

YOUR DIRECTORS UNANIMOUSLY RECOMMEND THAT YOU

REJECT

RESPIRI'S OFFER

TO REJECT THE OFFER
DO NOTHING

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you do not understand this document or are in any doubt as to how to proceed, please contact your legal, financial, taxation or other professional adviser before taking any action.



Main reasons to reject the offer:

<p>Respiri want to acquire your Adherium shares at a 37.0% discount to their current market price¹</p>	<ul style="list-style-type: none"> • Respiri talk in their offer document about premiums of up to 50.2% (as at 28 April 2021) and discounts down to 9.9% (as at 25 May 2021). However Respiri's calculations are largely based on average prices over periods of up to 30 days, <u>not current market prices</u>. • As at 23 June 2021, being the most recent practicable date before the date of this Target's Statement, Adherium shares closed at 1.7 cents per share, and Respiri shares closed at 7.5 cents per share. If you accept the offer you will only receive one Respiri share for every seven Adherium shares, meaning Respiri will acquire your shares at a 37% discount based on the above closing prices¹.
<p>There is only a weak strategic alignment between Adherium and Respiri</p>	<ul style="list-style-type: none"> • Adherium does not believe the combined operations of Adherium and Respiri would "diversify" investment risk as indicated by Respiri in its Bidder's Statement. Adherium's strategy is to establish an eco-system of sensors around its existing six sensors, multiple apps, and cloud platform and clinician portal. Respiri has one sensor and app, "wheezo", which currently to Adherium's knowledge lack clinical or commercial validation. • Respiri's plan is to use distributors to market "wheezo" to consumers through pharmacies. Direct-to-Consumer is a strategy Adherium has tried and was unsuccessful.
<p>Adherium believes it has good long term prospects through the development of new sensors and eco-system</p>	<ul style="list-style-type: none"> • Adherium's strategy is to establish an industry leading position in the development and commercialisation of an integrated multi-sensor respiratory management "ecosystem". • In addition, the integration of physiological measures into existing sensors in the US market is anticipated to open opportunities to access a share of reimbursed remote monitoring revenue alongside the revenue accessible today through value based and risk share contracts.
<p>Adherium has just raised \$18 million in new capital for its strategic plans and converted all secured note debt to shares, meaning it has no long-term debt</p>	<ul style="list-style-type: none"> • Respiri's Offer is opportunistically timed with Adherium's recent capital raise of \$18 million and the capitalisation of Adherium's convertible notes. • The development and commercialisation of medical devices and related software and platforms can be costly, and Respiri may not have sufficient funds to achieve this with "wheezo". If Respiri gains control of Adherium, the new capital raised by Adherium could be diverted away from Adherium's strategic plans of an integrated multi-sensor respiratory management "ecosystem".

Section 2 of this Target's Statement sets out in more detail the reasons for your Directors' unanimous recommendation to **REJECT** the offer.

¹Closing market price of 1.7 cents per Adherium share and 7.5 cents per Respiri share as at 23 June 2021. Source: Bloomberg

Letter from Chairman



28 June 2021

Dear Adherium Shareholder,

You will have recently received from Respire Limited ACN 009 234 173 (**Respire**) an unsolicited, conditional off-market, all share offer to acquire your Adherium Shares.

Respire is not offering any cash for your Adherium Shares. Instead, they are offering one (1) Respire Share for every seven (7) Adherium Shares you hold (**Offer**).

The Adherium Board unanimously recommends Shareholders **REJECT** Respire's unsolicited, opportunistic and conditional Offer. **TO REJECT THE OFFER, DO NOTHING.**

This document is our Target's Statement which sets out the unanimous recommendation of your Directors to **REJECT** Respire's opportunistic and conditional Offer and the reasons for making that recommendation.

Your Directors who collectively have an interest in 20.4% of Adherium Shares, each individually currently intend to **REJECT** the Offer in respect of the Adherium Shares they hold. Also, when including other Adherium Shareholders who have each individually indicated their intention to the Board, over 61% of the Adherium Shares on issue currently intend to **REJECT** the Offer.

The key reasons for your Directors' recommendation are:

1. based on the respective share prices of Adherium and Respire as at 23 June 2021 (being the most recent practicable date), Respire is offering to acquire your Adherium shares at a **37.0% discount** to their market price. In Adherium's opinion, Respire do not offer any rationale as to why Shareholders should consider their Offer as representing a premium;
2. the strategic alignment between Adherium and Respire is weak;

3. Adherium as a stand-alone entity has strong prospects as outlined in this Target's Statement;
4. Respire's Offer is opportunistically timed with Adherium's recent capital raise of \$18 million and the capitalisation of Adherium's convertible notes.

Section 2 of this Target's Statement sets out in more detail each of the reasons for your Directors' unanimous recommendation to **REJECT** this opportunistic Offer. You should read these reasons in full.

Respire lists six benefits for Adherium shareholders who accept the Offer. Your Directors believe these "benefits" are either irrelevant or of no material benefit at all.

Further, you should read both the Bidder's Statement and this Target's Statement in its entirety. You should also carefully consider the Offer having regard to your own personal risk profile, investment strategy and tax position.

Your Directors encourage you to seek independent legal, financial, taxation or other professional advice in relation to your overall assessment of the Offer.

Your Directors will continue to keep you updated on all material developments relating to the Offer. All company announcements are available on our website, www.adherium.com.

If you have any questions in relation to this Target's Statement, please email us directly at companysec@adherium.com.

Yours sincerely,

James Ward-Lilley
Chairman, Adherium Limited

Table of Contents

Letter from Chairman	1
1. Important Information	3
2. Your Directors Recommendation	6
3. Overview of the Offer and frequently asked questions	14
4. Your alternatives as an Adherium Shareholder	20
5. Summary of Respiri's Offer and other important information	23
6. About Adherium	33
7. Taxation consequences	41
8. Additional information	45
9. Glossary	48
Corporate Directory	53

1.

Important Information



1. Important Information

Key Dates

Bidder's Statement lodged with ASIC and ASX	27 May 2021
Offer Period opens	15 June 2021
Date Respiri must advise on the status of the Conditions	8 July 2021
Offer Period closes (unless Offer is extended or withdrawn)	7:00pm (Sydney time) on 16 July 2021

1.1 Nature of this document

This is a Target's Statement dated 28 June 2021 and is issued by Adherium Limited ACN 605 352 510 (**ADR, Adherium or the Company**) under Part 6.5 of Chapter 6 of the Corporations Act in response to the off-market takeover offer made by Respiri Limited ACN 009 234 173 (**Respiri**) in its Bidder's Statement.

A copy of this Target's Statement was lodged with ASIC and ASX on 28 June 2021. Neither ASIC, ASX nor any of their respective officers takes any responsibility for the content of this Target's Statement.

The Target's Statement is an important document and you should read it in its entirety.

1.2 Respiri's information in this Target's Statement

The information in this Target's Statement in relation to Respiri has been prepared by Adherium using publicly available information including the Bidder's Statement. Adherium and its Directors are unable to verify the accuracy or completeness of that information. The information on Respiri in this Target's Statement should not be considered comprehensive. Accordingly, to the maximum extent permitted by law, Adherium does not make any representation or warranty, express or implied, as to the accuracy or completeness of that information.

1.3 No investment or personal advice

This Target's Statement does not take into account your individual investment objectives, financial situation or particular needs. It does not contain personal advice. This Target's Statement should not be relied on as the sole basis for any investment decision in relation to Adherium Shares or the Offer generally. You may wish to consult your own independent legal, financial, taxation or other professional advice before making a decision as to whether or not to accept the Offer for your Adherium Shares.

1.4 Disclaimer as to forward-looking statements

This Target's Statement contains forward-looking statements. All statements other than statements of historical fact are forward-looking statements. You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties, many of which are beyond the control of Adherium. Those risks and uncertainties include factors and risks specific to Adherium as well as general economic conditions and conditions in the financial markets, exchange rates, interest rates and the regulatory environment, many of which are outside the control of Adherium and its Directors.

Actual events or results may differ materially from the events or results expected or implied in any forward-looking statement. None of Adherium, any of its officers, any person named in this Target's Statement with their consent, or any person involved in the preparation of this Target's Statement makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward-looking statement, except to the extent required by law. You are cautioned not to place undue reliance on any forward-looking statements.

The forward-looking statements in this Target's Statement reflect views held only as at the date of this Target's Statement. Adherium has no obligation to disseminate any updates or revisions to any statements to reflect any change in expectations in relation to those statements or any change in events, conditions or circumstances on which any of those statements are based unless it is required under Division 4 of Part 6.5 of the Corporations Act to update or correct this Target's Statement (i.e. for certain matters that are material from the point of view of a Shareholder) or under its continuous disclosure obligations under the Corporations Act and the ASX Listing Rules.

1.5 Foreign jurisdictions

The release, publication or distribution of this Target's Statement in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations. This Target's Statement has been prepared in accordance with Australian law and the information contained in this Target's Statement may not be the same as that which would have been disclosed if this Target's Statement had been prepared in accordance with the laws and regulations outside Australia.

1.6 Risk Factors

Adherium Shareholders should note there are a number of risk factors attached to their investment in Adherium and other risks associated with accepting Respi's Offer. Sections 5.3, 6.8 and 6.12 of this Target's Statement sets out further information regarding those risks.

1.7 Privacy

Adherium has collected your information from the Adherium register of Adherium Shareholders for the purpose of providing you with this Target's Statement. The type of information Adherium has collected about you includes your name, contact details and information on your shareholding in Adherium. Without this information, Adherium would be hindered in its ability to issue this Target's Statement. The Corporations Act requires the name and address of Adherium's Shareholders to be held in a public register. Your name may be disclosed on a confidential basis to external service providers (such as print and mail service providers) and may be required to be disclosed to regulators such as ASIC and the ASX. If you would like to obtain details of the information held about you by Adherium, please contact Adherium's Company Secretary.

