



Adherium Limited
Collins Square, Tower 4
Level 18, 727 Collins Street
Melbourne VIC 3000 Australia

Level 11, 16 Kingston Street
Auckland 1010 New Zealand

19 December 2019

Companies Announcements Office
ASX Limited

Dear Sir/Madam

Adherium Rights Issue: Offer Document and Entitlement and Acceptance Form

Adherium Limited ACN 605 352 510 (**Adherium or the Company**), (ASX code: **ADR**) advises that the attached Offer Document and Entitlement and Acceptance Form is to be distributed today in relation to the Rights Issue offer announced 11 December 2019.

For further information, please view our website (www.adherium.com) or contact the Company at investors@adherium.com.

The release of this announcement was authorised by the Board of Adherium.

Yours faithfully

A handwritten signature in black ink, appearing to read "Rob Turnbull".

Rob Turnbull
Joint Company Secretary

Adherium Limited

ACN 605 352 510
(ASX code: ADR)

NON-RENOUNCEABLE RIGHTS ISSUE OFFER

Non-renounceable pro-rata offer to Eligible Shareholders on the basis of 1 New Share for every 1 Share held as at the Record Date at an Issue Price of \$0.03 to raise a minimum of \$2.5 million and a maximum of \$5.4 million before costs (**Offer**).

IMPORTANT NOTICE

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

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

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

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

IMPORTANT NOTES

1. Offer document

This Offer Document has been prepared by Adherium Limited ACN 605 352 510 (**Adherium** or the **Company**). This Offer Document is not a prospectus or other form of disclosure document under the Corporations Act and has not been lodged with ASIC. The Offer contained in this Offer Document is being made without disclosure in accordance with section 708AA of the *Corporations Act 2001* as modified by *ASIC Corporations (Non-Traditional Rights Issue) Instrument 2016/84*.

As a result, it is important for Eligible Shareholders to read and understand the information on Adherium and the Offer made publicly available, before accepting all or part of their Entitlement. In particular, please refer to the information in this Offer Document, Adherium's annual reports and other announcements made available at <http://adherium.com/announcements/> or www.asx.com.au.

2. This is an important document

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

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

3. Disclaimer

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

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

4. Future performance and forward looking statements

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

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

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

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

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

5. Past performance

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

6. Eligibility

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

7. Overseas Shareholders

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

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

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

Shareholders resident in New Zealand should consult their professional advisors as to whether any government or other

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

consents are required, or other formalities need to be observed, to enable them to take up their Entitlements under the Offer.

8. Currency

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

9. Minimum Subscription Amount

The Offer is conditional on the Company achieving prior to 31 January 2020 subscriptions for the minimum subscription amount of \$2.5 million, including the amounts received by the Company from subscriptions for New Shares under the Top-Up Facility - see Section 5.3 (**Minimum Subscription Amount**). **If the Minimum Subscription Amount is not satisfied (including from placement by the Company of any shortfall with wholesale or exempt investors), then the Company will not proceed with the Offer and the Company will repay all Application Monies received without interest.**

10. Definitions and references to time

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

11. Date of this Offer Document

This Offer Document is dated 19 December 2019.

KEY OFFER DETAILS

Key details of the Offer	
Offer to Eligible Shareholders	1 New Share for every 1 Share held at the Record Date
Issue Price per New Share	\$0.03 payable in full on Application
Maximum number of New Shares under the Offer	179,723,413 New Shares
Maximum proceeds from the Offer (excluding costs associated with the Offer)	\$5.39 million
Maximum number of Shares on issue following the Offer (refer to Section 4 below)	359,446,826 Shares

IMPORTANT DATES *

Event	Date
Announcement of the Offer	11 December 2019 (pre ASX Market opening)
Lodgement of Cleansing Notice and Appendix 3B with ASX (and notice to option holders)	11 December 2019
"Ex" date for the Offer (being the date that Shares start trading without the Entitlements to participate in the Offer)	13 December 2019
Record Date to determine Entitlements under the Offer	16 December 2019
Opening Date of Offer	19 December 2019
Despatch of the Offer Document and Entitlement & Acceptance Form to Eligible Shareholders and announcement that this despatch has occurred	
Closing Date for acceptances under the Offer	10 January 2020
Shortfall (if any) announced to the ASX	15 January 2020
Issue of the New Shares and lodge an Appendix 2A with ASX applying for quotation of the New Shares **	17 January 2020
Trading of New Shares expected to commence	20 January 2020

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

** Note: The issue of the New Shares is dependent on the Company raising at least \$2.5 million under this Offer together with any placement of the Shortfall and therefore the issue date may change subject to that Minimum Subscription Amount being raised (subject to the Corporations Act and the Listing Rules).

LETTER FROM THE CHAIRMAN

19 December 2019

Dear Shareholder

On behalf of the Board of Adherium Limited ACN 605 352 510 (**Adherium** or the **Company**), I invite you to participate in the Company's non-renounceable pro-rata entitlement offer of 1 New Share for every 1 Share held at the Record Date of 7.00pm (AEDT) on 16 December 2019, at an Issue Price of \$0.03 per New Share to raise a minimum of \$2.5 million and a maximum of approximately \$5.4 million (before costs) (**Offer**).

The minimum amount of \$2.5 million and timetable has been determined in order to satisfy the mandatory conversion provisions under the Company's Secured Debt Notes before 31 January 2020. Further details of the Secured Debt Notes are outlined in section 6.3.

The Offer is summarised as follows:

- Australian and New Zealand residents holding Adherium Shares may subscribe under the Offer for 1 new Share for every 1 held as at the Record Date of 7.00pm (AEDT) on 16 December 2019.
- New Shares are priced at \$0.03 per new Share.
- The Offer of approximately 180 million New Shares may raise up to approximately \$5.4 million (before the costs of the Offer).
- Shareholders (other than Directors of Adherium and related parties of the Company) may subscribe for Additional Shares beyond their entitlement of 1 for 1 on the basis that some existing Shareholders may be either ineligible (non Australian or New Zealand residents) or may fail to fully take up their Entitlement. This additional ability is restricted only to eligible holders and is referred to as a Top-Up Facility.
- If there remains any Shortfall after allocation of the Additional Shares, the Directors reserve the right for up to 3 months after the close of the Offer to place any Shortfall to wholesale or exempt investors at the Board's discretion but at a price no less than the Offer Price.

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

The funds from the Offer are important and will be applied to advance the Company's plans to develop features in its product range to gain reimbursement, extend the portfolio of products from asthma into COPD, and for working capital purposes.

As a Board, we appreciate the support of our existing Shareholders and we have been mindful of providing existing Shareholders this opportunity to maintain or increase their investment in the Company.

We look forward to your participation in the Offer.

Yours sincerely,

Thomas Lynch, Chair
Adherium Limited

1. SUMMARY

		Where to find more information
What is the Offer?	Non-renounceable rights issue offer of New Shares (Offer) plus a Top-Up Facility for Shareholders who participate in this Offer.	Section 3.1
What are the terms of the Offer?	1 New Share for every 1 Share held on the Record Date at an issue price of \$0.03 per Share.	Section 3.1
Can I sell or transfer my Entitlements?	No, the Offer is non-renounceable and, accordingly, you cannot offer to sell or transfer any of your Entitlement on ASX or via an off-market transfer.	Section 3.7
Can I purchase Additional Shares at the same price?	<p>Yes, the Company is also offering a Top-Up Facility so Eligible Shareholders who fully subscribe under the Offer will also have the right to apply for Additional Shares (Shares not subscribed for by other Eligible Shareholders) at the same price.</p> <p>There is however no guarantee that you will receive any or all of the Additional Shares you apply for.</p> <p>Further, if there remains any Shortfall after allocation of the Additional Shares, the Directors reserve the right for up to 3 months from the close of the Offer to place any Shortfall at their discretion at a price no less than the Offer Price.</p>	Sections 3.11 and 5.3
How will the Additional Shares be allocated?	The Company reserves the right to scale back any applications for Additional Shares in its absolute and sole discretion. When determining the amount (if any) by which to scale back an application, the Company may take into account a number of factors, including the size of an Applicant's shareholding in the Company, the extent to which an Applicant has sold or bought Shares in the Company before and after both the announcement of the Offer and the Record Date, as well as when the application was made.	Section 5.3
Is the Offer underwritten?	No, the Offer is not underwritten.	Section 3.10

Is there a Minimum Subscription Amount?	Yes, there is a Minimum Subscription Amount of \$2.5 million, including amounts received by the Company from subscriptions for New Shares under the Top-Up Facility and the Shortfall Offer.	Section 3.3
	If the Minimum Subscription Amount is not raised by the Company (including as a result of placement of any shortfall to wholesale or exempt investors) by 31 January 2020, then the Company will not proceed with the Offer and the Company will repay all Application Monies received without interest.	
How do the New Shares rank in comparison to existing Shares?	All New Shares issued under the Rights Issue or the Top-Up Facility will rank equally in all respects with existing Shares from the date of their issue.	Section 3.20
Who can invest?	Eligible Shareholders of the Company as at 7.00 pm (AEDT) on the Record Date of 16 December 2019.	Section 3.6
What are the control effects of the Offer?	The effect of the Offer on the control of the Company will vary with the level of Entitlements and Additional Shares taken up by Eligible Shareholders under the Offer. We do not envisage any material change in control of voting in the Company.	Section 4.2
What are my choices?	<p>As an Eligible Shareholder you may:</p> <ul style="list-style-type: none"> • take up all of your Entitlement under the Offer (and if you have taken up all your Entitlement, also apply for participation in the Top-Up Facility); or • exercise only a portion of your Entitlement and allow the balance to lapse; or • do nothing, in which case all of your Entitlements will lapse and you will receive no value for those lapsed Entitlements. 	Section 5.1

2. COMPANY UPDATE

2.1 Introduction

Adherium has over the last 12 months undertaken a number of changes in its vision, manufacturing, staffing and strategic plans which, while already communicated to the market, the Company wanted to take this opportunity to provide a summary of those changes and the future direction of Adherium.

