

26 October 2020

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

Companies Announcements Office  
ASX Limited

Level 11, 16 Kingston Street  
Auckland 1010 New Zealand

Dear Sir/Madam

### **Cleansing notice under 708A(12C)(e) of the Corporations Act 2001 (Cth)**

On 26 October 2020 Adherium Limited ACN 605 352 510 (**ADR** or **Company**) announced that it had entered into a subscription agreement (**Subscription Agreement**) and general security deed for the issue of Convertible Notes (**Convertible Note Agreement**) (collectively the **Transaction Documents**), with Viburnum Funds Pty Ltd ACN 126 348 990 as trustee for VF Strategic Equities Fund ABN 80 184 573 879 (**Noteholder**). Under the Subscription Agreement, subject to satisfaction of the conditions, the Company is to issue 3,000 Convertible Notes (each with a face value of \$1,000) (each a **Note**). Each Note is convertible into fully paid ordinary shares in the capital of the Company (**Shares**). The Company issued the Notes today (26 October 2020), in return for the payment by the Noteholders of a total subscription amount of \$3,000,000. The terms of the Notes are described in the attached Schedule.

The Notes were issued without disclosure to investors under Part 6D.2 of the *Corporations Act 2001 (Cth)* (**Act**) as the Noteholders are exempt investors pursuant to Part 6D.2. The Notes are to be issued without shareholder approval as they fall within the Company's current capacity under ASX Listing Rule 7.1.

ADR issues this notice (**Cleansing Notice**) under section 708A(12C)(e) of the Act, as notionally inserted by *ASIC Corporations (Sale Offers: Securities Issued on Conversion of Convertible Notes) Instrument 2016/82* (**ASIC Instrument**). The issue of this Cleansing Notice enables the Shares issued by the Company on the conversion of the Notes (**Conversion**) to be on-sold to retail investors without further disclosure.

#### **1. Contents of this Cleansing Notice**

This Cleansing Notice sets out the following information:

- a) in relation to the Notes:
  - (i) the effect that the issue of the Notes and the issue of the Shares on the conversion of Notes have on ADR; and
  - (ii) a summary of the rights and liabilities attaching to the Notes and the Shares that will be issued on the Conversion of the Notes;
- b) any information that:
  - (i) has been excluded from a continuous disclosure notice in accordance with the ASX Listing Rules (**Listing Rules**); and
  - (ii) investors and their professional advisors would reasonably require for the purpose of making an informed assessment of:

- (A) the assets and liabilities, financial position and performance, profits and losses and prospects of ADR; and
- (B) the rights and liabilities attached to the Notes and the Shares,
- c) other additional information including content relating to ADR's status as a disclosing entity which is required under the ASIC Instrument.

## 2. Background

### 2.1. No Offer

No offer or invitation is made pursuant to this Cleansing Notice for any person to subscribe for or apply to acquire any Notes or Shares.

### 2.2. Material Terms of the Subscription Agreement

ADR agreed, upon satisfaction of the conditions under the Subscription Agreement and receipt of the Note subscription funds of \$3,000,000, to issue 3,000 Notes, each with a face value of \$1,000, deliver a Note Certificate evidencing the issue of the Notes subscribed for and to give ASX this cleansing notice.

The terms and conditions applicable to the Notes are annexed to the Subscription Agreement and are included in the Note terms (summarised in the Schedule to this Notice). The Subscriber acknowledged that no formal disclosure document (such as a prospectus) would be lodged with ASIC for the issue of the Notes (or the Shares issuable on conversion of the Notes).

The conditions precedent to subscription for the Notes included ASX confirmation that the terms of the Notes complied with Listing Rule 6.1 and execution of the Security Documents.

### 2.3. Material Terms of the Convertible Note Agreement

The Notes have been issued pursuant to the terms the Transaction Documents. A detailed summary of the terms and conditions of the Notes is contained in the Schedule. The material terms of the Notes are set out below.

#### 2.3.1. Face Value

3,000 Notes each with a face value of \$1,000.

#### 2.3.2. Interest Rate

9% per annum.

#### 2.3.3. Purpose

ADR will use the funds raised upon the issue of the Notes for the purposes of working capital.

#### 2.3.4. Payment of the subscription price

The Noteholders will pay a total subscription price of \$3,000,000 for the Notes upon the issue of the Notes.

#### 2.3.5. Conversion Price

\$0.03 per Share, subject to certain adjustments described in the Schedule.