1.8 Shareholder enquiries

Adherium encourages Shareholders to email Adherium on companysec@adherium.com if you have any queries in relation to the Offer.

For queries regarding your Adherium shareholding please contact Adherium's share registry, Computershare Investor Services Pty Limited (Computershare) Monday to Friday (except public holidays) between 8.30am to 5.00pm (AEST):

T : 1300 850 505 (within Australia)
T : +61 3 9415 4000 (outside Australia)
Online : www.investorcentre.com

1.9 Rounding

Fractional entitlements of Adherium Shareholders who accept the Offer will be rounded to the nearest whole Respi Share. Figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Target's Statement may be subject to the effect of rounding. Accordingly, the actual figures may vary from those included in this Target's Statement.

1.10 Charts, maps and diagrams

Any diagrams, charts, maps, graphs or tables appearing in this Target's Statement are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in diagrams, charts, maps, graphs and tables is based on information available at the date immediately prior to the date of this Target's Statement.

1.11 Glossary

Certain terms used in this Target's Statement have defined meanings, as set out in Section 9 of this Target's Statement.

1.12 Currency

In this Target's Statement, unless the context otherwise requires a reference to dollars, A\$, AUD, \$ and cents is a reference to Australian currency.

1.13 Internet sites

Respi and Adherium each maintain internet sites. The URL location for Respi is <https://respi.co/and> for Adherium is <https://www.adherium.com/>. Information contained in or otherwise accessible through these internet sites is not part of this Target's Statement. All references to these sites in the Target's Statement are for information purposes only.

2.

Your Directors Recommendation



2. Your Directors Recommendation

REJECT the Respiri offer
To REJECT the Offer – DO NOTHING
Ignore all documents and communications sent to you by Respiri

2.1 Recommendation

Your Directors unanimously recommend that you **REJECT** the Offer.

In evaluating the Offer and making your decision, you should:

- read the Bidder's Statement in its entirety;
- read this Target's Statement in its entirety, in particular the risks of holding Adherium Shares set out in Section 6.12 and the risks of accepting or rejecting the Offer set out in Section 5.3;
- be aware that the Offer is conditional on a number of conditions being satisfied or waived before the expiry of the Offer Period;
- consider the options available to you and ensure you understand the implications of those options, as outlined in Section 4 of this Target's Statement;
- carefully consider Section 2.2 (Reasons you should **REJECT** the Offer) and Section 5 (Summary of Respiri's Offer and other important information) of this Target's Statement;
- have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances; and
- obtain independent financial, legal, taxation or other professional advice on the Offer and your options as set out in this Target's Statement.

Your Directors will keep you informed of any material developments relating to the Offer.

2.2 Reasons you should **REJECT** the Offer

In assessing the Offer, the Directors have had regard to a number of considerations, including the information set out in the Bidder's Statement. The reasons for your Board's recommendation to **REJECT the Offer** are:

REASON #1 **Offer is at a Discount**

Based on the closing share prices on 23 June 2021 (being the last practicable date), Respiri is offering to acquire your Adherium Shares at a discount of 37.0%.

In its revised Bidder's Statement dated 27 May 2021, **Respiri discloses that their Offer actually represents a discount to all of the Adherium traded share price points as at 25 May 2021.**

In calculating the premium or discount being offered for your Adherium Shares, Respire uses a range of volume weighted average prices (VWAPs) across periods of up to 30 days. These do not reflect the actual premium or discount at current market prices. The Bidder's Statement discloses that as at 25 May 2021 the implied Offer value was 1.57 cents, being the **30-day VWAP** of 10.99 cents per Respire share divided by the number of Adherium shares being acquired (seven). The Bidder's Statement discloses that the **discount to the last trading price** for Adherium Shares at close of trade on 25 May 2021 using this implied Offer value was 7.6%.

By comparison, the Respire share price closed at 9.0 cents on 25 May 2021, meaning the implied Offer value per Adherium Share was actually 1.29 cents at that date. Based on this implied Offer value, **the discount** to the last trading price for Adherium Shares at close of trade on 25 May 2021 was much larger at 24.4%.

Based on the closing share prices for Adherium and Respire as at 23 June 2021 - **there is no premium**. In fact, based on those share prices², the aggregate closing price of the Respire shares an Adherium shareholder would receive if accepting the Respire offer is **37.0% less than the closing price of their Adherium shares!**

There is no guarantee of the future share prices for Respire or Adherium.

REASON #2

Weak Strategic Alignment

While the Bidder's Statement states the Offer "diversifies" an investment in Adherium, the Adherium Board believes the Offer, if accepted, would instead increase the investment risk to Shareholders. Shareholders who accepted the Offer will be subject to the risk profile of both companies.

This is compounded by the weak strategic alignment between the two companies given:

- Respire's commercial strategy through pharmacies and Direct-to-Consumer is one which was tried by Adherium and was **previously unsuccessful**. Adherium believes that Respire's Direct-to-Consumer and pharmacy strategy is yet to be proven, including even in its home market of Australia;
- **Respire has only one sensor**, and currently to Adherium's knowledge, there are no publicly available independent clinical trial results attesting to its efficacy, nor is it supported by any independently conducted clinical trial publications in peer reviewed journals. Respire have not announced any other devices in development;
- The clinical significance of measuring wheeze in the diagnosis and treatment of Asthma and COPD increasing physicians' use of a device like "wheezo" over other digitalised devices collecting relevant patient physiological data is, currently to Adherium's knowledge, yet to be established; and
- The use of "wheezo" to meet all necessary criteria to allow physicians to claim under Remote Patient Monitoring (RPM) Current Procedural Terminology (CPT) codes for reimbursement for their activities in the US, has currently to Adherium's knowledge, **not been independently demonstrated or verified**. Adherium's understanding of the key requirements for physician activities to qualify for reimbursement are set out under "Commercial Opportunities" later in this section.

By contrast, Adherium's key value proposition is clear and lies in the management of the difficult to treat patients incurring the highest cost for healthcare systems, including severe and uncontrolled Asthma and COPD patients with a focussed commercial plan in speciality clinics and disease management groups, including providers and payers.

Adherium's Hailie® solution is a platform technology comprising an established suite of cloud and mobile app software, and six regulatory cleared sensors with eight US FDA 510(k) clearances for inhaled medication covering more than 56% of the market by unit sales volume in the US. Adherium also holds clearances for Canada, China and Europe, and Adherium's technology has also been used or evaluated in more than 100 independent studies resulting in peer reviewed journal articles.

Adherium has a **clear strategic plan** for the use of the capital recently provided by its Shareholders—funds will be utilised to deliver its Research and Development roadmap (which includes releasing up to six "next generation" sensors with physiological measures within 18 months, taking coverage of Asthma and COPD inhaled medications to an estimated 80% of the US market by volume and 18 medications³). Concurrently, Adherium will focus on building out an ecosystem of devices widely used and clinically validated in the diagnosis, treatment and management of Asthma and COPD supported by the Hailie® platform and importantly driving the commercialisation of the Hailie® solution.

² Based on a closing price of 1.7 cents for Adherium Shares and a closing price of 7.5 cents for Respire shares on 23 June 2021. Source: Bloomberg

³ Based on US unit volume sales 2019 IQVIA.

REASON #3

Long Term Prospects for Adherium as a Stand-alone Entity

Adherium has clearly articulated its strategy to establish an industry leading position in the development and commercialisation of an integrated multi-sensor respiratory management “ecosystem”, providing clinicians and payors a unique capability to track both the use of the inhaled medicine as well as clinically assess the overall respiratory disease control, initially focusing on uncontrolled, difficult to treat Asthma and COPD patients.

Adherium believes there are multiple avenues through which to generate revenue including specialist distribution (hospitals and clinics), payers (including insurance companies), disease management providers in addition to supporting clinical trials etc. Revenue streams include value based and risk share contracts in addition to sale of sensors and software licencing fees.

The geographical focus is on the United States in part because reimbursement for specific RPM activities is available for physicians through the CPT codes. Adherium believes this reimbursement is likely to act as a catalyst for physicians to adopt the Hailie® solution once next generation sensors incorporating a physiological measurement are available (the 510(k) for the first has been lodged with more to follow).

The market opportunity is growing and being accelerated by the adoption of telehealth and remote patient monitoring because of COVID and, the digitization of a host of medical devices that enhance data capture.

Adherium is well advanced in achieving its goals. In particular:

- Adherium has an active Research & Development roadmap which will deliver:
 - (a) “next generation” sensors with physiological measures which specifically meet the requirements for Healthcare Professionals (HCP) reimbursement through the appropriate CPT codes for remote patient monitoring of patients in the US;
 - (b) increased market coverage of inhaled medications reaching more patients;
 - (c) enhanced patient application and platform features and capabilities;
- Adherium submitted a 510(k) application to the US FDA in April 2021 for the first of its “next generation” sensors with physiological measures, with further submissions to follow in the coming months;
- Development of the multi-sensor device ecosystem is underway. As part of its assessment of the relative prioritisation of new device technologies to be integrated in Adherium’s wider ecosystem approach, Adherium conducted an internal and external review of the value of different types of clinical and other data for physicians in diagnosing and managing Asthma and COPD. This has enabled Adherium to establish a clear set of priorities for the additional digital health devices to be incorporated into the Hailie® platform.
- Based on this, plans to incorporate clinically validated and widely used peak flow meters and spirometers are well advanced with implementation anticipated before the end of calendar 2021. Discussions are continuing with other potential partners to add further devices. Wheeze as a clinical endpoint and the “wheezo” device have not been prioritised, with further progress being subject to further clinical and commercial pilot validation.
- Strong commercial and industry partners (including a key investor) are in place with a growing commercial pipeline of additional partners.
- A depth of Board and management with applicable industry experience and deep exposure to relevant markets and technology.