2.2 Executive Summary

Adherium is a leading developer and manufacturer of digitally-connected sensors for respiratory inhalers to be used to assist in the correct administration of drugs by patients. So-called “medication adherence” has been identified by the World Health Organisation (WHO) as one of the biggest issues in healthcare. Adherium is now seeking to raise up to a maximum of \$5.4 million from investors (with a minimum raising of \$2.5 million) to fund the next stage of its development.

The failure by patients to take treatments properly has been estimated to cost up to US\$500 billion in avoidable healthcare costs globally. It is a particular problem in respiratory diseases, which affect approximately 480 million people around the world, and the WHO has estimated that correct medication adherence for respiratory devices is as low as 28% in developed countries. Digital devices such as Adherium’s Hailie® sensors are aimed at combatting poor adherence by prompting patients when to take the correct doses of their medicine. A peer-reviewed study showed the use of Hailie® sensors with reminders led to a 59% increase in the use of inhaled steroids, and that a 61% reduction in adult acute asthma attacks was achieved.

The market for “smart” respiratory devices such as the Hailie® is expected to grow as the incidences of respiratory diseases grows, the technology becomes more sophisticated, medicine becomes more personalised and healthcare systems become more focused on value over volume.

Perhaps the most important driver of the market is the growing financial pressure on healthcare providers, both public and private, which is forcing those that manage budgets to put greater emphasis on value over quantity. This is leading to approaches to payment for medicine and medical devices (“reimbursement”) that are much more favourable to technology that can improve efficiency and cut costs, like the Hailie® solution.

Having established a strong position in the digital devices market, Adherium now has a strategy in place for the next phase of its development. Boosted by the new reimbursement approaches, Adherium is focusing on commercialising the Hailie® solution in the US, by far the biggest market for digital inhalers, and in the UK, where we already have established use outside of clinical trials in 12 paediatric asthmatic centres. In the US, sales strategy is now being focused on healthcare payers and providers, using new or reinforced partnerships with medical device companies and pharmaceutical companies such as Trudell Medical International and AstraZeneca. The Hailie® technology platform and architecture has been redesigned using latest software best practices by consultancy, Arthur D. Little to support scalability in commercialisation of the Hailie® portfolio.

The new strategy is being led by a newly reinvigorated management team, led by new Chief Executive Officer, Peter Stratford, who has 17 years of experience developing interventional medicine products at Biocompatibles International and BTG plc, now part of Boston Scientific. Also joining the management team as Chief Commercial Officer is Mike Motion, who has more than 30 years’ experience in the global medical device, pharmaceutical and healthcare industries, gained at Baxter Healthcare, Biocompatibles, and most recently BTG plc, acquired by Boston Scientific in August 2019.

2.3 Background

Why adherence matters

New drugs are often hailed as medical breakthroughs, offering the potential to manage or even reverse previously untreatable diseases. However, as any doctor is aware, the benefits of any drug are only as good as the willingness or ability of the patient to take the medicine properly at the prescribed dose. Known as “medication adherence”, this has been recognised by the World Health Organisation (WHO) as one of the biggest issues in healthcare. Poor or non-adherence raises the risk of relapse and the need to visit hospital, which significantly increases healthcare costs.

Tackling non-adherence has become much more of a priority for healthcare systems which are undergoing unprecedented strains, driven by aging populations, pollution, and a rise in chronic diseases (including an increase in cancer survivors) that are pushing healthcare costs ever higher, for example in the US. These strains are compounded by the impact of inefficient reimbursement systems and constrained budgets. Simply put, healthcare systems have to do more for less. As governments focus on the issue of healthcare affordability, avoidable expenditure is becoming increasingly important. The costs of medication non-adherence represent a significant drain on healthcare systems which underpins the need for adoption and widespread use of technologies which are proven to increase adherence and patient outcomes.

It is thought that only about half or less of the patients suffering chronic disease in developed countries use their medication properly. This results in somewhere between US\$100 billion and US\$300 billion in avoidable direct healthcare costs in the US alone out of an estimated world total of US\$500 billion. The additional costs of failing to use medicine as prescribed in the US, including under-treatment, administrative errors and under-diagnosis, are estimated to amount to between 3% and 10% of annual healthcare expenditure. This total is made up of hospital admissions, outpatient visits, additional prescriptions and emergency department use, placing a burden on policy holders, taxpayers and healthcare systems that could be reduced if patients were to take their medications as prescribed. Recognition of these costs is leading to major changes in how healthcare is paid for, principally through a shift away from payment by volume to payment by value.

Adherence in chronic respiratory disease

Worldwide, respiratory diseases affect approximately 480 million people. Two of the most common are asthma and chronic obstructive pulmonary disease (COPD). Asthma is a chronic inflammatory airway disorder, which leads to a tightening of the airways and results in people suffering shortness of breath, wheezing and chest tightness. COPD is a disease which limits airflow to the lungs resulting in mild to severe shortness of breath. The rising prevalence of both illnesses is being driven by increasing numbers of active and passive smokers, as well as rising amounts of toxic air pollutants and chemicals caused by industrial and household waste and the burning of fossil fuels.

According to an estimate from the WHO in 2017, approximately 235 million individuals suffer from asthma, which is the most common non-communicable disease among children. Furthermore, approximately 251 million individuals suffer from COPD and three million individuals die due to it each year, accounting for 5% of deaths across the globe.

Tackling non-adherence is a critical issue in addressing population health from both economic and quality-of-life perspectives. In the US, for instance, it is estimated the preventable healthcare annual consumption in the US for respiratory diseases is US\$34bn. Such poor adherence can lead to disease progression and increased healthcare costs, creating a burden on patients, healthcare systems, taxpayers and governments. These can be substantial. According to the journal *American Health & Drug Benefits*, the average cost of a visit to the emergency department of a hospital in the US for an asthma-related emergency is US\$392. If that patient then has to remain in hospital, the cost of a typical stay of just under four days is US\$5,040.

For the pharmaceutical and medical device companies, non-adherence represents an unrealised clinical benefit to patients and a less than optimal commercial outcome in terms of lower utilization of drugs and devices.

2.4 Market opportunity

Smart medication management: Hailie® solution

The current environment for healthcare provides a major commercial opportunity for the deployment of smart medication management devices that both remotely track medication use and promote adherence. Such devices also provide accurate and objective data on patients' medication use and disease control to physicians, significantly improving the way doctors manage disease. They can also significantly improve the quality of data obtained in trials of new drugs.

Adherium believes the benefits of smart medication management systems, such as those provided by its Hailie® platform, reach almost all groups involved in healthcare:

- for physicians, they take the guesswork out of disease management, with accurate and objective data provided by Hailie® sensors clearly showing actual medication usage and patterns for each patient;
- for pharmaceutical companies, they reduce the impact of the respiratory medication “patent cliff”, when treatments abruptly lose patent protection, by using digital reformulation to renew a competitive advantage or by using device innovation as a way of differentiating new and existing proprietary products (brand extension)
- for patients, parents and caregivers, they can improve disease control and quality of life;
- for payers (e.g. health insurance companies), they help drive adoption of digital healthcare technologies to reduce healthcare spend by shifting treatment and management of chronic conditions from the hospital to the home.

Although there are a number of treatments that have been shown to significantly reduce asthma morbidity, they are only effective when used properly by patients. The most obvious form of non-adherence in asthma is chronic underuse of prescribed medication. This under-treatment can lead to poor control of the disease and greater use of “reliever” medications (about which more below). Adherium's Hailie® sensor uses digital technology to both prompt the patient when to use their device and tracks that usage for analysis by the patients themselves and medical staff. By providing a real-life view of patients' medication usage patterns, the Hailie® sensors enable patients, providers and doctors and physicians to discuss and establish joint treatment plans, which provides much better outcomes for all parties and can allow the identification of a more efficient treatment regime. By partnering with pharmaceutical and drug delivery device companies, and supporting sales in the clinical trials and managed care markets, Adherium is well positioned to capitalise on this market opportunity for chronic respiratory diseases.

One of Adherium's main commercial targets are customers who are active in manufacturing products for the treatment of chronic respiratory disease, primarily asthma and COPD. There are two main types of medications used to treat asthma and COPD. The first are commonly called “relievers” or “rescue” medications, which are used to provide nearly immediate relief from more acute symptoms e.g. flare ups or exacerbations. The second type are referred to as “preventers” or “maintenance” medications. These are medications which are taken regularly (once or twice daily) to control the disease and minimise flare ups or exacerbations.