#### 2.3.6. Maturity Date

2 years from the Issue Date.

### 2.3.7. Redemption

Upon the Maturity Date, subject to certain amendments described in the Schedule.

### 2.3.8. Security

ADR has provided a general security deed to secure repayment of monies owing pursuant to the Notes and procured a guarantee and general security deed over its New Zealand subsidiary.

### 2.3.9. Other obligations

ADR provided various undertakings and representations under the Convertible Note Agreement.

## 3. Convertible Note Issue

### 3.1. Effect of the issue of Notes on ADR

The principal effect of issue of the Notes will be:

- 3.1.1. an increase in the cash held by ADR by the amount of \$3,000,000 before fees and expenses of the issue;
- 3.1.2. an increase in the number of unquoted Notes on issue from 0 to 3,000;
- 3.1.3. the indebtedness of ADR to \$3,000,000 plus accrued interest (described below); and
- 3.1.4. if the Notes are converted, subject to any adjustment under the Note terms, at a Conversion Price (being \$0.03 per ADR share), a maximum increase in the number of Shares on issue from 678,534,060 to 778,534,060.

### 3.2. Rights and liabilities of the Convertible Bond

The terms of the Notes are contained in the Schedule to this Notice.

### 3.3. Effect on Capital Structure

The capital structure of ADR will be affected by any conversion of the Notes, as each conversion will result in additional Shares being issued. At that time, ADR's debt position will correspondingly decrease by the amount of the debt converted.

The number of Shares issued on any conversion of the Notes will be calculated by dividing the aggregate of the repayment amount of the Notes being converted, plus any accrued interest which is due and payable on the conversion date (**Aggregate Repayment Amount**) by the conversion price (namely \$0.03) per Share (which price is subject to adjustments indicated in the Schedule to this Notice)(**Conversion Price**). If the Notes are converted at the Conversion Price of \$0.03 per Share, the share capital structure of the Company before and after the conversion would be as appears in the Table below.

For conversion of the Convertible Note, the number of Shares into which the Aggregate Repayment Amount will convert will be determined subject to ASX Listing Rule 7.1. The impact of the issue of the Notes on the capital structure of the Company is detailed below to outline:

- (A) current issued capital immediately prior to the issue of the Notes;
- (B) maximum number of securities that could be issued under a conversion of all the Notes at a Conversion Price of 3 cents, and
- (C) share capital structure assuming conversion of all of the Notes (assuming no conversion of any convertible notes other than these Notes) –

		<b>Unlisted Options</b>	<b>Ordinary Shares</b>
(A)	Current issued capital as at close of business on 23 October 2020	57,252,156	678,534,060
(B)	Maximum number of securities to be issued upon conversion of the Notes	nil	100,000,000
(C)	Share capital structure assuming conversion of all of the Notes	57,252,156	778,534,060

### **3.4. Effect of Conversion on Noteholder's shareholdings**

As at the date of this notice the Noteholder does not have a relevant interest (as defined in the *Corporations Act 2001*) in the Company.

If all of these Notes are Converted by the Noteholders at the Conversion Price, the Noteholder's relevant interest (assuming the Company does not issue any other Shares prior to such Conversion) increases to 12.8%. If the Company does issue further Shares prior to this Conversion, the potential relevant interest of the Noteholder would not increase to this same extent.

### **3.5. Pro Forma Consolidated Statement of Financial Position taking into account the issue of the Convertible Notes**

Set out in Annexure A is a pro forma consolidated Statement of Financial Position for the Company and its controlled entities ("consolidated entity") based on the audited financial statements of the consolidated entity as at 30 June 2020 adjusted to reflect the proposed Convertible Notes issue and has been prepared on the basis of the accounting policies normally adopted by the Company.

The pro forma financial information is presented in an abbreviated form in so far as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements. The pro forma financial information is also not audited and does not reflect any other events which have occurred after 30 June 2020. The classification of the allocations between debt and equity for the Convertible Notes may change in the future.

## **4. Rights and liabilities of the Shares**

This section provides a summary of the rights attaching to the Shares and is not to be taken as to be exhaustive or to constitute a definitive statement of the rights and liabilities of shareholders of ADR (**ADR Shareholders**).

The full terms of the rights and liabilities attaching to the Shares is contained in the ADR Constitution (a copy of the Constitution is available on ADR's website [www.adherium.com](http://www.adherium.com) or from ADR on request free of charge). The rights and liabilities attaching to Shares can involve complex questions of law arising from an interaction of ADR's constitution with statutory and common law requirements.