A combination with Respiro does not in the opinion of the Adherium Board strengthen the likelihood of Adherium’s success, but rather adds additional execution and investment risk, greater product development risk (in combining with Respiro’s “wheezo” product risks) and the potential diversion of commercial focus.

Nor does Adherium benefit from Respiro being a significant or controlling shareholder. To Adherium’s knowledge, based on internal market research, wheeze is not widely clinically recognised in diagnosing or managing Asthma or COPD, and so in the absence of independent clinical validation there is a low priority for the wheezo device to be included in the Adherium ecosystem compared to other technologies. The risk in Respiro becoming a significant or controlling shareholder is Respiro may attempt to divert Adherium from its clear strategic path in order to help Respiro achieve its ambition.

REASON #4

Opportunistic and Conditional Nature of the Respiri Offer

Respiri are only offering their shares as consideration for your Adherium Shares.

The Offer is **conditional** including that Respiri achieve at least 50.1% minimum acceptances (noting that no tax rollover relief will be obtained unless 80% acceptances are achieved under the Offer) among other conditions.

As at the date of this Target's Statement, Respiri has not waived any of these Conditions and none of the Conditions have been satisfied. Therefore, **while the Offer remains subject to any Conditions, Adherium Shareholders who accept the Offer will lose the ability to deal with their Adherium Shares including selling them on-market, except in certain limited circumstances.**

The Adherium Board considers the Respiri offer to be **highly opportunistic** given Adherium, following conversion of the Viburnum Secured Convertible Notes and completion of the capital raise (which was the subject of the Extraordinary General Meeting Shareholders approval at the end of April 2021), now has no long term debt and has just raised \$18 million to fund the next stages of its development and commercialisation.

Additional reasons to REJECT the Respiri Offer

The Adherium Board has considered a number of additional matters in reaching its recommendation to Shareholders to **REJECT** the Respiri offer. These include:

The Respiri business is subject to a range of risks including but not limited to:

- **Regulatory risks:** "wheezo" notwithstanding it may qualify as a physiological measure, may not be used in such a way as to enable physicians to claim reimbursement for their activities using data from "wheezo";
- **Commercialisation risks:** failure to successfully launch "wheezo" in Respiri's initial market, Australia, noting:
 - (a) the unit price of "wheezo" has reduced significantly since launch in late 2020;
 - (b) cash receipts from customers by Respiri in the nine months year to date to 31 March 2021 were \$174,000;
 - (c) on 15 June 2021, Respiri released a "Trading Update" announcement via ASX withdrawing their guidance to the market of sales of \$6-8 million in the 2021 calendar year, and declining to provide any alternative guidance,
- **Product development risks:** exposure to the additional risks in any future development of Respiri's technology.

If you accept the Offer, you risk missing a superior offer from another party if one emerges

Accepting the Offer will deny you of the potential benefits of any subsequent superior proposal by another party, should one emerge, and if all of the conditions of the Offer are waived or satisfied. You will also give up your right to deal with your Adherium Shares while the Offer remains open and conditional without receiving any benefits.

While there can be no certainty or guarantee that a superior proposal will emerge, the Board remains committed to exploring all options that are in the best interests of Shareholders.

Possible Tax Rollover Benefits

The Respiri Bidder's Statement refers to possible tax rollover benefits - but this is **only available if Respiri receive 80% acceptances** (and keep in mind the Respiri offer is based on a 50.1% minimum acceptance). See Section 7 of this Target's Statement for more information.

Commercial Opportunities

Adherium believes there are multiple avenues through which Adherium expects to access sustainable revenues. These include:

- Specialist Distribution (Hospitals & Clinics);
- Disease Management Providers; and
- Payers including insurance companies.

By way of an overview, payers (for example insurers) need evidence of a clear path to cost savings and the medical providers need a path to payment for their services (from insurers and government health authorities). Adherium believes the Hailie® solution can provide both, providing multiple opportunities dependent on the market characteristics.

Clinical research shows the use of the Hailie® solution reduces acute Asthma exacerbations by 61%, hospitalisations by 80% and missed school days by 15%. These improved patient outcomes are anticipated to drive substantial cost savings for payers, generating demand for the Hailie® solution. Building out the ecosystem by adding additional data capturing devices to the platform will increase a Healthcare Professionals (HCP's) ability to develop and monitor treatment plans.

For the US, enabling physicians access to the five relevant CPT codes for reimbursement of Remote Patient Monitoring activities, will assist in supporting the demand for the Hailie® solution. It is important to note, the purchase of access to the Hailie® platform or the devices is **NOT** on its own eligible for reimbursement. Rather, only through HCP's activities accessing and using the Hailie® platform and devices with physiological measures and data capture are the activities reimbursed. Adherium is seeking opportunities to partner with HCPs and share in the reimbursement revenue.

The key requirements which the Hailie® solution must meet in order to allow an HCP to access reimbursement for their activities include:

Key requirements	Does the Hailie® solution and its devices meet the requirement?
1. Device must provide a physiological measure	Next generation sensors under development (the first 510(k) for Hailie® for Symbicort has been submitted) will measure air flows, a recognised physiological measure. In addition, other devices with physiological measures are being integrated to the Hailie® solution
2. The data must be electronically collected & transmitted	Yes
3. Device must meet the US FDA definition of a medical device	Next generation sensors are expected to meet the definition (as existing sensors already comply). Software is currently under US FDA Enforcement Discretion.
4. Data must be medically necessary	Expert opinion confirms measuring airflow is medically necessary and is already reimbursed
5. Data must allow the HCP an understanding of a patient's health status on which to develop and manage a plan of treatment	Adherence, compliance, underuse/overuse of medication and lung function, are indicative of a patient's health status. This data is important both when developing treatment plans and in the ongoing management of the patient
6. Data is digitally stored and transmitted by the patient to the HCP	Yes
7. Patient must be set up by the HCP	Sales channels focused on clinics, providers and payors which all feature HCP's engaging with patients
8. Monitoring must occur on a minimum of 16 days over a 30-day period	Data is automatically recorded each time the Hailie® sensor is used. Highly likely an inhaler will be used at least 16 times per month in line with prescriptions

9. Minimum of 20 minutes review/interaction with patient by HCP each month	HCP initiated – sufficient range of medically relevant data is expected to be available to enable an HCP to assess patient condition and develop treatment plan
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Based on the above summary, Adherium believes the “next generation” sensors will enable HCP’s to access the CPT codes for Remote Patient Monitoring.

It is noted Respiro have not provided a detailed assessment of the likelihood and process which would enable HCPs to demonstrate meeting the necessary requirements to claim reimbursement for their activity in using the “wheezeo” device.

Cash Burn

The Respiro Bidder’s Statement notes the Adherium cash burn is higher than Respiro’s. It further states *“Respiro believes its comparatively stronger cash flow performance can be attributed to, among other things, its experience in bringing its product development and commercialisation functions in-house. In Respiro’s case, this has delivered substantial costs savings and improved agility. This positive experience could be leveraged by Adherium to control cash burn and accelerate a path towards cash flow positivity”*.

The primary reason for the differential in the cash flow is clear – Adherium has been engaged in a high level of activity developing a sophisticated and comprehensive suite of sensors with applications and a platform to support the management of Asthma and COPD. Adherium has obtained and maintained 510(k) clearances in the US and registration in several other jurisdictions around the world for its suite of sensors, in addition to developing the next generation of sensors with physiological measures. Adherium is also actively supporting clinical trials that are underway using the Hailie® solution and developing commercial channels.

Adherium is currently building an in-house focused software and hardware development team as well as continuing to leverage the expertise of its partner Planet Innovation (an award winning contract engineering company) in order to both optimise its research and development spend as well as maximise speed to market. The investor presentation lodged with the ASX on 18 March 2021 outlines the expected use of funds.

Respiro by contrast, has been engaged in developing a single device and associated software with no known current research and development activity for future devices.

The focus Respiro has placed on the respective cash burns, in the opinion of the Adherium Board, provides no rationale in support of the takeover. Whilst there could be some savings in bringing the two companies together, such as listing costs, the Adherium Board does not believe these savings compensate for the strategy execution and dilution risk associated with a potential combination.

Management Teams

Adherium have a balanced, well qualified Board and management team with deep global experience in key areas of respiratory, pharmaceuticals, medical devices, regulatory, supply chain, and market access. Shareholders are encouraged to review the experience and capability of the Respiro board and management team.

2.3 Your Directors’ intend to REJECT the Offer

Your Directors believe that delivery of the Adherium’s current strategy offers Shareholders a better prospect of a return on their investment than accepting the Offer and being exposed to a diluted strategic focus, capability and effort as well as additional risk associated with commercialisation of different technologies. Accordingly, your Directors intend to **REJECT** the Offer in respect of Adherium shares they own.

2.4 Other important considerations

(a) Adherium Majority Shareholders current intentions

Adherium Shareholders who collectively hold in excess of 61% of the Adherium Shares on issue have individually indicated to the Board that they currently intend to reject the Offer.

(b) Minority ownership consequences

If Respiri acquires more than 50.1% but less than 90% of the Adherium Shares then, assuming all other conditions to the Offer are satisfied or waived, Respiri will acquire a majority shareholding in Adherium.

Those Shareholders who did accept the Respiri Offer would not receive the benefit of tax rollover relief **unless acceptances under the Offer are 80% or higher.**

Those Shareholders who do not accept the Offer will in such circumstances become minority shareholders in Adherium. This has a number of possible implications. See Sections 5.4, 5.5 and 5.6 of this Target's Statement for more information of the possible implications.

3.

Overview of the Offer and frequently asked questions



3. Overview of the Offer and frequently asked questions

This Section contains an overview of key information regarding the Offer. It is not intended to address all relevant issues for Adherium Shareholders and is intended as a **summary only**. This Section should be read in conjunction with the more detailed information contained in this Target's Statement and the Bidder's Statement.