The WHO has suggested that adherence to prescribed regimes for taking preventer medications could be as low as 28% in developed countries. WHO states: “Failure to adhere to a regular self-management plan for asthma (including the regular taking of preventive

therapies) results in poor asthma control which has clinical consequences, such as exacerbation of asthma, and decreased quality of life for the patients, as well as economic consequences, such as increased hospitalisation and emergency department visits, resulting in unnecessarily high costs of health care". WHO's work on adherence clearly supports the need for new technologies to improve adherence in chronic disease. Adherium's technology provides a solution to this problem in the important areas of asthma and COPD.

2.5 Company background

The Company's founder, Garth Sutherland, was an asthma sufferer who had personal experience of how difficult it was for patients to maintain a prescription routine. In 2001, he decided to apply his own technical expertise, gained as an engineer for companies such as Microsoft and Gallagher Group, to develop a digital solution that would help him to manage his own chronic affliction, starting what was then Nexus6 Limited and is now Adherium.

In the period since its foundation, Adherium has developed a broad range of smart sensors for inhaled drug delivery devices, and supplied these to major pharmaceutical and medical device companies. The Company's Hailie® digital inhaler technology has been shown in clinical trials and medical reviews to have the potential to significantly reduce attacks of asthma, leading to material reductions in healthcare costs. The US is a key target market, where our digital health technology has broad coverage of asthma medicines at an estimated 80% of the market. Radical changes to the way medicines and other treatments are paid for in that market – and likely to be adopted elsewhere – mean now an even bigger opportunity for our technology around the world.

Our technology appears in over 85 peer-reviewed publications which demonstrate the benefits and outcomes of our devices, notably the significant clinical value and cost-effectiveness obtained from increased adherence and associated healthcare savings. Examples from the studies of the Hailie® digital health technology patient outcomes include:

- an 80% decrease in hospitalisation in paediatrics;
- a 180% increase in the adherence to preventer medications by children;
- a 59% increase in the use of inhaled steroids; and
- a 61% reduction in adult acute asthma attacks.

At the time of the Company's flotation on the Australian Securities Exchange (ASX) in 2015, we and AstraZeneca (AZ) laid out a clear vision of how digitally connected inhalers could improve adherence and realise substantial business benefits in the process. As it turned out, global reimbursement systems were not yet ready for digital health solutions. Nonetheless, against a background of rapid consumerisation of healthcare technology, this did not stop healthcare systems continuing to experiment with digital interventions, even if they struggled to build scale without appropriate reimbursement systems in place. Since then, new market drivers have emerged, notably a radically different background to healthcare payment in the US, including new reimbursement codes for remote patient monitoring. We believe these represent a major step forward in helping to accelerate the deployment and commercialisation of our digital health technology.

The pressures on global healthcare systems already alluded to are pushing healthcare costs ever higher and are being compounded by the impact of inefficient reimbursement systems and constrained budgets. This has prompted a shift, starting in the US, but also being explored in other markets, from the traditional "fee-for-service" healthcare reimbursement model to one based on value-based pricing and new risk-reward models. These new mechanisms will ethically incentivise healthcare providers to adopt digital health technology through new reimbursement codes and risk/reward models, such as those created by Advanced Accountable Care Organizations that put more emphasis on comprehensive and co-ordinated care. The new approaches to payment reflect an understanding of the value of remote patient monitoring technology such as the Hailie® solution, which significantly

increases the value of inhaler medication for healthcare systems by allowing continuous remote patient management and other valuable patient insights.

We believe these changes directly align with our current strategy and future strategy, for which we are now prepared.

2.6 Recent developments and current strategy

Since the Company's initial public offering in 2015, the Adherium team has reached several significant milestones which have positioned us to take advantage of the new digital health reimbursement initiatives.

Hailie platform and brand redesign

The Hailie® mobile patient app and physician platform and architecture have been redesigned using latest software best practices by Arthur D. Little (ADL), the global management consultancy, and their Digital Practice. The new platform is fully compliant with the latest healthcare integration standards (Fast Healthcare Interoperability Resources or FHIR) to enable interoperability between healthcare systems. The flexibility of the modern architecture is anticipated to allow us to meet different customer requirements, including the ability to be easily branded based on customer needs.

We have also rebranded Adherium's range of sensors, switching them to the Hailie® branding which is now common across our devices, website, patient app, clinician portal and associated literature. This was completed in collaboration with New Deal Design, a leading San Francisco-based design agency.

Manufacturing and distribution

Adherium has sold more than 170,000 Hailie® sensors to global customers over the past six years, with approximately 82% going to Europe and 12% to Australia. We have transferred manufacturing capabilities to South-east Asia and have worked with our manufacturing partner to gain ISO 13485:2016 certification. Earlier this year we successfully completed a US FDA audit with no significant findings, which we discuss further below.

Research and development

In the last four years, we have completed development for six new Hailie® sensors compatible with the following medications or medication form factors: AstraZeneca's Symbicort® pMDI, Symbicort® Turbuhaler®, Bricanyl® Turbuhaler®, and Bevespi®, as well as GlaxoSmithKline's Diskus® and Boehringer Ingelheim's Handihaler®. The Symbicort Turbuhaler and Bricanyl Turbuhaler Hailie® sensors both include inhalation and orientation detection, whilst SmartHandy (for Handihaler) includes inhalation detection. We are also completing the design and development to enable over the air (OTA) firmware updates for future Hailie® sensors, allowing software to be updated wirelessly.

In addition, we are working on the design and development of new Hailie® sensors to expand the coverage of prescription inhalers with new sensing techniques. This will include physiological measures relevant to a patient's respiratory condition, as well as the ability to gain information to help educate patients on how and when to take their medication. We are also working to optimise and simplify the way patients use Bluetooth® to pair Hailie® sensors to mobile phones using a "zero touch" pairing approach.

Regulatory milestones

Over the last four years, we have maintained the ISO 13485 certification, updating it recently to the 2016 version of the standard and, in 2019, we also upgraded our ISO 13485 certification provider to an EU Notified Body auditor, the British Standards Institution. We successfully completed a US FDA inspection of Adherium and our contract manufacturer in South-east Asia in 2019 with no significant observations.

For our new devices, we have added six US FDA 510(k) clearances to the two previously gained, including over-the-counter (OTC) clearance for our current Hailie® range of

sensors, namely AstraZeneca's Bevespi® and Symbicort®, GlaxoSmithKline's Ventolin®, Advair® (Seretide® outside US), and Flovent® (Flixotide® outside US), Teva's ProAir®, and Boeringer Ingelheim's Spiriva® Handihaler®. These approvals cover medications in both pMDI and Diskus® formats where relevant.

We have maintained our regulatory clearance for our product range in the EU, Australia and New Zealand, including all medical, radio and environment requirements. In Canada, we have obtained clearance for sensors for use with Symbicort® pMDI and Symbicort® Turbuhaler®, as well as the GlaxoSmithKline and Teva medications noted above. In doing this, we have established relationships with a number of in-country representatives for regulatory clearance purposes, putting us in a strong position to gain and maintain regulatory clearance in the US, Europe, Asia and the rest of the world.

Medical milestones

Over the last five years, Adherium has had over 13,000 patients use Hailie products either through clinical trials or disease management programs, primarily in asthma (n= ~10,000) and an emerging data set including COPD (n= ~430) which we believe will become strategically important in the next 18-24 months. The Hailie® technology has been used in over 30 countries including US, UK, Australia, Canada, New Zealand, Italy, Germany, France, Spain, Sweden, Poland, Hungary, Brazil, Bulgaria, Chile, China, Colombia, Czech Republic, Mexico, Peru, Philippines, Romania, Russia, Singapore, Hong Kong, Saudi Arabia, Slovakia, South Africa, South Korea, Switzerland, Thailand, The Netherlands, Ukraine, and Vietnam.

Dr Jenni Quint, a Consultant Respiratory Physician at The Royal Brompton Hospital, states... *“As the bulk of asthma is in primary care, the smartinhaler is a perfect tool for understanding medication adherence and therefore may help to guide referral into secondary/tertiary care”*.

We believe the extensive use of the Hailie® sensors is a sign of medical endorsement given our unparalleled support of asthma clinical trials that involve smart inhalers. The National Institute for Clinical Excellence (NICE), which provides key guidance for the UK's National Health Service on medicines and healthcare, published a report in 2017 which considered the evidence from five Randomised Control Trials (published at the time) which stated *“The authors conclude that Smartinhaler devices were more effective than the standard in care in improving adherence to asthma medication. Two of the studies showed significant improvement in some clinical outcomes”*. This included the following outcomes:

- an 80% decrease in the need for hospitalization in paediatrics asthma population using reminder enabled Hailie® sensors, achieved via 42% increase in preventer medication adherence, and a 39% reduction in courses of oral steroid use; and
- using reminder enabled Hailie® sensors, a 180% increase in preventer medication adherence, a 45% reduction in reliever medication use and a 67% reduction in the asthma morbidity score in children recruited following an asthma exacerbation event that resulted in presentation to the hospital emergency department.

Indeed, Professor Turner, a Consultant Paediatrician at Royal Aberdeen Children's Hospital, stated: *“Devices like Smartinhalers will be the next big thing in asthma and in ten years we will look back at them the same way we do with smartphones now and say ‘how did we cope without them?’”*.

