against. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

Step 3 Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director & Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

/ /

Date

Update your communication details (Optional)

Mobile Number

Email Address

By providing your email address, you consent to receive future Notice of Meeting & Proxy communications electronically

ADR

2 5 7 7 6 8 A



Computershare