Question	Answer
What is this Target Statement?	This Target Statement is Adherium's response to Respiro's unsolicited off-market takeover bid and includes important information to consider before deciding whether to accept Respiro's Offer.
Who is Respiro?	Respiro (ASX: RSH) describes itself as an ASX-listed health-tech company developing mHealth and SaaS solutions for respiratory health management.
What is Respiro offering for my Adherium Shares?	<p>If you accept the Offer, <u>subject to the fulfilment or waiver of the Conditions</u>, you will be entitled to receive one (1) Respiro Share for every seven (7) Adherium Shares that you own.</p> <p>If you are an Ineligible Foreign Shareholder (being an Adherium Shareholder whose address as shown in the register of members of Adherium is in a jurisdiction other than Australia or its external territories, New Zealand, Canada, United Kingdom and Singapore— see the definition of 'Ineligible Foreign Shareholder' for further information) and elect to participate in the Offer, you will not receive Respiro Shares.</p> <p>Instead, you will be paid by the Nominee the net proceeds of the sale of the Respiro Shares you would have otherwise been entitled to.</p>
What are Respiro's Relevant Interests as at the Announcement Date in Adherium	As at the Announcement Date, Respiro has no disclosed Relevant Interest in Adherium Shares.
What options do I have as a Adherium Shareholder?	<p>As a Shareholder you have the following options in respect of your Adherium Shares:</p> <ul style="list-style-type: none"> • REJECT the Offer and remain an Adherium Shareholder. To reject the Offer simply do nothing and ignore all documents sent to you by Respiro. This option is your Directors' recommendation. • sell your Adherium Shares on the ASX (unless you have previously accepted the Offer) which may be at a higher or lower price than the Offer Consideration. Based on the Bidder's Statement, Respiro's Offer implies an Offer value of 1.29 cents (as at the close of trade on 25 May 2021) per Adherium Share. As at 23 June 2021 (being the most recent practicable date), the closing price of Adherium Shares was 1.7 cents and the implied Offer value based on the Respiro closing price was 1.1 cents per Adherium Share. Accordingly, Respiro's Offer represents a discount of 37.0% to the closing price of Adherium Shares as at 23 June 2021. • accept the Offer by following the instructions set out in Sections 12 of the Bidder's Statement (Terms and Conditions of the Offer). <p>When deciding what to do, you should carefully consider the implications for you in relation to each of these options. An outline of these implications is set out in Section 4 of this Target's Statement.</p>

<p>What do your Directors recommend?</p>	<p>Your Directors unanimously recommend that you REJECT the Offer, for the reasons set out in Section 2.2 of this Target's Statement.</p> <p>If there is a change to this recommendation or any material developments in relation to the Offer, Adherium will keep you fully informed.</p>
<p>What do your Directors intend to do with their own Shares?</p>	<p>All of your Directors intend to REJECT the Offer in respect of the Adherium shares they own.</p>
<p>When do I have to decide?</p>	<p>If you wish to follow your Directors' recommendation to REJECT the Offer, you do not need to do anything. You should IGNORE all documents received from Respiri.</p> <p>If you wish to accept the Offer, you must do so before its scheduled closing date. Respiri has stated that its Offer remains open until 7.00pm (Sydney time) on 16 July 2021. Respiri has reserved the right to extend the Offer Period in accordance with the Corporations Act. In addition, the Offer Period may be extended automatically in certain circumstances. See Section 5.1 of this Target's Statement for details of the circumstances in which the Offer Period can be extended.</p>
<p>Will Adherium remain listed on the ASX?</p>	<p>That depends on the outcome of the Offer.</p> <p>Assuming the Offer is successful and Respiri acquires 90% or more of Adherium Shares, Respiri has said that it will proceed to compulsory acquisition, which will result in Adherium being delisted.</p> <p>If Respiri controls more than 75% but less than 90% of Adherium Shares, Respiri has indicated that it will seek to remove Adherium from the official list of ASX.</p> <p>If Respiri controls more than 50.1% but less than 75% of Adherium Shares, Respiri has indicated that it will subject to the continued satisfaction of the ASX Listing Rules, maintain Adherium's listing on the ASX.</p> <p>See Section 5.6 of this Target's Statement for further details.</p>
<p>Is the Offer only in respect of Adherium Shares?</p>	<p>The Offer extends to all existing Adherium Shares and to all new Adherium Shares that are issued after the date of the Offer.</p> <p>In particular, Respiri has indicated that it is offering to buy all of the following on the terms set out in the Bidder's Statement:</p> <ul style="list-style-type: none"> • Adherium Shares that exist, or will exist at the Register Date; • Adherium Shares that are issued between the Register Date and the end of the Offer Period including as a result of: <ul style="list-style-type: none"> - conversion of securities convertible into Adherium Shares; or - the exercise of rights to be issued Adherium Shares, where such rights are conferred by securities (e.g Adherium Options), that exist or will exist at the Register Date.
<p>Will Respiri increase its Offer?</p>	<p>Respiri has not declared its Offer to be final. Accordingly, it remains open for Respiri to increase or amend its Offer if it chooses.</p> <p>However, Adherium cannot say whether Respiri will in fact increase its Offer as this is a matter for Respiri.</p>
<p>What happens if Respiri increases its Offer or another offer emerges?</p>	<p>If Respiri increases its Offer or another offer emerges, your Directors will carefully consider the revised offer and advise Shareholders accordingly.</p> <p>If the Offer Consideration is subsequently increased by Respiri after you have accepted the Offer, you will be entitled to the improved Offer Consideration.</p>

<p>What happens if I accept the Offer and a superior offer is subsequently made by a third party for my Adherium Shares?</p>	<p>If you accept the Offer, you will be legally bound to sell your Adherium Shares and will not be able to withdraw your acceptance (except in limited circumstances).</p> <p>Accordingly, if you accept the Offer, you will be unable to accept any other superior offer that may emerge. As at the date of this Target's Statement, your Directors are not aware of any possibility that an alternative superior offer will be made in the foreseeable future, although the opportunity is available for an alternative offer to be made for your Adherium Shares. If any such other offer is made or any circumstances occur which, in the opinion of your Directors may eventuate in an alternate offer for your Adherium Shares, Adherium will update Adherium Shareholders on all material developments.</p>
<p>What happens if I do nothing?</p>	<p>You will remain a Adherium Shareholder.</p> <p>If Respiri acquires between 50.1% and 90% of Adherium Shares under the Offer, you will be a minority shareholder in Adherium. The implications of this outcome are described in Section 5.4 of this Target's Statement.</p> <p>If Respiri acquires 90% or more of Adherium's Shares, Respiri states that it intends to compulsorily acquire your Adherium Shares. See Sections 5.4 and 5.8 of this Target's Statement for more details.</p>
<p>What are the key risks associated with continuing to hold Adherium Shares?</p>	<p>Those risks are outlined in Section 6.12 of this Target's Statement.</p>
<p>If I accept the Offer now, can I withdraw my acceptance later?</p>	<p>You have limited rights to withdraw your acceptance. In particular, once you have accepted the Offer, you will be unable to revoke your acceptance, the contract resulting from your acceptance will be binding on you and you will be unable to withdraw your Adherium Shares from the Offer or otherwise dispose of your Adherium Shares, except as follows:</p> <ul style="list-style-type: none"> • if, by the end of the Offer Period the Conditions have not been satisfied or waived, the Offer will automatically terminate and your Adherium Shares will be returned to you (other than as set out in Section 12.6 of the Bidder's Statement); or • if the Offer Period is postponed for more than one month and the obligations of Respiri to deliver the consideration are postponed for more than one month and, at the time, this Offer is subject to one or more of the Conditions, you may be able to withdraw your acceptance.
<p>Can Respiri extend the closing date of its Offer?</p>	<p>Yes. Respiri has stated that its Offer remains open until 7.00pm (Sydney time) on 16 July 2021, unless it is withdrawn or extended under the Corporations Act. Respiri has reserved the right to extend the Offer Period in accordance with the Corporations Act.</p> <p>In addition, the Offer Period may be extended automatically in certain circumstances. See Section 5.1 of this Target's Statement for details of the circumstances in which the Offer Period can be extended.</p>

<p>Can I be forced to sell my Adherium Shares?</p>	<p>You cannot be forced to sell your Adherium Shares unless Respiri is legally allowed to proceed to compulsory acquisition of Adherium Shares. You may be forced to sell your shares if Respiri acquires at least 90% of all Adherium Shares (under the Offer or otherwise) and elects to proceed to compulsorily acquire the outstanding Adherium Shares.</p> <p>If Respiri does compulsorily acquire the outstanding Adherium Shares following its acquisition of at least 90% of Adherium Shares under the Offer, you will receive the same Offer Consideration for your Adherium Shares that you would have received under the Offer, but it will take longer for you to receive the Offer Consideration.</p> <p>For more information about compulsory acquisition refer to Section 5.8 of this Target's Statement.</p>
<p>Can I accept the Offer for only some of my Adherium Shares?</p>	<p>No. The terms of the Offer allow you to accept the Offer only for all of your Adherium Shares.</p>
<p>When will I receive the Offer Consideration if I accept the Offer?</p>	<p>It is important to note that you will not receive any Offer Consideration until the Conditions are satisfied or waived. The required date for notification of the status of the Conditions is 8 July 2021 (subject to extension in accordance with the Corporations Act). As the Offer currently remains conditional, there is no guarantee that you will receive the Offer Consideration if you accept the Offer.</p> <p>If Respiri declares the Offer as unconditional, you will receive your Offer Consideration by the earlier of:</p> <ul style="list-style-type: none"> • one month after the date of your acceptance of Respiri's Offer; and • 21 days after the end of the Offer Period.
<p>Will I need to pay brokerage or stamp duty if I accept the Offer?</p>	<p>Brokerage or stamp duty is not payable by you in respect of your acceptance. If your Adherium Shares are registered in a CHESS Holding, or if you are a beneficial owner whose Adherium Shares are registered in the name of a broker, bank custodian or other nominee, you should ask your Controlling Participant (usually your broker) or that nominee whether it will charge any transactional fees or service charges in connection with acceptance of the Offer.</p>
<p>Are there any taxation implications of accepting the Offer?</p>	<p>A general outline of the tax implications for certain Australian-resident Adherium Shareholders of accepting the Offer is set out in Section 7 of this Target's Statement. As that outline is general in nature and does not take into account your individual circumstances, you should not rely on that outline as advice for your particular circumstances.</p>