There have been some landmark clinical trials in the last four years, involving the use of Hailie® sensor technology, which are now changing clinical practice, which are outlined in the below table.

Study Title	Inhaled Combined Budesonide-Formoterol as Needed in Mild Asthma (SYGMA 1)	As-Needed Budesonide-Formoterol versus Maintenance Budesonide in Mild Asthma (SYGMA 2)	Novel Symbicort Turbuhaler Asthma Reliever Therapy (Novel START)	PeRsonalised Asthma Combination Therapy: with Inhaled Corticosteroid And fast-onset Long-acting beta agonist (PRACTICAL)
Sponsor	AstraZeneca	AstraZeneca	Medical Research Institute of New Zealand, funded by Health Research Council of New Zealand and AstraZeneca	Medical Research Institute of New Zealand, funded by Health Research Council of New Zealand and Genentech
Principal Investigator	Dr. Paul M O'Byrne, MB, FRCP(C), FRSC. McMaster University Hamilton, Ontario, Canada	Prof. Eric Bateman, MB, ChB, MD, FRCP, DCH. University of Cape Town Lung Institute Cape Town, South Africa	Prof. Richard Beasley, MB, ChB, FRACP, DM, FRCP, DSc, FFOM Medical Research Institute of New Zealand Wellington, New Zealand	Prof. Richard Beasley, MB, ChB, FRACP, DM, FRCP, DSc, FFOM Medical Research Institute of New Zealand Wellington, New Zealand
n	3,850	4,215	675	890, including 110 in electronic monitoring substudy
Population	Mild asthma in patients 12 years of age or older 257 sites in 18 countries	Mild asthma in patients 12 years of age or older 354 sites in 25 countries	Adults aged 18 – 75 years with asthma 16 sites in 4 countries	Adults aged 18 – 75 years with mild to moderate asthma 6 sites in 1 country
Study Design	Double-blind, randomised, parallel-group, Phase III study	Double-blind, randomised, parallel-group, Phase III study	Open-label, parallel-group phase III, randomised trial	Open-label, parallel-group phase III, randomised trial
Primary objective	To investigate the superiority of as needed Symbicort Turbuhaler to as needed terbutaline with regard to electronically recorded weeks with well-controlled asthma.	To demonstrate that Symbicort Turbuhaler as-needed is superior to Pulmicort Turbuhaler twice daily plus terbutaline Turbuhaler as-needed	To compare the efficacy of ICS/LABA reliever therapy with SABA reliever therapy and with maintenance ICS and SABA reliever therapy in adult patients using SABA monotherapy (i.e. without any other asthma medication)	To compare the efficacy of the ICS/fast-onset LABA reliever therapy regimen with the ICS maintenance and SABA reliever therapy regimen in adults with asthma in whom the ICS maintenance and SABA reliever therapy regimen is recommended
Primary end point	Weeks with well-controlled asthma, measured via as-needed medication use (according to Hailie sensor data) and e-diary data	Annual severe asthma exacerbation rate	Annual exacerbation rate	Severe exacerbation rate For electronic monitoring substudy: mean daily ICS use
Relevance to Hailie	Visibility of accurate and reliable medication usage data allows the patient and physician to better manage a patient's asthma	Demonstrates reliability and accuracy of data capture with Hailie when used without an app over a 52-week period with clinician visits and data upload performed every 4 months.	Demonstrates reliability and accuracy of data capture with Hailie when used without an app over a 52-week period with clinician visits and data upload performed approx. every 10 weeks.	Demonstrates reliability and accuracy of data capture with Hailie when used without an app over a 52-week period with clinician visits and data upload performed approx. every 12 weeks.
Outcome	Symbicort used as-needed was a more effective treatment than a SABA alone (e.g. albuterol), in patients with mild asthma; Symbicort used as-needed was superior to terbutaline for both symptom control and the prevention of exacerbations.	Findings showed as-needed budesonide-formoterol was noninferior to twice daily budesonide + terbutaline as-needed with respect to the rate of exacerbations but was inferior in controlling symptoms.	Findings showed in adults with mild asthma, budesonide-formoterol used as-needed was superior to albuterol used as-needed in the prevention of asthma exacerbations.	In adults with mild to moderate asthma, budesonide-formoterol used as-needed for symptom relief was more effective at preventing severe exacerbations than maintenance budesonide plus as-needed terbutaline.

Several other clinical studies either on-going or pending publication with an approximate additional 2,300 patients using the Hailie® sensor technology.

Our disease management programs have received medical endorsement and traction in key markets, with just over 2,000 patients using the Hailie® platform, highlights including:

- 1,162 patients in the UK, with the Royal Brompton London being our main adopter (with over 800 patients) followed by Birmingham Children's Hospital, Royal Stoke University Hospital and St George's Hospital London.
- 550 patients in the US, with Mount Sinai being the main adopter of Hailie® technologies
- 188 patients in Australia, with the Alfred Hospital being our main adopter.

Professor Andrew Bush, Consultant paediatric chest physician, Professor of paediatric respirology, National Heart and Lung Institute, Imperial College London/Royal Brompton Hospital London, states: *"90% of those who I see in the severe asthma setting do not require escalation to biologics, this would be impossible to prove without the use of electronic monitoring"*.

2.7 Operational changes

Through 2017 and 2018, we conducted a pilot programme to evaluate a direct-to-consumer (DTC) strategy, obtaining US FDA 510(k) "over-the-counter" clearances for a range of asthma medications as noted above. However, once sales started it soon became apparent that a successful patient acquisition strategy would be hard to achieve given that the DTC approach was not tied to changes in clinical practice that were being driven by healthcare systems. Nor were we gaining the endorsement from clinical staff that is critical for patient engagement. These factors, as well as significant patient acquisition costs, led us to cease the pilot. We are now focused on payer- and provider-led strategies, as new reimbursement codes provide better paths to payment and adoption by physicians.

With our new strategy in mind, we have entered into several significant collaborations to better position the Company for the next phase of its development. This will initially focus on commercialisation in the US, China, Japan, with strategic entries in UK, Canada and Australia aimed at establishing a reimbursement plan. In addition, the focus of our product development now that we have established a broad range of first generation sensors is on new devices that capture a wider range of data to support patients, and "physiological measures" that provide them with information about the status of their disease and guidance on the best techniques for use of devices and ensure compliance in accessing reimbursement codes.

2.8 The US

We believe our experience and Hailie® ecosystem places us in a strong position to exploit the market forces that are now driving the adoption of digital health technology, particularly in the US.

We were pleased to announce in November that Trudell Medical Limited invested \$1.1 million in our recent convertible note issue. The near-term focus will be with Monaghan Medical Corporation (**Monaghan**), Trudell's US subsidiary. Monaghan is a leader in the US in the development and manufacture of innovative, high quality, patient-oriented aerosol drug delivery devices and respiratory management products. Monaghan also has a significant US network selling their clinically proven technologies to specialist providers in tertiary and secondary care

Our collaborative efforts with Monaghan are focused on finalising a path to the joint commercialisation of our Hailie® sensors and Monaghan's Aerochamber® products in the US, using the recently redesigned Hailie® platform to deliver enhanced respiratory care.

The US reimbursement environment is evolving, 2019 has been particularly helpful with the release in January 2019 by the Centres for Medicare and Medicaid Services, which oversees Federal programmes for health, and the American Medical Association, of new CPT codes to reimburse healthcare professionals for engaging with their patients through remote patient monitoring and digital devices. These codes can provide a reimbursement value of up to US\$115 per patient per month to physicians who use smart technologies for physiological measures and remote patient assessment and communications.

The development of next generation devices to capture data related to a patient's disease status currently unavailable to medical staff and researchers, will help us exploit the environment for digital reimbursement. The new data can be gathered as a result of a breakthrough in how our Hailie® device technology undertakes physiological monitoring. This new technology has the potential to disrupt the smart inhaler market.

Working alongside Summatix we are well placed to enable medical data to be captured and user verification requirements met in order to establish reimbursement from insurance companies and healthcare management organisations using the new Current Procedural Terminology (CPT) codes for digital services. We also expect to be able to establish new commercial opportunities using the Summatix platform, about which more below.

The release of these new codes provided a defined "path to payment", allowing us to lay out a clear strategy for accessing this aspect of the US market, the key features of which are:

- to secure a route to market which both complements and adds to our B2B collaborations with pharmaceutical companies;
- to direct investment towards developing sensor features and complimentary technology that meets the requirements for the coding path to payment and incorporates physiological measures;
- to develop and execute our strategy aimed at payers and providers
- to refocus attention on patient education and acquisition.

The new reimbursement codes are in addition to those already issued for chronic and transitional care and other "quality-of-life" services like smoking cessation. Together, they have given further impetus to healthcare professionals and payers to engage with patients through technologies like Adherium's in order to optimise outcomes. In doing so, they are accessing value for themselves where none existed before. Additional benefits include the opportunity to capture large sets of real-world data in a meaningful way from a defined population, which itself has value both clinically and commercially. The collaboration between Summatix and Adherium already described is a first step in putting into place the infrastructure required to access, analyse and monetise such data in the future.

2.9 Europe and Rest of World

We are continuing our collaboration with AstraZeneca in several markets.