For an ADR Shareholder to obtain a definitive assessment of the rights and liabilities which attach to Shares in specific circumstances, the ADR Shareholder should seek their own

legal advice.

The Shares to issue on a Conversion of a Note will rank equally in all respects with existing Shares. In subscribing for the Notes the Noteholder agreed that the Shares to issue upon Conversion are bound by the terms of the Constitution.

The following is a broad summary of the rights, privileges and restrictions attaching to all Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders.

a) General Meetings and Notice

Each Shareholder is entitled to receive notice of all general meetings of the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, the Corporations Act or the Listing Rules. Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company. Shareholders may requisition meetings in accordance with Section 249D of the Corporations Act.

b) Voting Rights

Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at general meetings of Shareholders or classes of Shareholders:

- (i) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (ii) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder entitled to vote has one vote; and
- (iii) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder entitled to vote shall, in respect of each fully paid Share held by him or her, or in respect of which he or she is appointed a proxy, attorney or representative, have one vote for every fully paid Share, but in respect of partly paid Shares shall have a fraction of a vote equal to the proportion that the amount paid bears to the issue price of the Shares.

c) Dividend Rights

While there is no guarantee of any dividends or distributions by the Company, the Directors may from time to time declare dividends in compliance with the Corporations Act. Subject to the rights of persons entitled to Shares with special rights as to dividends (at present there are none), all dividends are paid in the proportion that the amounts paid on those Shares bear to the issue price of the Shares.

d) Winding Up

If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the Shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he or she considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

e) Transfer of Shares

Shares in the Company are freely transferable, subject to formal requirements, and so long as the registration of the transfer does not result in a contravention of or failure to observe

the provisions of a law of Australia and the transfer is not in breach of the Corporations Act or the Listing Rules.

f) Variation of Rights

The Company may, subject to the Corporations Act and with the sanction of a special resolution passed at a meeting of Shareholders, or with the written consent of the majority of Shareholders in the affected class, vary or abrogate the rights attaching to Shares.

## 5. Continuous disclosure obligations

### 5.1. Continuous disclosure

ADR is a "disclosing entity" for the purposes of section 111AC of the Act. As such, it is subject to regular reporting and disclosure obligations. Copies of documents lodged with ASIC in relation to ADR may be obtained from or inspected at an ASIC office.

ADR is also required to disclose to ASX any information of which it is, or becomes, aware concerning it and which a reasonable person would expect to have a material effect on the price or value of securities of ADR.

ADR will provide a copy of each of the following documents, free of charge, to any person who asks for it:

- a) the annual financial report for the financial year ended 30 June 2020, being the annual financial report most recently lodged with ASIC by ADR; and
- b) any continuous disclosure notices given by ADR after the lodgement of the annual financial report referred to in paragraph (a) above and before the lodgement of this Cleansing Notice with ASX.

Upon request, the Company will provide a copy of all documents used to notify the ASX of information relating to the Company (under the provisions of the Listing Rules) from 28 August 2020, being the date of lodgement of the Company's consolidated financial statements for the year ending 30 June 2020, to the date of lodgement of this Notice, free of charge.

A list of the continuous disclosure notices given by the Company to ASX after lodgement of the annual financial report referred to in paragraph (a) above and before the lodgement of this Cleansing Notice with ASX is as follows:

Date	ASX Announcement
26 October 2020	Adherium secures \$3m funding from Viburnum
22 October 2020	Appendix 3G – ESOP
22 October 2020	Appendix 2A – ESP shares
28 August 2020	Corporate Governance Statement 2020
28 August 2020	Appendix 4G
28 August 2020	2020 Annual Report to Shareholders

## 5.2. No further information to disclose

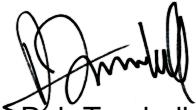
Aside from the information contained in this Cleansing Notice and documents previously lodged by ADR with the ASX pursuant to its continuous disclosure obligations, there is no additional information about the issue of the Notes that:

- a) has been excluded from a continuous disclosure notice in accordance with the Listing Rules; and
- (a) is information that investors and their professional advisers would reasonably require for the purpose of making an informed assessment of:
  - (i) the assets and liabilities, financial position and performance, profits and losses and prospects of ADR; and
  - (ii) the rights and liabilities attaching to the Notes or Shares.

## 6. No Responsibility

Neither ASX, ASIC nor any of their respective officers take responsibility for the contents of this Cleansing Notice.