<p>Are there any conditions to the Offer?</p>	<p>Yes. The Offer is highly conditional and subject to a number of Conditions, including:</p> <ul style="list-style-type: none"> • (minimum acceptance) a minimum acceptance condition of 50.1% (on a fully diluted basis); • (no Prohibited Occurrences) no Prohibited Occurrences occurring; • (no exclusive licence arrangement) no exclusive licence arrangement in relation to intellectual property owned by Adherium or a Related Body Corporate is entered into; • (no acquisitions and disposals) Adherium not acquiring or disposing of any significant assets or entering into any significant transaction; • (no distributions) Adherium not declaring a distribution; • (no exercise of rights) no person exercising or becoming entitled to exercise any right that may result in certain outcomes; • (capital expenditure) Adherium not incurring, or committing to incur, significant capital expenditure (subject to certain exceptions); • (no litigation on foot or pending) no material litigation being announced, commenced or threatened against Adherium; • (no regulatory restraints) no Public Authority restraining or preventing the Offer; and • (no material adverse change) no material adverse change occurring with respect to Adherium. <p>Further information about the Conditions is set out in Section 5.2 of this Target's Statement.</p>
<p>Are there any risks of accepting the Offer while it is still conditional?</p>	<p>Yes. If you accept the Offer now while it is subject to Conditions, there are significant consequences for you including that:</p> <ul style="list-style-type: none"> • you will give up your rights to sell your Adherium Shares on ASX or to otherwise deal with them (for example, by accepting any superior offer from another bidder if such an offer is made), subject to your right to withdraw your acceptance of the Offer in certain circumstances; and • you will relinquish control of your Adherium Shares and the Rights attaching to them to Respire with no guarantee of payment until the Offer becomes unconditional, subject to your right to withdraw your acceptance of the Offer in certain circumstances.
<p>What happens if I accept the Offer and the Conditions are not satisfied or waived?</p>	<p>If the Conditions are not satisfied and Respire has not waived the Conditions before the end of the Offer Period, the Offer will lapse and your acceptance of the Offer will be void and of no effect whatsoever. This in turn means that:</p> <ul style="list-style-type: none"> • you will not receive any Offer Consideration from Respire; and • you will continue to own your Adherium Shares and you will then be free to deal with them. <p>In that circumstance, Adherium will continue to operate as a stand-alone ASX listed entity focussed on its current strategies. The rights of Adherium Shareholders will remain unchanged.</p>
<p>What if I have further questions?</p>	<p>You should contact your legal, financial, taxation or other professional adviser. If you have any questions about the Offer or this document, please email companysec@adherium.com.</p>

4.

Your alternatives as an Adherium Shareholder



4. Your alternatives as an Adherium Shareholder

4.1 Adherium Directors Unanimous Recommendation

Your Directors unanimously recommend that you **REJECT** the Offer.

Each Director who has an interest in Adherium Shares intends to **REJECT** the Offer in relation to those Adherium Shares.

4.2 Options available to Adherium Shareholders

You have the following three options available to you:

Option #1 **REJECT the offer**

If you wish to retain your Adherium Shares and **REJECT** the Offer, you need to **TAKE NO ACTION** in relation to the Offer. In particular, you should **not** complete or return the Acceptance Form that accompanied the Bidder's Statement nor should you respond to any documentation sent to you by Respire or any other communication from Respire (including telephone solicitation or canvassing by Respire or its representatives).

If you decide to do nothing, you should be aware of the risks associated with rejecting the Offer, including the rights of Respire to compulsorily acquire your Adherium Shares in certain circumstances. For further information on these risks, refer to Section 5.3(a) of this Target's Statement.

Option #2 **Sell your Adherium shares on the ASX**

During the Offer Period, you may sell your Adherium Shares on-market through ASX at the prevailing market price for cash (less any brokerage), provided you have not already accepted the Offer for those Shares.

Respire's Offer implies an Offer value of 1.29 cents (as at the close of trade on 25 May 2021) per Adherium Share. As at 23 June 2021 (the most recent practicable date), the closing price of Adherium Shares was 1.7 cents and the implied Offer value based on the Respire closing price was 1.1 cents per Adherium Share. Accordingly, Respire's Offer represents a discount of 37.0% to the closing price of Adherium Shares as at 23 June 2021.

The latest trading price for Adherium Shares may be obtained from the ASX website www.asx.com.au using the code 'ADR'.

If you sell your Adherium Shares on-market, you will:

- receive cash consideration for that sale of your Shares;
- will lose the ability to accept Respire's Offer and receive the Offer Consideration (and any possible increase in the Offer Consideration) in relation to those Shares;
- will lose the ability to accept any offer from a competing bidder if one eventuates;
- may incur a brokerage charge;
- will lose the opportunity to receive future returns from Adherium in relation to those Adherium Shares;
- may receive consideration for your Shares the value of which is lower than the control value of your Adherium Shares; and
- may incur a tax liability on the sale.

You should contact your broker for information on how to sell your Adherium Shares through ASX and your tax adviser to determine your tax implications from such a sale.

Option #3

Accept the offer

Your Adherium Directors unanimously recommend you to **REJECT** the Offer.

However if you choose to accept Respiro's Offer:

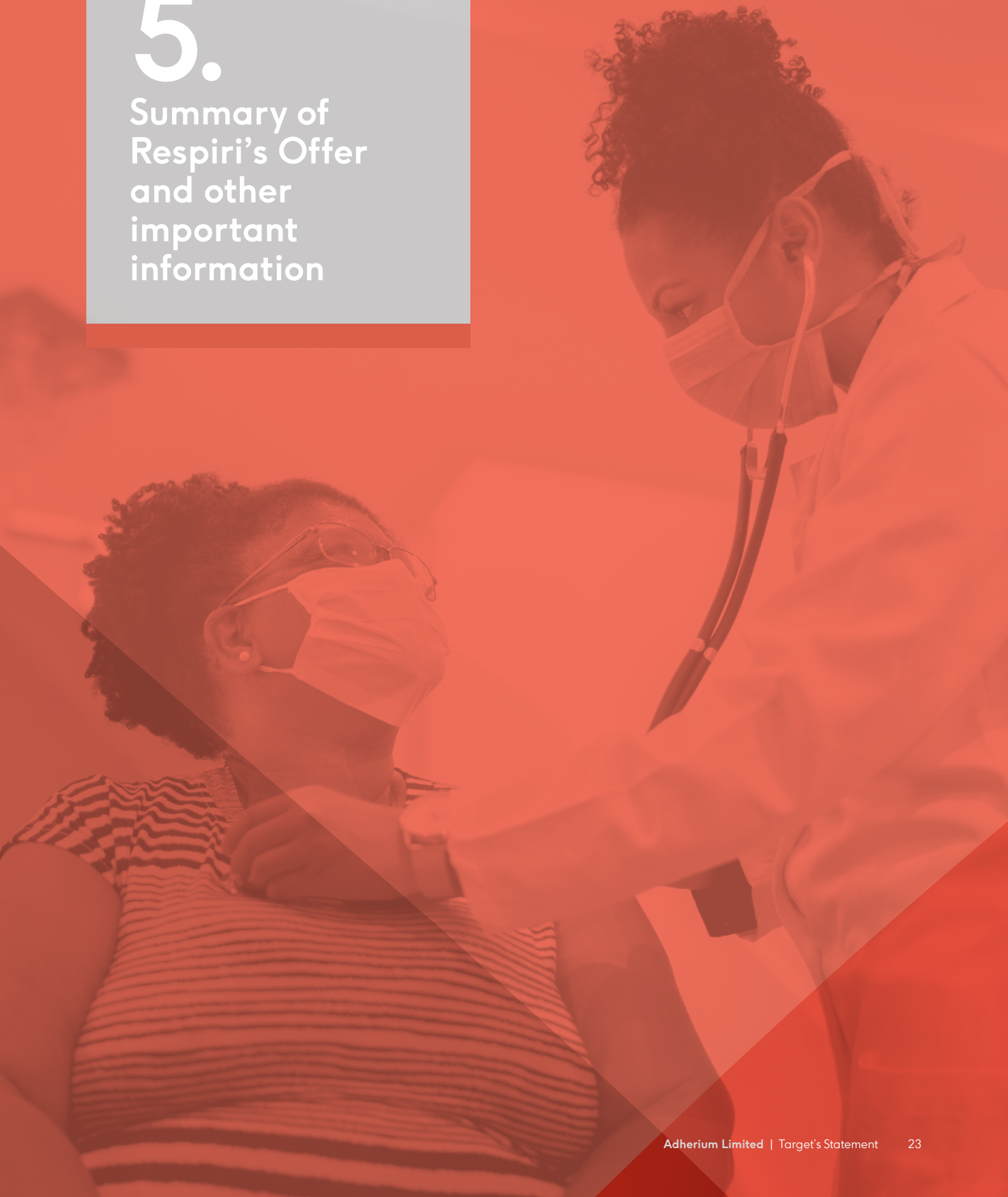
- will not receive the Offer Consideration unless and until each of the 10 Conditions of the Offer are satisfied or waived;
- will not receive any benefit generated by delivery of the Company's current strategy which, in the opinion of your Directors, may provide a better outcome for Adherium Shareholders in the longer-term compared to what may be received by Adherium Shareholders accepting the Offer (and, if applicable, subsequently selling their Respiro Shares);
- will only be able to withdraw your acceptance and sell your Adherium Shares in limited circumstances, meaning that you would not be able to accept any offer from a competing bidder if one eventuates. See Section 5.1 of this Target's Statement; and
- will exit your investment in Adherium completely and will not benefit if the market price for Adherium Shares on the ASX trades above Respiro's implied offer value of 1.29 cents (as at 25 May 2021).