In the UK, we have engaged Cogentia, a specialist market access and reimbursement consultancy, to model the economic benefit to the NHS of using Hailie® sensors in both secondary care and specialised severe asthma centres. This will allow us to create a supporting business case to the NHS for a reimbursement code on the Drug Tariff IX for the use of Hailie® sensors in primary care. The model will also form part of a dossier to support progress through the National Institute of Clinical Excellence (NICE) Medical Technologies Evaluation Programme process, which is important for the adoption of digital health technologies in the NHS. Our case will be further supported by our recently announced initiative with Patients Know Best®, a provider of personal healthcare records. The information from Hailie® sensors will add an additional source of data to the personal health records of Patients Know Best® patient and professional users, which numbers over 4 million patient records in the UK.

Adherium and Cogentia intend to complete the model validation by the end of calendar 2019 and if positive, progress to reimbursement in the first half of calendar 2020. As the UK is well established as a starting point for reference pricing, the NHS business case model will then be used to gain access to other markets around the world. For instance, we believe the NHS business case can form the basis of reimbursement in other Health Technology Assessment (HTA) markets such as Canada and Australia, but also support the business case for targeting secondary and tertiary care in other markets as well.

In preparation for an entry into China, Adherium has completed an evaluation and assessment of Hailie® platform readiness in that country, where a different approach is required compared to the rest of world. In relation to this, we are in the process of meeting the necessary regulatory requirements for Hailie® turbuhaler sensors, which are expected to be completed by the first quarter of calendar 2020.

In Japan, we are also exploring a collaboration using the Hailie platform. This initiative will be helped by our new management team, which has significant experience of commercialisation in Asia. Adherium is also engaging a specialist Japanese market access and reimbursement company, to take the lead in developing the regulatory and reimbursement strategy for Japan.

2.10 Summary: Building the Bridgehead over the next two years

Our plan can be summarised into four key building blocks over the next two years.

First, we will work with strategic partners to commercialise in the US and Canada, leveraging our new collaborations with Trudell Medical International and Monaghan Medical. We will focus on payer/provider led patient acquisition by tapping into new reimbursement codes supported by strategic partner Summatix, and with provider respiratory disease management service companies to test new reimbursement strategies, including risk/reward.

Second, we will look at the opportunities in the UK, Canada and Australia. We will seek UK reimbursement working with Cogentia to develop an economic model that will be used to support the UK Drug IX Tariff and NICE MTEP process and also commercialisation in the UK with Patients Know Best®. The economic model would also support reimbursement in strategic global markets (e.g. Canada, Australia and others).

Thirdly we will look at the options for our China and Japan with integration and certification studies already underway and for possible pilot clinical activities.

Finally, we intend to develop next generation sensors to capture physiological data and work with Summatix to identify and deliver value-adding data insights and capabilities.

3. DETAILS OF THE OFFER

3.1 The Offer

The Company is offering Eligible Shareholders the opportunity to subscribe for 1 New Share for every 1 Share held at 7:00pm (AEDT) on 16 December 2019 (**Record Date**) at an Issue Price of \$0.03 per New Share plus for participating shareholders the opportunity also to take up an offer of Shares under the Top-Up Facility.

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

Eligible Shareholders who fully subscribe for their Entitlements under the Offer may also apply under the Top-Up Facility for Additional Shares. The allocation of any Additional Shares will be limited to the extent that there are sufficient New Shares available after the close of the Offer which have not been taken up by some of the Eligible Shareholders. Subject to the Corporations Act and the Listing Rules, Additional Shares will only be allocated to Eligible Shareholders, if and to the extent that the Directors so determine, in their absolute discretion.

3.2 Size of the Offer

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

- (a) 179,723,413 Shares; and
- (b) 2,822,581 options (**Options**) (which carry no entitlement to participate in the Offer without the Options first being exercised).

On the basis that no Options are exercised prior to the Record Date, up to approximately 180 million New Shares will be offered under the Offer to raise a maximum of approximately \$5.4 million before the expenses of the Offer are taken into account.

3.3 Minimum Subscription Amount

The Minimum Subscription Amount for the Offer is \$2.5 million - including the amounts raised under the subscription for New Shares under the Top-Up Facility; the Shortfall Offer and any placement of the balance by the Board at its discretion to wholesale or exempt investors.

The Offer is conditional on the Company receiving subscriptions for the Minimum Subscription Amount. If the Minimum Subscription Amount is not raised prior to 31 January 2020, then the Company will not proceed with the Offer and the Company will repay all Application Monies received without interest.

3.4 Use of Funds

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

Description	Based on the Minimum Subscription Amount of \$2.5 million	Based on the Maximum Subscription Amount of approximately \$5.4 million
Next generation Hailie® sensors incorporating physiological measures and extended portfolio for COPD	\$782,000	\$2,730,000
Global market access and reimbursement initiatives	\$280,000	\$412,000
Extension of UK and US sales channels	\$710,000	\$1,100,000
Working capital	\$590,000	\$1,000,000
Costs of the Offer**	\$138,000	\$150,000
Funds raised under the Offer	\$2,500,000	\$5,392,000

* There is no guarantee the Offer will be fully subscribed or that the Minimum Subscription Amount will be raised. If fully subscribed and the maximum capital raise amount of \$5.4 million is raised under the Offer, the Offer will result in an increase in cash in hand of the Company of approximately \$5.4 million (before the payment of costs associated with the Offer).

** The Company reserves the right to pay cash commission to AFSL holders or authorised representatives of AFSL holders who introduce participants to take up any or all of the Shortfall. Any such commission costs have not been taken into account in the use of funds above.

3.5 Opening and Closing Date

The Offer will open for receipt of acceptances on 19 December 2019. The Closing Date for acceptance of your Entitlement is 5.00pm (AEDT) on 10 January 2020.

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

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

3.6 Entitlements under the Offer

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

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

As described in Section 3.11, any New Shares not taken up by an Eligible Shareholder by the Closing Date will form part of the Shares available under the Top-Up Facility and the Shortfall Offer.

3.7 Entitlements and acceptance

The Entitlement of Eligible Shareholders to participate in the Offer will be determined on the Record Date. Your Entitlement is shown on the Entitlement & Acceptance form accompanying this Offer Document.

3.8 No rights trading

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

3.9 No cooling off rights

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

3.10 Underwriting

The Offer is not underwritten.

3.11 Shortfall / Top-Up Facility

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

Additional Shares will only be available where the number of Shares the subject of Applications received under the Offer is less than the maximum number of New Shares (179,723,413) proposed to be issued under the Offer. Any Additional Shares issued will be at the Issue Price of \$0.03 per Share.

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

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

It is an express term of the Offer that Eligible Shareholders who apply for Additional Shares are bound to accept a lesser number of Additional Shares than they applied for or may be allocated no Additional Shares at all. In both cases, excess Application Monies will be refunded without interest.

If any Shortfall remains after applications for Additional Shares under the Top-Up Facility are considered, the Directors reserve the right, subject to the Corporations Act and the Listing Rules, to place any further Shortfall at their discretion (other than to Directors and related parties of the Company) within 3 months after the close of the Offer at a price not less than the Issue Price of \$0.03 per New Share (being the Shortfall Offer).

3.12 Directors' interests

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

Director	Shares	Options	Entitlement Shares*
Thomas Lynch	2,625,468	Nil	2,625,468
Jeremy Curnock Cook	1,192,734	Nil	1,192,734
William Hunter	1,612,734	Nil	1,612,734
Bruce McHarrie	1,277,587	Nil	1,277,587
Bryan Mogridge	2,855,816	Nil	2,855,816
Matthew McNamara	123,038	Nil	123,038

Note:

From January to November 2019 the Directors agreed to have half of their Directors Fees paid in shares instead of cash. This was approved by Shareholders at the AGM on 25 November 2019, and on 29 November 2019, 5,691,427 ordinary shares were issued to the Directors in lieu of cash payments of Directors' fees. Accordingly, the Directors have indicated that they do not intend to take up their Entitlement.

3.13 Issue and despatch

The issue of New Shares offered by this Offer Document is expected to occur on 17 January 2020. The New Shares will be traded on a deferred settlement basis from 13 January 2020 until 24 January 2020.

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

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

3.14 ASX listing

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

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

It is expected that normal trading on ASX will commence in relation to New Shares on 20 January 2020.

3.15 CHESS

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

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

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

3.16 Ineligible Foreign Shareholders

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

- (a) the number of Shareholders with addresses in such other countries as a proportion of total Shareholders in the Company;
- (b) the number and value of the Shares those Shareholders would be offered under the Offer; and
- (c) the cost to the Company of complying with applicable legal and regulatory requirements in such other countries.

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

3.17 Overseas shareholders

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

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

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

Eligible Shareholders who are nominees, trustees or custodians are advised to seek independent advice as to how to proceed. The Offer is being made to all Eligible Shareholders. The Company is not required to determine whether or not any Eligible

Shareholder is acting as a nominee or the identity or residence of any beneficial owners of Shares.