Yours faithfully



Rob Turnbull  
Joint Company Secretary

## SCHEDULE

### Summary - Convertible Note Terms

The Company has entered into a secured convertible note agreement (“**Convertible Note Agreement**”) pursuant to which it has issued convertible secured notes (“**Notes**”) for an aggregate principal amount of AUD\$3,000,000 (“**Financing**”).

The subscriber for the Notes (**Noteholder**) is an exempt person/s under Chapter 6D of the Corporations Act 2001 (Cth), i.e. wholesale and sophisticated Investors.

The Financing is the result of arm’s length negotiations conducted between the Company and the Noteholder.

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

Term	Description
<b>Interest:</b>	9% per annum, payable quarterly in arrears. The Company has the choice of deferring payment of interest, in which case interest also accrues on the deferred interest payments. If penalty interest applies, then interest accrues at a rate of 11% per annum.
<b>Maturity Date:</b>	25 October 2022.
<b>Security and priority:</b>	The Notes are secured. Repayment of the Notes and other moneys owing under the Convertible Note Agreement is secured over the assets and undertaking of the Company pursuant to the terms of a general security agreement entered by the Company and the Noteholder. This security must be released by the Noteholder on the Convertible Notes being converted or redeemed and all other moneys owing being repaid.
<b>Timing of Conversion:</b>	The Noteholder may elect to Convert all of the Notes at \$0.03 per Share ( <b>Conversion Price</b> ) upon the satisfaction of at one of the following conditions: (a) ADR enters into a binding agreement to partner with an Industry Partner, (b) 6 months after the issue of the Note, (c) if there has occurred a Change of Control Trigger Event or an Event of Default, or (d) ADR agrees to an earlier conversion.
<b>Shares to issue on Conversion:</b>	The number of Ordinary Shares to be issued on exercise of a Conversion Right shall be determined by dividing the Face Value Amount of each Note outstanding, plus any accrued and unpaid interest owing, by the Conversion Price. The Conversion price shall be adjusted (Conversion Price Adjustments) for (a) consolidation, reclassification, redesignation or subdivision of the Ordinary Shares (collectively <b>Capital Restructure</b> ); (b) dividend, repayment of capital or distribution of surplus assets, profits or otherwise (collectively a <b>Distribution</b> ); and



	<p>(c) any Share issues at a price less than current market price (a <b>Discounted Issue</b>) as detailed below.</p>
<p><b>Conversion Price Adjustments:</b></p>	<p>Where there is a <b>Capital Restructure</b>, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Capital Restructure by A/B, where  "A" is the aggregate number of issued Shares immediately before the Capital Restructure, and  "B" is the aggregate number of issued Shares immediately after, and as a result of, the Capital Restructure.</p> <p>Where there is a <b>Distribution</b> the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Distribution by (A-B)/A, where  "A" is the <b>Current Market Price</b> (being the lower of (i) the ASX closing price on the preceding trading day and (ii) a 5 day VWAP) on the first trading day the Shares traded ex-the Distribution rights; and  "B" is the portion of the Fair Market Value (as determined by an independent financial adviser) of the aggregate Distribution attributable to one Share, with such portion being determined by dividing the Fair Market Value of the aggregate Distribution by the number of Shares entitled to receive the relevant Distribution.</p> <p>Where there is a <b>Discounted Issue</b> of Shares (other than Shares issued on a Conversion or issued pursuant to ADR's employee incentive plans) or options (other than options issued pursuant to ADR's employee incentive plan) the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Discounted Issue by (A+B)/C, where:  "A" is the aggregate number of issued Shares immediately before the Discounted Issue,  "B" is the number of Shares which the aggregate consideration (if any) receivable for the issue of such additional Shares would purchase at such Current Market Price (as defined above) per Share, and  "C" is the number of issued Shares immediately after the issue of such additional Shares.</p>
<p><b>Regulatory Breach:</b></p>	<p>ADR shall not effect the conversion of any Note to the extent that such issue would result in a Regulatory Breach (where a '<b>Regulatory Breach</b>' is a prohibition against, or a restriction to, the Noteholder receiving Shares upon conversion by any applicable law or regulation in force in Australia).</p> <p>If a potential Regulatory Breach relates to the ASX Listing Rules or Chapter 6 of the Corporations Act, ADR must</p> <p>(a) Issue Shares on Conversion to the extent possible without causing a Regulatory Breach, and</p> <p>(b) in respect of the balance that cannot be issued under (a) above (<b>Share Conversion Balance</b>)</p>