If Respiro increases the Offer Consideration, all Adherium Shareholders, whether or not they have already accepted the Offer before then, will be entitled to receive the increased Offer Consideration.

Refer to Section 12 of the Bidder's Statement for directions on how to accept the Offer.

5.

Summary of Respiri's Offer and other important information



5. Summary of Respiro's Offer and other important information

5.1 Summary of the offer

On 29 April 2021, Respiro lodged its draft bidder's statement with ASIC for its off-market takeover bid for all the issued share capital of Adherium. On 27 May 2021, Respiro lodged a replacement Bidder's Statement with ASIC that replaced the bidder's statement lodged on 29 April 2021.

The key terms of the Offer are summarised in the table below:

<p>The Offer</p>	<p>Respiro is offering to acquire all of your Adherium Shares, subject to the terms and Conditions set out in the Bidder's Statement.</p> <p>You may accept the Offer for only all of your Adherium Shares. You cannot accept the Offer for part of your holding.</p>
<p>Offer Consideration</p>	<p>Respiro is offering 1 Respiro Share for every 7 Adherium Shares you hold. No cash is being offered for your Adherium Shares.</p>
<p>Implied Offer value</p>	<p>The implied Offer value in the Bidder's Statement is 1.57 cents for every Adherium Share (based on the 30-day VWAP for Respiro shares to 25 May 2021 and assuming that a sale of Respiro shares could achieve the same price).</p> <p>The implied Offer value is based on a 30 day VWAP for Respiro Shares as at close of trade on 25 May 2021 being 10.99 cents divided by the ratio of one (1) Respiro Share for every seven (7) Adherium Shares held (i.e. $10.99\text{¢} \div 7 = 1.57\text{¢}$).</p> <p>This implied Offer value of 1.57 cents per Adherium Share represents a discount of 7.6% at close of trade on 25 May 2021 and a discount of 9.9% to the 30 day VWAP up to and including 25 May 2021.</p> <p>However based on the closing share prices for Adherium and Respiro as at 23 June 2021 being 1.7 cents and 7.5 cents respectively - the aggregate closing price of the Respiro shares and Adherium shareholder would receive if accepting the Respiro offer is 37.0% less than the closing price of their Adherium shares!</p> <p>Adherium Shareholders should be aware that the implied offer value may vary materially depending on the actual underlying price at which Respiro Shares trade in the future. There is no guarantee by Respiro as to how trading in their shares will be valued in the future.</p>
<p>Who is the Offer made to?</p>	<p>Section 12 of the Bidder's Statement sets out the persons to whom the Offer is made. If you are an Ineligible Foreign Shareholder and elect to participate in the Offer, you will not receive Respiro Shares. Instead, you will be paid by the Nominee the net proceeds of the sale of the Respiro Shares you would have otherwise been entitled to.</p>
<p>Conditions of the Offer</p>	<p>The Offer is subject to a number of conditions. Those conditions are set out in full in Section 5.2 of this Target's Statement.</p>

<p>Notice of status of Conditions</p>	<p>Clause 12.12 of the Bidder's Statement has the effect that Respiri will give a notice of status of conditions in accordance with section 630 of the Corporations Act (Notice of Status of Conditions). The date of giving the Notice of Status Conditions is 8 July 2021 (unless extended).</p> <p>Respiri is required to set out in its Notice of Status of Conditions:</p> <ul style="list-style-type: none"> • whether Respiri's Offer is free of any or all of the Conditions; • whether, so far as Respiri knows, any of the Conditions have been satisfied; and • Respiri's Voting Power in Adherium. <p>If the Offer Period is extended by a period before the current date by which the Notice of Status of Conditions is to be given, the date for giving the Notice of Status of Conditions will be taken to be postponed for the same period. In those circumstances, Respiri is required, as soon as practicable after the extension, to give a notice to the ASX and Adherium that states the new date for the giving of the Notice of Status of Conditions.</p>
<p>Offer Period</p>	<p>The Offer will remain open for acceptances during the period commencing 15 June 2021 and is scheduled to close at 7.00pm (Sydney time) on 16 July 2021 unless the Offer is extended or withdrawn.</p>
<p>Extension of the Offer Period</p>	<p>Respiri may extend the Offer Period at any time before the end of the Offer Period. In addition, there will be an automatic extension of the Offer Period if, within the last 7 days of the Offer Period:</p> <ul style="list-style-type: none"> • Respiri improves the Offer Consideration; or • Respiri's voting power in Adherium increases to more than 50%. <p>If either of these two events occurs, the Offer Period is automatically extended so that it ends 14 days after the occurrence of the relevant event.</p> <p>The maximum duration of the Offer Period is 12 months.</p>
<p>Respiri has not yet declared its Offer final</p>	<p>Respiri has not declared its Offer final. Accordingly, it remains open for Respiri to potentially increase the Offer Consideration, which Respiri may at its discretion choose to do.</p> <p>If Respiri increases the Offer Consideration, all Adherium Shareholders, whether or not they have already accepted the Offer before then, will be entitled to receive that increased Offer Consideration.</p>
<p>Withdrawal of Offer</p>	<p>Respiri may withdraw its Offer at any time but only in limited circumstances with the written consent of ASIC and subject to the conditions (if any) specified in ASIC's consent. See section 12.14 of the Bidder's Statement for more information.</p>
<p>Effect of acceptance</p>	<p>If you accept the Offer, then you will give up your right to sell your Adherium Shares on-market or to sell your Shares to any other person who may make a takeover bid or to otherwise deal with your Shares in any manner.</p> <p>You should read section 12 of the Bidder's Statement in full to understand the effect that acceptance will have on your ability to exercise Rights attaching to your Adherium Shares.</p>
<p>Limited ability to withdraw your acceptance</p>	<p>If you accept the Offer, you will legally bound to sell your Adherium Shares to Respiri and you can only withdraw your acceptance in limited circumstances.</p>
<p>Timing for receipt of Offer Consideration if you accept</p>	<p>If you accept into the Offer, you will receive your Offer Consideration by the earlier of:</p> <ul style="list-style-type: none"> • one month after the date of your acceptance of the Offer; and • 21 days after the end of the Offer Period. <p>Refer to section 12.7 of the Bidder's Statement for further details on when you will receive your Offer Consideration from Respiri.</p>

Effect of an improvement in Offer Consideration for Shareholders who have already accepted	If Respiri increases the Offer Consideration, all Adherium Shareholders, whether or not they have already accepted Respiri's Offer before then, will be entitled to receive that increased Offer Consideration.
Compulsory acquisition	Respiri has indicated in its Bidder's Statement that if it becomes entitled to proceed to compulsory acquisition of Adherium Shares following the Offer, then it intends to do so. Under Part 6A.1 of the Corporations Act, Respiri will be entitled to compulsorily acquire any outstanding Adherium Shares if, during or at the end of the Offer Period, Respiri and its Associates have Relevant Interests in at least 90% of all Adherium Shares. If your Adherium Shares are compulsorily acquired then you will be provided the Offer Consideration at a later date than Adherium Shareholders who accept the Offer.

5.2 Conditions of the Offer

The Offer is conditional and Section 12.9 of the Bidder's Statement contains 10 Conditions that must be satisfied or waived before the end of the Offer Period.

Unless all of these Conditions are satisfied or are waived by Respiri before the end of the Offer Period, the Offer will lapse and no consideration will be received by any Adherium Shareholders who have accepted the Offer.

For ease of reference, these conditions are set out below including whether the Condition is likely to be satisfied:

Condition of the Offer	Likely to be satisfied?
<p>No Prohibited Occurrences</p> <p>No Prohibited Occurrence happens in the period between the Announcement Date and the date 3 Business Days after the end of the Offer Period (both inclusive).</p> <p>A Prohibited Occurrence means:</p> <ul style="list-style-type: none"> i. Adherium issuing or agreeing to issue any shares other than: <ul style="list-style-type: none"> (a) the issue of shares on the exercise of an Adherium Option presently on issue and disclosed to the ASX; (b) the issue of the EGM Shares; and (c) Adherium Shares issued upon exercise of Adherium Options granted under the EGM Securities Issues; ii. Adherium converting all or any of its shares into a larger or smaller number of shares; iii. Adherium or a Related Body Corporate of Adherium resolving to reduce share capital in any way; iv. a Related Body Corporate of Adherium: <ul style="list-style-type: none"> (a) entering into a buy-back agreement; or (b) resolving to approve the terms of a buy-back agreement under the Corporations Act; v. Adherium or a Related Body Corporate of Adherium issuing securities convertible into shares, or granting an option over its shares, or agreeing to make such an issue or grant such an option, other than any such securities issued or granted under the EGM Securities Issues; vi. Adherium or a Related Body Corporate of Adherium issuing, or agreeing to issue, convertible notes; vii. Adherium or a Related Body Corporate of Adherium disposing, or agreeing to dispose, of a material asset or the whole, or a substantial part, of its business or property; 	Likely