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

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

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

3.18 Custodians

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

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

- The offer to apply for additional Shares under the Top Up Facility will be available to the UBH of custodians / nominees.
- Each custodian or nominee who is applying for additional shares on behalf of their individual UBH will need to submit a schedule showing the Record Date holding, the Rights Issue entitlement and the amount of entitlement and additional shares taken up for each UBH.
- Each UBH will need to apply for their maximum entitlement before applying for additional Shares under the Top Up Facility. Therefore, the requirement to fulfil a shareholders maximum entitlement before applying for additional Shares under the Top Up Facility won't apply to the registered custodian / nominee holding – the Company intends to process the amount of Shares as entitlement acceptance and also the amount of Shares as additional acceptance under the Top Up Facility (per schedule supplied by the Custodian).
- The foreign restrictions under the offer will be applied at the registered address of the Custodian. This will be irrespective of whether the holder is a QIB or sophisticated investor.
- Any scaleback will be applied at the UBH level.

3.19 Offer in New Zealand

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

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

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

3.20 Rights and liability attaching to New Shares

The New Shares issued under the Offer will be on a fully paid basis and will rank equally in all respects with existing Shares. Full details of the rights and liabilities attaching to Shares are set out in the Company's constitution, a copy of which is available for inspection at the Company's registered office during normal business hours. You may also contact the Company's Share registry on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia) to request a copy of the Company's constitution.

4. EFFECT OF THE OFFER

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

The total number of New Shares to be issued under the Offer assuming a maximum capital raise of \$5.4 million will be approximately 180 million (the exact number depends on the rounding up of any fractional entitlements for individual holdings).

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

Shares	Number
Existing Shares as at date of this Offer Document	179,723,413
Maximum number of New Shares issued pursuant to the Offer	179,723,413
Total issued Shares following completion of the Offer (including Shares which may be issued under the Top-Up Facility and Shortfall Offer)	359,446,826

The effect of the Offer will be to increase the number of Shares on issue in the Company and increase the cash held by the Company by up to \$5.4 million (before taking into account the expenses of the Offer).

As at the date of this Offer Document, expenses of the Offer are expected to be approximately \$150,000. The Company reserves the right to pay cash commission to AFSL holders or authorised representatives of AFSL holders who introduce participants to take up any or all of the Shortfall. Any such commission costs have not been taken into account in the expected costs of the Offer.

4.2 Potential effect on control of the Company

Eligible Shareholders who take up their Entitlements in full should not have their interest in the Company diluted by the Offer.

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

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

- (a) If all Eligible Shareholders take up their Entitlements under the Offer, then the Offer will have no significant effect on the control of the Company.
- (b) If some Eligible Shareholders do not take up all of their Entitlements under the Offer, then the interests of those Eligible Shareholders will be diluted.
- (c) The proportional interests of Ineligible Foreign Shareholders will be diluted because those Ineligible Foreign Shareholders are not entitled to participate in the Offer.
- (d) Shareholders that apply for Additional Shares under the Top-Up Facility may increase their interests beyond their Entitlement. This could result in the dilution of holdings of those who did not accept their Entitlements in full and those who did not apply for Additional Shares under the Top Up Facility.

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

4.3 Pro-Forma Statement of Financial Position

The following pro-forma consolidated Statements of Financial Position illustrates the effect of the Offer on the Company (first) assuming the minimum capital raise of \$2.5 million is achieved and (secondly) assuming the maximum capital raise of \$5.4 million is achieved (**Pro-Forma Statements of Financial Position**).

The Pro-Forma Statements of Financial Position have been prepared based on the annual financial statements of the Company as at 30 June 2019 taking into consideration the accounting policies normally adopted by the Company. The Pro-Forma Statements of Financial Position reflect the changes to the Company's financial position as noted below and have been prepared on the basis that the New Shares pursuant to the Offer are issued. It is not intended to represent the financial position of the Company upon completion of the Offer. It is provided as an illustration of the effect of the Offer. The actual impact on the Company is dependent on a range of factors, many of which are outside the control of the Company.

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

Pro-forma Statement of Financial Position (based on a minimum capital raise of \$2.5 million)

	30 June 2019 (unaudited) \$000	Adjustments \$000	Notes	Pro-forma \$000
ASSETS				
Current assets				
Cash and cash equivalents	763	2,926	1	6,051
		2,362	2	
Trade and other receivables	436			436
Inventories	417			417
Prepayments	156			156
Total current assets	1,772			7,060
Non-current assets				
Property, plant and equipment	380			380
Intangible assets	92			92
TOTAL ASSETS	2,244			7,532
LIABILITIES				
Current liabilities				
Trade and other payables	1,375			1,375
Income received in advance	39			39
Secured Debt Notes	-	2,926	1	-
		(2,926)	3	
Total current liabilities	1,414			1,414
NET ASSETS	\$ 830			\$ 6,118
EQUITY				
Share capital	74,349	2,362	2	79,637
		2,926	3	
Accumulated deficit	(46,952)			(46,952)
Other reserves	(26,567)			(26,567)
TOTAL EQUITY	\$ 830			\$ 6,118

Pro-forma Statement of Financial Position (based on a maximum capital raise of \$5.4 million)

	30 June 2019 (unaudited) \$000	Adjustments \$000	Notes	Pro-forma \$000
ASSETS				
Current assets				
Cash and cash equivalents	763	2,926	1	8,931
		5,242	4	
Trade and other receivables	436			436
Inventories	417			417
Prepayments	156			156
Total current assets	1,772			9,940
Non-current assets				
Property, plant and equipment	380			380
Intangible assets	92			92
TOTAL ASSETS	2,244			10,412
LIABILITIES				
Current liabilities				
Trade and other payables	1,375			1,375
Income received in advance	39			39
Secured Debt Notes	-	2,916	1	-
		(2,916)	3	
Total current liabilities	1,414			1,414
NET ASSETS	\$ 830			\$ 8,998
EQUITY				
Share capital	74,349	5,242	2	82,517
		2,916	4	
Accumulated deficit	(46,952)			(46,952)
Other reserves	(26,567)			(26,567)
TOTAL EQUITY	\$ 830			\$ 8,998

Notes:

The Pro-forma Statements of Financial Position as at 30 June 2019 has been adjusted to reflect the following post-30 June 2019 and pro-forma events:

1. Issue for cash of Secured Debt Notes amounting to \$2,926,000 (completed November 2019).
2. Issue of 83,333,333 New Shares for the minimum capital raise of \$2,500,000, less estimated offer costs of \$138,000.
3. Conversion of Secured Debt Notes on the basis that shareholders approved the note conversion mechanisms at the 2019 Annual General Meeting; and the minimum and maximum capital raise under this Offer constituting a "Milestone Raise Event", causing mandatory conversion of the Secured Debt Notes.
4. Issue of 179,723,413 New Shares for the maximum capital raise of \$5,392,000, less estimated offer costs of \$150,000.

5. ACTION REQUIRED BY SHAREHOLDERS

5.1 What Eligible Shareholders may do

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

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

As an Eligible Shareholder you may:

- (a) take up all or part of your Entitlement (refer to Section 5.2 below); or
- (b) take up all of your Entitlement and apply for Additional Shares under the Top-Up Facility (refer to Section 5.3 below); or
- (c) do nothing, in which case all of your Entitlements will lapse (refer to Section 5.4 below).

As detailed in Section 3.17, Ineligible Foreign Shareholders cannot take any of the steps set out in Sections 5.1, 5.2, 5.3 and 5.4.

5.2 Applying for New Shares

You may take up all or part of your Entitlement by (i) making payment by Bpay® corresponding to the component (part or all) of your Entitlement you wish to accept or (ii) by completing the Entitlement & Acceptance Form and attaching payment by cheque, bank draft or money order to reach Computershare Investor Services Pty Limited (**Share Registry**) at the following address.

Adherium Limited
C/- Computershare Investor Services Pty Limited
GPO Box 505, Melbourne VIC 3001
Australia

by no later than 5:00pm (AEDT) on the Closing Date.

The Issue Price for each New Share accepted under your Entitlement is payable on application. You have the following payment options:

- (a) By attaching to your completed Entitlement & Acceptance Form a cheque, bank draft or money order in Australian currency for the amount of your application money to “**Adherium Limited**” and crossed “**Not Negotiable**”. The cheque must be drawn from an Australian bank. Cash is not accepted.

New Zealand shareholders can alternatively contact the Company directly at investors@adherium.com for further details should they wish to draw their payment from a New Zealand bank.

You should ensure that sufficient funds are held in relevant account(s) to cover the Application Monies. If the amount of your cheque for Application Monies (or the amount for which the cheque clears in time for allocation) is insufficient to pay in full for the number of New Shares for which you have applied in your Entitlement & Acceptance Form, you will be taken to have applied for such lower number of whole New Shares as your cleared Application Monies will pay for (and to have specified that number of New Shares on your Entitlement & Acceptance Form). Alternatively, your Application will not be accepted.

- (b) If paying via Bpay®:
- (i) Applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment and it is the responsibility of the Applicant to ensure that funds are submitted through Bpay® by the date and time mentioned above;
 - (ii) you must follow the instructions for Bpay® and quote your reference number set out in the Entitlement & Acceptance Form;
 - (iii) you can only pay via BPAY® if you are the holder of an account with an Australian financial institution that supports BPAY® transactions;
 - (iv) you do not need to return the Entitlement & Acceptance Form but are taken to make each of the statements and representations on that form referred to in this Offer Document; and
 - (v) if you subscribe for less than your Entitlement or do not pay for your full Entitlement, you are taken to have accepted your Entitlement in respect of such whole number of New Shares which is covered in full by your Application Monies.