	<ul style="list-style-type: none"> <li>(i) ADR must convene an ADR shareholders' meeting within 60 days to seek ADR shareholder approval to issue the Share Conversion Balance;</li> <li>(ii) if ADR shareholders do not approve the issue of the Share Conversion Balance within the 60 days then the Issuer will satisfy the balance of such Conversion Right by paying in cash in Australian Dollars in an amount equal to the VWAP of the Ordinary Shares on the Trading Day preceding the final day of the period.</li> </ul>
<b>Change of Control or Capital Event:</b>	Following an announcement of a upcoming change of control of the Company, or the occurrence of a Capital Event (where ADR has not raised at least \$20m in cash or kind within 12 months of the issue of the Notes), the Noteholder has the right to require the Company to Convert or Redeem all of the Note (at an amount equal to 110% of the Face value plus accrued but unpaid interest).
<b>Redemption:</b>	Unless previously redeemed or converted, ADR will redeem the Note at its outstanding principal amount on the Maturity Date plus all accrued and unpaid interest.
<b>Events of Default:</b>	<p>The Convertible Note Deed also includes customary events of default including:</p> <ul style="list-style-type: none"> <li>• the Company fails to pay or repay amounts due, or issue Shares on Conversion or breaches an undertaking;</li> <li>• occurrence of an insolvency event;</li> <li>• ADR incurs any future indebtedness for monies borrowed or raised, or fails to pay any amount under any guarantee or indemnity, in each case where that occurrence has a material adverse effect on ADR;</li> <li>• enforcement proceedings are issued, or judgement entered, against the Company for an amount in excess of \$50,000;</li> <li>• any other security for an amount in excess of \$50,000 is enforced against the Company.</li> </ul> <p>On the occurrence of an Event of Default, the Noteholder may require ADR to redeem or Convert the Note (at an amount equal to 110% of the Face value plus accrued but unpaid interest).</p>
<b>Undertakings:</b>	<p>The Company has given a number of undertakings to the Noteholder which apply whilst there are any Notes on issue, including:</p> <ul style="list-style-type: none"> <li>(a) No reductions of share capital;</li> <li>(b) Not to create any security interests over its assets ;</li> <li>(c) Not to dispose of any assets in excess of a value of \$100,000;</li> <li>(d) Not to incur any financial indebtedness other than permitted indebtedness;</li> <li>(e) not to increase executive management costs by more than 5%;</li> <li>(f) not issue any equity linked securities (excluding securities under ADR's employee incentive plans).</li> </ul>

## ANNEXURE A

### Pro Forma Consolidated Statement of Financial Position taking into account the issue of the Convertible Notes

The following pro forma consolidated Statement of Financial Position for the Company and its controlled entities (“consolidated entity”) is based on the audited financial statements of the consolidated entity as at 30 June 2020 adjusted to reflect the Convertible Notes issue and has been prepared on the basis of the accounting policies normally adopted by the Company.

The pro forma financial information is presented in an abbreviated form in so far as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements. The pro forma financial information is also not audited and does not reflect any other events which have occurred after 30 June 2020. The classification of the allocations between debt and equity for the Convertible Notes may change in the future.

<b>PRO-FORMA STATEMENT OF FINANCIAL POSITION</b>	<b>30 June 2020</b>	<b>Issue of Convertible Notes</b>	<b>Pro-forma</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	4,584	3,000	7,584
Trade and other receivables	624		624
Inventories	1,120		1,120
Prepayments	150		150
<b>Total current assets</b>	<b>6,478</b>		<b>9,478</b>
<b>Non-current assets</b>			
Property, plant and equipment	235		235
Intangible assets	5		5
<b>TOTAL ASSETS</b>	<b>6,718</b>		<b>9,718</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	2,646		2,646
Income received in advance	688		688
Secured Convertible Notes	-	3,000	3,000
<b>Total current liabilities</b>	<b>3,334</b>		<b>6,334</b>
<b>NET ASSETS</b>	<b>\$ 3,384</b>		<b>\$ 3,384</b>
<b>EQUITY</b>			
Share capital	87,682		87,682
Accumulated deficit	(58,349)		(58,349)
Other reserves	(25,949)		(25,949)
<b>TOTAL EQUITY</b>	<b>\$ 3,384</b>		<b>\$ 3,384</b>