<p>viii. Adherium or a Related Body Corporate of Adherium granting a Security Interest, or agreeing to grant a Security Interest, in the whole, or a substantial part, of its business or property; or 82 (ix) an Insolvency Event occurs in relation to Adherium or a Related Body Corporate of Adherium, provided that a Prohibited Occurrence will not include any matter required by law or by an order of a court or Government Agency.</p>	
<p>Minimum acceptance condition</p> <p>At the end of the Offer Period, Respiri has a Relevant Interest in at least 50.1% of Adherium Shares (on a fully diluted basis).</p> <p>This equates to 1,224,521,668 Adherium Shares, representing 57.6% of Adherium Shares on issue as at the date of the Bidder's Statement (27 May 2021).</p>	<p>Unlikely</p>
<p>No exclusive licence arrangement</p> <p>Between the Announcement Date and the end of the Offer Period (each inclusive), neither Adherium or any Related Body Corporate of Adherium enters into any exclusive licence arrangement with respect to intellectual property owned by Adherium or a Related Body Corporate of Adherium.</p>	<p>In the interests of allowing Shareholders the flexibility of considering the Offer, Adherium does not intend to enter into any exclusive licence during the Offer Period</p>
<p>Acquisitions and disposals</p> <p>Between the Announcement Date and the end of the Offer Period (each inclusive), neither Adherium nor any of its subsidiaries acquires or disposes of, or enters into or announces any agreement for the acquisition or disposal of, any asset or business, or enters into any corporate transaction (other than the Capital Raise or the Note Conversion) for an amount in aggregate greater than \$2,000,000.</p>	<p>In the interests of allowing Shareholders the flexibility of considering the Offer, Adherium does not intend to enter into any such transaction during the Offer Period</p>
<p>No distributions</p> <p>Between the Announcement Date and the end of the Offer Period (each inclusive), Adherium does not announce, make, declare or pay any distribution (whether by way of dividend, capital reduction or otherwise and whether in cash or in specie).</p>	<p>Likely</p>
<p>No litigation on foot or pending</p> <p>Between the Announcement Date and the end of the Offer Period (each inclusive), no litigation against Adherium or a Related Body Corporate of Adherium which may reasonably result in a judgment of \$2,000,000 or more is commenced, is threatened to be commenced, is announced, or is made known to Respiri (whether or not becoming public) or Adherium, other than that which is in the public domain as at the Announcement Date.</p>	<p>Adherium is not aware of any threatened or contemplated litigation</p>
<p>No persons entitled to exercise or exercising rights under certain agreements or instruments</p> <p>Between the Announcement Date and the end of the Offer Period (each inclusive), there is no person entitled to exercise, exercising or purporting to exercise, stating an intention to exercise (whether or not that intention is stated to be a final or determined decision of that person), or asserting a right to exercise, any rights under any provision of any agreement or other instrument to which Adherium or any member of the Adherium Group is a party, or by or to which Adherium or any member of the Adherium Group or any of its assets or businesses may be bound or be subject, which results, or could result, to an extent to which is material in the context of the Adherium Group taken as a whole, in:</p> <p>i. any moneys borrowed by Adherium or any member of the Adherium Group being or becoming repayable or being capable of being declared repayable immediately or earlier than the repayment date stated in such agreement or other instrument;</p>	<p>Adherium is not aware of any threatened or possible action</p>

- ii. any such agreement or other such instrument being terminated or modified or any action being taken or arising thereunder;
- iii. the assets of Adherium or any member of the Adherium Group being sold, transferred or offered for sale or transfer, including under any pre-emptive rights or similar provisions; or
- iv. the business of Adherium or any member of the Adherium Group with any other person being adversely affected.

No material adverse change

- i. Between the Announcement Date and the end of the Offer Period (each inclusive) none of the following occurs:
 - (a) an event, change, condition, matter or thing occurs or will or is reasonably likely to occur;
 - (b) information is disclosed or announced by Adherium concerning any event, change, condition, matter or thing that has occurred or is reasonably likely to occur; or
 - (c) information concerning any event, change, condition, matter or thing that has occurred or is reasonably likely to occur becomes known to Respiri (whether or not becoming public),

(each of subparagraphs (a), (b) and (c) is a Specified Event) which, whether individually or when aggregated with all such events, changes, conditions, matters or things that have occurred or are reasonably likely to occur, has had or would be considered reasonably likely to have:

 - (d) a material adverse effect on the business, assets, liabilities, financial or trading position, profitability or prospects of the Adherium Group taken as a whole; or
 - (e) without limiting the generality of (d) above, the effect of a diminution in the value of the consolidated net assets of the Adherium Group, taken as a whole, by at least \$2,000,000 against what it would reasonably have been expected to have been but for such Specified Event.
- ii. For the purposes of (d) above, Respiri shall not be taken to know of information concerning any event, change, condition, matter or thing before the Announcement Date, unless the information has been disclosed by Respiri in its public filings with the ASX before the Announcement Date.

Unknown

No restraints

Between the Announcement Date and the end of the Offer Period (each inclusive):

- i. there is not in effect any preliminary or final decision, order or decree issued by any Public Authority;
- ii. no action or investigation is announced, commenced or threatened by any Public Authority; and
- iii. no application is made to any Public Authority (other than by Respiri or an Associate),

Unknown

in consequence of or in connection with the Offer (other than an application to, or a decision or order of, ASIC or the Takeovers Panel in exercise of the powers and discretions conferred by the Corporations Act) which restrains, prohibits or impedes, or threatens to restrain, prohibit or impede, or materially impact upon, the making of the Offers and the completion of the Offer (including, without limitation, full, lawful, timely and effectual implementation of the intentions set out in Section 8 of the Bidder's Statement) or which requires the divestiture by Respiri of any Adherium Shares or any material assets of Adherium or any subsidiary of Adherium.

5.3 Risks associated with the Offer

Adherium Shareholders should be aware of the following key risks associated with the Offer.

(a) Risks associated with rejecting the Offer

If you choose to reject the Offer, you will not receive the Offer Consideration for your Adherium Shares. Instead you will remain a Adherium Shareholder and will continue to be subject to the risks associated with holding Adherium Shares. A non-exhaustive summary of those risks is set out in Section 6.12 of this Target's Statement.

If you choose to reject the Offer and Respire acquires less than 90% of Adherium Shares, you will also be exposed to the minority shareholder risks described in Section 5.5 of this Target's Statement.

If you choose to reject the Offer and Respire acquires more than 90% of Adherium Shares, Respire intends to compulsory acquire your shares as outlined in Section 5.4 below.

(b) Risks associated with accepting the Offer

If you accept the Offer, you will be legally bound to sell your Adherium Shares and will only be able to withdraw your acceptance in limited circumstances.

Accordingly, if you accept the Offer now, some of the consequences include (but are not limited to) you giving up your right to sell your Adherium Shares on the ASX or otherwise deal with them (relinquishing your right, for example, to participate in a superior offer should one eventuate).

The effect of accepting the Offer including the effect on your Rights to your Adherium Shares is set out in Section 12 of the Bidder's Statement.

5.4 Consequences of Respire acquiring 90% or more of the Adherium Shares

As outlined by Respire in its Bidder's Statement, if Respire acquires a Relevant Interest in 90% or more of the Adherium Shares, Respire intends to compulsory acquire the outstanding Adherium Shares in accordance with Part 6A.1 of the Corporations Act and apply to remove Adherium from the official list of the ASX.

In addition, Respire has indicated that it will (among other things):

- replace Adherium's non-executive Directors with nominees of Respire while terminating the current executive Directors of Adherium. Respire has indicated that the identity of the replacement directors have not yet been determined. Some members could come from the current board of Adherium, although Respire expects that the majority of the replacement Adherium non-executive Directors will be members of the Respire board or management team;
- if required to do so under section 663A of the Corporations Act, give notices to holders of Adherium Options offering to acquire their options in accordance with section 663C of the Corporations Act.

5.5 Consequences of Respire acquiring less than 90% of Adherium but more than 75%

As outlined by Respire in its Bidder's Statement, if Respire and its Associates have Relevant Interests in less than 90% but more than 75% of Adherium, then Respire intends to (among other things):

- seek to remove Adherium from the Official List of ASX (see section 5.7 for more information on the implications of a potential delisting); and
- seek to appoint a number of nominees of Respire to the board of Adherium, such that Respire has a majority of Directors of Adherium. Such nominees have not yet been identified by Respire and their identity will depend on the circumstances at the relevant time.

If Respire acquires more than 75% but less than 90% of the Adherium Shares then Respire will acquire a majority shareholding in Adherium.

In those circumstances, Adherium Shareholders who do not accept the Offer will become minority shareholders of Adherium. This outcome has a number of possible implications, including:

- Respire will be in a position to cast the majority of votes at a general meeting of Adherium, enabling Respire to control the composition of Adherium's board of directors and senior management and the strategic direction of Adherium and its subsidiaries;
- the Adherium Share price may fall immediately following the end of the Offer Period although this may be mitigated by the underlying attractiveness of Adherium's business;

- the liquidity of Adherium Shares may be lower than at present, and there is a risk that Adherium could be fully or partially removed from certain S&P/ASX market indices due to lack of free float and/or liquidity; and
- if the number of Adherium Shareholders is less than that required by the ASX Listing Rules to maintain an ASX listing, then Respire may seek to have Adherium removed from the official list of the ASX. If this occurs, Adherium Shares will not be able to be bought or sold on the ASX.

In addition, where Respire acquires 75% or more of the Adherium Shares it will be able to pass a special resolution at a meeting of Adherium Shareholders which, among other things, would enable Respire to pass material amendments including amendments to Adherium's constitution.

If the Offer lapses or if Respire acquires less than 75% of Adherium Shares, the trading price of Adherium Shares may be higher or lower than the implied Offer value of 1.57 cents as at 25 May 2021 as noted in the Bidder's Statement. If you remain an Adherium Shareholder in this circumstance, you will be subject to the risks of being an Adherium Shareholder.