5.3 Top-Up Facility

As detailed in Section 3.11 above, Eligible Shareholders (other than Directors and related parties of the Company) may, in addition to taking up their Entitlements in full, apply for Additional Shares in excess of their Entitlements (being the **Top-Up Facility**).

If you wish to subscribe for Additional Shares in addition to your Entitlement, then you should nominate the maximum number of Additional Shares you wish to subscribe for on the Entitlement & Acceptance Form and make payment for your full Entitlement plus the Additional Shares (also at the Issue Price of \$0.03 for each Additional Share).

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

- (a) you do not need to submit the personalised Entitlement & Acceptance Form but are taken to make each of the statements and representations on that form referred to in this Offer Document; and
- (b) you are taken to have accepted your Entitlement in full and to have applied for such number of Additional Shares which is covered in full by your Application Monies.

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

5.4 Entitlements not taken up

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

5.5 Entitlement & Acceptance Form is binding

A completed and lodged Entitlement & Acceptance Form (or payment by Bpay®) constitutes a binding offer to acquire New Shares on the terms and conditions set out in this Offer

Document and, once lodged, cannot be withdrawn. If the Entitlement & Acceptance Form is not completed correctly, it may still be treated as a valid application for New Shares. The Directors' decision whether to treat an acceptance as valid and how to construe, amend or complete the Entitlement & Acceptance Form is final.

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

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

- (a) fully read and understood this Offer Document and the Entitlement & Acceptance Form in their entirety;
- (b) agreed to be bound by the terms of the Offer, the provisions of this Offer Document and the Company's Constitution;
- (c) declared that you are over 18 years of age and have the legal capacity and power to perform all your rights and obligations under the Offer and your Entitlement & Acceptance Form;
- (d) authorised the Company to register you as the holder of the New Shares (and if applicable, the Additional Shares);
- (e) acknowledged that once the Company receives your Entitlement & Acceptance Form or any payment of Application Monies via BPAY[®], you may not withdraw your application or funds provided except as allowed by law;
- (f) confirmed that you have a registered address in Australia or New Zealand as at the Record Date;
- (g) confirmed that you were the registered holder at the Record Date of the Shares indicated in the Entitlement & Acceptance Form as being held by you on the Record Date;
- (h) agreed to apply for and be issued up to the number of New Shares (and if applicable, any Additional Shares) specified in the Entitlement & Acceptance Form, or for which you have submitted payment of any Application Monies via BPAY[®], at the Issue Price per New Share;
- (i) authorised the Company, the Share Registry and their respective officers, employees or agents to carry out on your behalf all necessary actions for the New Shares to be issued to you;
- (j) understood and acknowledged that the information contained in this Offer Document and your Entitlement & Acceptance Form is not investment advice nor a recommendation that the New Shares are suitable for you given your investment objectives, financial situation or circumstances;
- (k) acknowledged that this Offer Document is not a prospectus, does not contain all of the information that you may require in order to assess an investment in the Company and is given in the context of the Company's past and ongoing continuous disclosure announcements to the ASX;
- (l) acknowledged that investment in the Company is subject to the risk factors outlined in Section 6.3 of this Offer Document;
- (m) acknowledged that the Company or its related bodies corporate, affiliates and their respective directors, officers, partners, employees, representatives, agents,

consultants or advisers do not guarantee the performance of the Company or the Share price, nor do they guarantee the repayment of capital;

- (n) authorised the Company to correct any errors in your Entitlement & Acceptance Form or any other document provided to you;
- (o) agreed to provide any requested substantiation of your eligibility to participate in the Offer and your holding of Shares on the Record Date;
- (p) represented and warranted that:
 - (i) you are not in the United States and are not acting for the account or benefit of a person in the United States;
 - (ii) the New Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States and accordingly, the New Shares may not be offered, sold or otherwise transferred except in accordance with an available exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and any other applicable securities laws; and
 - (iii) you have not and will not send any materials relating to the Offer to any person in the United States or a person acting for the account or benefit of a person in the United States.

5.7 Privacy Act

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

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

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

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

5.8 Brokerage

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

5.9 Queries concerning your Entitlement

If you have any queries concerning your Entitlement please contact the Company's Share registry on 1300 850 505 (with Australia) or +61 3 9415 4000 (outside Australia).

6. ADDITIONAL INFORMATION REGARDING THE OFFER

6.1 Reliance on Offer Document

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

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

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

- (a) set out any information that has been excluded from a continuous disclosure notice in accordance with the Listing Rules and that investors and their professional advisers would reasonably require, and would reasonably expect to find in a disclosure document, for the purpose of making an informed assessment of:
 - (i) the assets and liabilities, financial position and performance, profits and losses and prospects of the Company; or
 - (ii) the rights and liabilities attaching to the New Shares; and
- (b) state the potential effect of the issue of the New Shares on the control of the Company and the consequences of that effect.

The Company has lodged a cleansing notice in respect of the Offer with ASX on 11 December 2019.

6.2 Announcements

The Company is a disclosing entity for the purposes of the Corporations Act and is therefore subject to regular reporting and disclosure obligations under the Corporations Act and Listing Rules. These obligations require the Company to notify ASX of information about specific events and matters as they arise for the purposes of ASX making that information available to the market. In particular, the Company has an obligation (subject to certain limited exceptions) to notify ASX once it is, or becomes, aware of information concerning the Company which a reasonable person would expect to have a material effect on the price or value of the Company's securities.

Eligible Shareholders intending to participate in the Offer should refer to the announcements made by the Company to the ASX. This information is available from the ASX website, www.asx.com.au (ASX Code: ADR), and the Company's website, <http://adherium.com/investors/>

Additionally, the Company is also required to prepare and lodge with ASX yearly and half yearly financial statements accompanied by a directors' statement and report and an audit review or report. These reports are released to ASX and published on the Company's and ASX's websites.

Copies of the Company's announcements and yearly and half yearly financial reports will also be available from the Company Secretaries.

6.3 Risks

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

An investment in New Shares should be regarded as very speculative and involves many risks. The New Shares carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares.

There is no guarantee of the amount which may be raised by the Company from Shareholders under the Offer. If there was a shortfall in subscriptions for New Shares from Shareholders (after all acceptances under the Top-Up Facility and the Shortfall Offer), the Company may not receive the Minimum Subscription Amount sought under the Offer. In that circumstance, a "Milestone Raise Event" under the terms of the Secured Debt Notes would not have been achieved, and mandatory conversion of the Secured Debt Notes would not occur. Those Secured Debt Notes amounting to \$2,926,000 plus accrued interest would remain on issue and mature on 31 January 2020. Should the Company not repay the Secured Debt Notes at maturity, the Secured Debt Noteholders may enforce their security over the assets and operations of the Company and its New Zealand subsidiary, Adherium (NZ) Limited.

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

- (a) **Business risks** - Eligible Shareholders should consider the various risks and difficulties frequently encountered by companies early in their commercialisation, particularly companies that develop and sell medical devices. These risks include Adherium's ability to: (a) implement and execute its business strategy; (b) expand its sales team and marketing programs; (c) increase awareness of its brand and products, and build adoption by healthcare participants; (d) manage expanding operations; and (e) respond effectively to competitive pressures and developments.
- (b) **Regulatory risks** – Adherium's services and products are subject to various laws and regulations including but not limited to product and quality compliance. Although Adherium has obtained US FDA and other clearances for a number of its products, there is no guarantee that compliance for future products will be achieved to support the Company's commercialisation plans. Regular reviews by regulatory bodies are also a feature of the medical device industry Adherium operates in, and if non-compliance is identified Adherium may be subject to warning letters, penalties, restriction or suspension of activities or product recall. Changes in laws and regulations (including interpretation and enforcement) could also adversely affect the Company's ability to market, distribute and sell its products and services. It is not possible to predict the likelihood, nature or extent of changes in government regulation that may arise.
- (c) **Failure to retain existing customers and attract new customers** - The Company's success depends on its ability to continue to retain its current customer base, grow the service requirements of those existing customers and attract new customers. This depends to a large extent on adoption of Adherium's product offering by patients, physicians, disease management organisations, hospitals and Payers. Failure to retain existing customers or attract new customers would

materially impact the Company's ability to generate revenue which will have an adverse effect on the Company's operating and financial performance.

- (d) **Reliance on key personnel** – The Company employs, or engages as consultants, a small management and development team. The loss of key personnel could cause a material disruption and adversely affect the Company including the achievement of its product and service development and commercialisation.
- (e) **Competitive risk** - The medical device industry is highly competitive and subject to rapid technology change. The industry includes companies with significantly greater financial, technical, human, research and development, and marketing resources than Adherium. Competitors may commercialise products that compete directly or indirectly with Adherium's products. If competitors develop products or technologies that are more effective, Adherium's current or future products may become obsolete or uncompetitive.
- (f) **Sufficiency of funding** - Adherium is currently not profitable and does not expect to become profitable until after achieving successful commercialisation of its products to allow sufficient sales revenue to fund on-going company operations. Adherium may need to finance its future cash needs through equity offerings, debt financing or corporate collaboration. There is no assurance that additional funding would be available in the future or would be secured on acceptable terms.
- (g) **Product liability risk** - As with all medical device products, despite regulatory approvals, there is no assurance that unforeseen adverse events or manufacturing defects will not arise. Adherium may be exposed to the risk of product liability claims, which are inherent in the design, manufacturing, marketing, and use of medical devices. While Adherium holds a level of product liability insurance, that insurance may not sufficiently cover the claims of a product liability suit. Product liability claims may damage Adherium's reputation and may destroy or substantially diminish Adherium's business. Defending a suit, regardless of its merits, could be costly and could divert management attention from core business activities.
- (h) **Disruption of business operations** - The Company and its customers are exposed to a large range of operational risks relating to both current and future operations. Such operational risks include occupational health & safety and natural disasters. A disruption in the Company's operations or those of its customers may have an adverse impact on the Company's growth prospects, operating results and financial performance.
- (i) **General risks** - There are risks associated with any share market investment. These include market fluctuation, liquidity, general economic conditions, and taxation amongst others. Other risks include those normally found in conducting business, including litigation resulting from breach of agreements or in relation to employees or any other cause. These could adversely affect Adherium's operations or the value of its shares.

6.4 No recommendation

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

6.5 Taxation implications

Eligible Shareholders should be aware that there may be taxation implications associated with participating in the Offer. The Directors do not consider it appropriate to give

Shareholders advice regarding the taxation consequences of subscribing for New Shares under this Offer Document.

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

6.6 Governing law

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

6.7 Enquiries concerning this Offer Document

Enquiries relating to this Offer Document should be directed to the Company at investors@adherium.com.

7. DEFINED TERMS

\$ or AUD means Australian dollar.

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

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

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

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

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

Board means the board of Directors.

Closing Date means the closing date of the Offer being 5.00pm (AEDT) on 10 January 2020 (subject to the right of the Company to vary the date without notice).

Company or **Adherium** means Adherium Limited ACN 605 352 510.

Directors means the directors of the Company.

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

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

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

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

Issue Price means \$0.03 per New Share.

Listing Rules means the listing rules of the ASX.

Minimum Subscription Amount is \$2,500,000, including New Shares subscribed for under the Top-Up Facility and the Shortfall Offer and any New Shares allotted by the Company to wholesale or sophisticated investors to take up the balance of any part of the Shortfall after conclusion of the Offer.

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

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

Offer Document means this offer document dated 19 December 2019.

Opening Date means the opening date of the Offer being 19 December 2019 (subject to the right of the Company to vary the date without notice).

Record Date means 7.00pm (AEDT) on 16 December 2019.

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

Share Registry means Computershare Investor Services Pty Limited.

Shareholder means a holder of Shares.

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

Shortfall Offer means the offer by the Directors to place any Shortfall at their discretion (other than to Directors and related parties of the Company) within 3 months after the close of the Offer at a price not less than the Issue Price of \$0.03 per New Share.

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

8. CORPORATE DIRECTORY

DIRECTORS

Mr Thomas Lynch (Chair)
Mr Jeremy Curnock Cook
Dr William Hunter
Mr Bruce McHarrie
Mr Matthew McNamara
Mr Bryan Mogridge

COMPANY SECRETARIES

Mr Rob Turnbull
Mr Mark Licciardo

REGISTERED OFFICE

Collins Square, Tower 4
Level 18, 727 Collins St
Melbourne VIC 3000, Australia

PRINCIPAL ADMINISTRATIVE OFFICE

Level 11, 16 Kingston Street
Auckland 1010, New Zealand

WEBSITES

www.adherium.com
www.hailie.com

SHARE REGISTRY

Computershare Investor Services Pty Limited
Yarra Falls, 452 Johnson Street, Abbotsford, Victoria, 3067, Australia



Adherium Limited
ABN 24 605 352 510

For all enquiries:
Investors@adherium.com

Web:
www.investorcentre.com/contact

ADR
MR SAM SAMPLE
123 SAMPLE STREET
SAMPLETOWN VIC 3000

Make your payment:



See overleaf for details of the Offer and how to make your payment

Non-Renounceable Rights Issue — Entitlement and Acceptance Form

 **Your payment must be received by 5:00pm (AEDT) Friday, 10 January 2020**

This is an important document that requires your immediate attention. It can only be used in relation to the shareholding represented by the details printed overleaf. If you are in doubt about how to deal with this form, please contact your financial or other professional adviser.

Step 1: Registration Name & Offer Details

Details of the shareholding and entitlements for this Offer are shown overleaf.

Please check the details provided and update your address via www.investorcentre.com if any of the details are incorrect.

If you have a CHESS sponsored holding, please contact your Controlling Participant to notify a change of address.

Step 2: Make Your Payment

You can apply to accept either all or part of your Entitlement. If you accept your full Entitlement, you can also apply for Additional Shares. Enter the number of New Shares you wish to apply for and the amount of payment for those New Shares.

By making your payment you confirm that you agree to all of the terms and conditions as detailed in the Offer Document dated 19 December 2019.

Choose one of the payment methods shown below.

BPAY®: See overleaf. Do not return the payment slip with BPAY payment.

By Mail: Complete the reverse side of the payment slip and detach and return with your payment. Make your cheque, bank draft or money order payable in Australian dollars to "**Adherium Limited**" and cross "**Not Negotiable**". The cheque must be drawn from an Australian bank. Cash is not accepted.

New Zealand shareholders can alternatively contact the Company directly at investors@adherium.com should they wish to draw their payment from a New Zealand bank.

Payment will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques received may not be re-presented and may result in your Application being rejected. Paperclip (do not staple) your cheque(s) to the payment slip. Receipts will not be forwarded. Funds cannot be debited directly from your account.

Entering your contact details is not compulsory, but will assist us if we need to contact you.

Turn over for details of the Offer →

Adherium Limited Non-Renounceable Rights Issue
Payment must be received by 5:00pm (AEDT) Friday, 10 January 2020


© Registered to BPAY Pty Limited ABN 69 079 137 518

Entitlement and Acceptance Form with Additional Shares

X 9999999991

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STEP 1 Registration Name & Offer Details

 For your security keep your SRN/
HIN confidential.

Registration Name: MR SAM SAMPLE
123 SAMPLE STREET
SAMPLETOWN VIC 3000


Entitlement No: 12345678

Offer Details: Existing shares entitled to participate as at
7.00pm (AEDT) Monday, 16 December 2019:


Entitlement to New Shares
on a 1 for 1 basis:

Amount payable on full acceptance
at \$0.03 per New Share:

STEP 2 Make Your Payment

	Biller Code: 309245 Ref No: 1234 5678 9123 4567 89
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Pay by Mail:

 Make your cheque, bank draft or money order payable to "**Adherium Limited**" and cross "**Not Negotiable**".

Return your cheque with the below payment slip to:

Computershare Investor Services Pty Limited
GPO BOX 505 Melbourne Victoria 3001 Australia

Contact your financial institution to make your payment from your cheque or savings account.

Lodgement of Acceptance

If you are applying for New Shares and your payment is being made by BPAY, you do not need to return the payment slip below. Your payment must be received by no later than 5:00pm (AEDT) Friday, 10 January 2020. Applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment, and should therefore take this into consideration when making payment. Neither Computershare Investor Services Pty Limited (CIS) nor Adherium Limited accepts any responsibility for loss incurred through incorrectly completed BPAY payments. It is the responsibility of the applicant to ensure that funds submitted through BPAY are received by this time.

If you are paying by cheque, bank draft or money order the payment slip below must be received by CIS by no later than 5:00pm (AEDT) Friday, 10 January 2020. You should allow sufficient time for this to occur. A reply paid envelope is enclosed for shareholders in Australia. Other Eligible Shareholders will need to affix the appropriate postage. Return the payment slip below with cheque attached. Neither CIS nor Adherium Limited accepts any responsibility if you lodge the payment slip below at any other address or by any other means.

Privacy Notice

The personal information you provide on this form is collected by Computershare Investor Services Pty Limited (CIS), as registrar for the securities issuers (the issuer), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. In addition, the issuer may authorise us on their behalf to send you marketing material or include such material in a corporate communication. You may elect not to receive marketing material by contacting CIS using the details provided above or emailing privacy@computershare.com.au. We may be required to collect your personal information under the Corporations Act 2001 (Cth) and ASX Settlement Operating Rules. We may disclose your personal information to our related bodies corporate and to other individuals or companies who assist us in supplying our services or who perform functions on our behalf, to the issuer for whom we maintain securities registers or to third parties upon direction by the issuer where related to the issuer's administration of your securityholding, or as otherwise required or authorised by law. Some of these recipients may be located outside Australia, including in the following countries: Canada, India, New Zealand, the Philippines, the United Kingdom and the United States of America. For further details, including how to access and correct your personal information, and information on our privacy complaints handling procedure, please contact our Privacy Officer at privacy@computershare.com.au or see our Privacy Policy at <http://www.computershare.com/au>.

[Detach here](#) - - -

Adherium Limited Acceptance Payment Details

Entitlement taken up:

Number of Additional Shares applied for:

Amount enclosed at \$0.03 per New Share: **A\$**



Entitlement No: 12345678

Payment must be received by 5:00pm (AEDT) Friday, 10 January 2020

MR SAM SAMPLE
123 SAMPLE STREET
SAMPLETOWN VIC 3000

Contact Details

Contact Name _____ Daytime Telephone _____

Cheque Details

Drawer	Cheque Number	BSB Number	Account Number	Amount of Cheque
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	A\$ <input type="text"/>

123456789123456789+0000000001-3051+14