Further and as outlined by Respire in its Bidder's Statement, Respire may:

- acquire further Adherium Shares at some later time in a manner consistent with the Corporations Act (for example as a result of acquisitions of Adherium Shares in reliance on the '3% creep' exception in item 9, or the "rights issues" exception in item 10 of section 611 of the Corporations Act (including as underwriter or sub-underwriter, if the circumstances surrounding the rights issue is appropriate or it is commercially necessary for Adherium that Respire acts in such a capacity));
- even if Respire is not entitled to proceed to delist Adherium after the end of the Offer Period, it may subsequently be in a position to pass a special resolution to approve the delisting of Adherium. In the event it is in such a position (and on the basis that Respire considers that it is no longer appropriate to maintain Adherium's listing on ASX, having regard to considerations such as costs associated with maintaining that listing, Respire's final level of ownership, the number of remaining Adherium Shareholders, level of trading in Adherium Shares and the considerations in ASX Guidance Note 33), Respire intends to pass such a resolution; and
- even if Respire is not entitled to proceed to compulsory acquisition of minority holdings after the end of the Offer Period, it may subsequently become entitled to exercise those rights and, in the event such rights of compulsory acquisition arise, Respire intends to exercise those rights.

5.6 Consequences of Respire acquiring less than 75% of Adherium but more than 50.1%

Respire has indicated that if Respire and its Associates have Relevant Interests in less than 75% but more than 50.1% of Adherium, then Respire intends to:

- subject to continued satisfaction of the ASX Listing Rules, maintain Adherium's listing on the ASX;
- seek to appoint a number of nominees of Respire to the board of Adherium, such that Respire has a majority of Directors of Adherium. Such nominees have not yet been identified by Respire and their identity will depend on the circumstances at the relevant time;
- direct any nominees Respire appoints to the board of Adherium to utilise Respire's experience to assist Adherium to drive long-term value;

Respire may:

- acquire further Adherium Shares at some later time in a manner consistent with the Corporations Act (for example as a result of acquisitions of Adherium Shares in reliance on the "3% creep" exception in item 9, or the "rights issues" exception in item 10 of section 611 of the Corporations Act (including as underwriter or sub-underwriter, if the circumstances surrounding the rights issue is appropriate or it is commercially necessary for Adherium that Respire acts in such a capacity));
- even if Respire is not entitled to proceed to delist Adherium after the end of the Offer Period, it may in the future find itself in a situation where it has accumulated voting power above 75% in Adherium due to transactions allowed under section 611 of the Corporations Act (such as via acquisitions under entitlement offers or via "creep"). At that time Respire may be in a position to pass a special resolution to approve the delisting of Adherium and, in the event it is in such a position, Respire intends to pass such a resolution; and
- even if Respire is not entitled to proceed to compulsory acquisition of minority holdings after the end of the Offer Period, it may subsequently become entitled to exercise those rights. In the event such rights of compulsory acquisition arise (and on the basis that Respire considers that it is no longer appropriate to maintain Adherium's listing on ASX, having regard to considerations such as costs associated with maintaining that listing, Respire's final level of ownership, the number of remaining Adherium Shareholders, level of trading in Adherium Shares and the considerations in ASX Guidance Note 33), Respire intends to exercise those rights.

5.7 Potential delisting

Respiri states in its Bidder's Statement that if it obtains greater than 75% of Adherium Shares, Respiri will seek to delist Adherium from ASX.

Therefore, there is a possibility of Adherium being delisted following the Offer. If this occurs, Adherium Shares will not be able to be bought or sold on the ASX.

Your Directors wish to emphasise the following important legal protections to Shareholders regarding any potential delisting of Adherium:

- Any decision to apply to the ASX to delist Adherium would need to be made by the Adherium Board, not by Respiri as the controlling Shareholder. Respiri has indicated an intention to replace the Adherium Board where it acquires a Relevant Interest of more than 90%.
- The Adherium Board, including nominee directors appointed by Respiri, could only decide to seek a delisting if the Board concludes that this action is in the best interests of Adherium and its Shareholders as a whole, at the relevant time.
- Your Directors currently consider that the disadvantages for Shareholders of delisting outweigh any potential benefits. Therefore, your Directors' current intention would be to vote against any Board proposal to delist Adherium (however, your Directors' views may change depending on future circumstances including the final level of control achieved by Respiri at the end of the Offer).
- Even if (a majority of) the Board resolved to delist Adherium from ASX, this action would still require the ASX's consent and is likely to be subject to conditions imposed by ASX, which would be likely to include the approval of Adherium Shareholders by special resolution.
- ASX Guidance Note 33 states that the ASX will use its discretion to ensure that the delisting of any entity is being sought for acceptable reasons. For example, ASX notes that a request to remove an entity from the ASX that is primarily or solely aimed at denying minority shareholders a market for their securities, in order to coerce them into accepting an offer from a controlling shareholder to buy out their securities, would be an unacceptable reason for requesting removal from the ASX official list.
- The ASX applies a number of guidelines to safeguard the interests of minority shareholders in the context of any proposed delisting.
- A key ASX guideline is that the approval of Adherium minority shareholders would most likely be needed for the ASX to allow delisting unless each of the following three conditions are met:
 - (a) Respiri has at least 75% control of Adherium at the time delisting is sought;
 - (b) there are fewer than 150 Adherium Shareholders (excluding Respiri and its related bodies corporate) whose shareholding is worth at least A\$500. As at the date of this Target's Statement, Adherium has approximately 800 Shareholders; and
 - (c) the Offer remains open for at least an additional two weeks after Respiri attains at least 75% control of Adherium.

If, despite the above procedural protections, Adherium is ultimately delisted at some point in the future, any remaining Adherium Shareholders would be holders of unquoted shares. A delisting would result in a number of disadvantages for Shareholders such as:

- the absence of an orderly, transparent and timely mechanism for share trading;
- restricted information compared to that currently provided as Adherium would no longer be subject to the continuous disclosure requirements of the ASX Listing Rules. If Adherium remains a public company after delisting and has at least 100 members, Adherium would still be required to disclose material information to ASIC and likely on its website. Nevertheless, the level of shareholder reporting in these circumstances could be diminished; and
- the ceasing of various requirements and protections for minority shareholders under the ASX Listing Rules and the Corporations Act. Examples of provisions that may cease to apply include restrictions on the issue of new securities, a governance framework for related party transactions, requirements to seek Shareholder approval for significant changes in the nature or scale of Adherium's activities and the annual consideration of a remuneration report.

5.8 Compulsory acquisition

(a) Compulsory acquisition following the Offer

Respiri states in its Bidder's Statement that if it becomes entitled to proceed to compulsorily acquire outstanding Adherium Shares at the end of the Offer Period under Part 6A.1 of the Corporations Act, it intends to do so.

If you choose to reject the Offer, you will only have your Shares compulsorily acquired if, by the end of the Offer Period, Respiri increases its ownership in Adherium shares to at least 90% of the Adherium shares on issue. If this threshold is met, Respiri will have one month after the end of the Offer Period within which to give compulsory acquisition notices to Shareholders who have not accepted the Offer.

(b) Future compulsory acquisition by Respiri

Even if Respiri does not satisfy the compulsory acquisition threshold referred to in Section 5.8(a) of this Target's Statement, it is possible that Respiri will, at some time after the end of the Offer Period, become the full beneficial holder of 90% of the Adherium Shares. If so, Respiri would then have rights to compulsorily acquire Adherium Shares not owned by it within six months of becoming a 90% holder. The price for compulsory acquisition under this procedure would have to be considered in a report of an independent expert at the relevant time.

(c) Challenging compulsory acquisition

Adherium Shareholders have statutory rights to challenge any compulsory acquisition. However, a successful challenge will require the relevant Adherium Shareholders to establish to the satisfaction of a court that the terms of the Offer do not represent fair value for the Adherium Shares.

If Adherium Shares are compulsorily acquired, Shareholders who have their Adherium Shares compulsorily acquired are not likely to receive the Offer Consideration for their Adherium Shares until at least one month after the compulsory acquisition notices are dispatched to them.

6.

About Adherium



6. About Adherium

6.1 Current capital structure

As at the date of this Target's Statement, Adherium has on issue:

- (a) 2,125,733,111 fully paid ordinary shares; and
- (b) 318,381,915 unlisted options.

6.2 Substantial holders

As at the date of this Target's Statement, the following persons held an interest in Adherium Shares of more than 5% as disclosed in notices provided to the ASX:

Name	Number of Adherium Shares	Percentage of Adherium Shares
Phillip Asset Management Limited as trustee of BioScience Managers Translation Fund 1	500,000,000	23.52%
Trudell Medical Ltd	422,697,512	19.88%
Viburnum Funds Pty Ltd and subsidiaries and associates	238,989,991	11.24%
Regal Funds Management Pty Ltd	222,266,463	10.46%
FIL Limited	211,645,356	9.96%

6.3 Adherium's strategy

Adherium's Hailie® solution is a platform technology comprising an established suite of cloud and mobile app software, and six regulatory cleared sensors with eight US FDA 510(k) clearances for inhaled medication covering more than 56% of the market by unit sales volume in the US. Adherium also holds clearances for Canada, China and Europe, and Adherium's technology has also been used or evaluated in more than 100 independent studies resulting in peer reviewed journal articles.

Adherium's goal is to take a leadership position in the digital management of respiratory disease through the extension of its technology offering beyond adherence and establish a complimentary multi-sensor digital respiratory management ecosystem. Built on Adherium's existing software platform, and supporting next generation adherence sensors with physiological measurement, these additional digital devices will provide supplementary data on the underlying disease status. This digital respiratory management ecosystem will broaden Adherium's clinical offering providing a more complete data set to physicians, payers and providers.

Adherium's key value proposition is clear and lies in the management of the difficult to treat patients incurring the highest cost for healthcare systems, including severe and uncontrolled Asthma and COPD patients with a focussed commercial plan in speciality clinics and disease management groups, including providers and payers.

Adherium is also uniquely placed to benefit from the rapidly developing telehealth trends and positive reimbursement environment in the US. A significant emerging opportunity involves the diagnosis, assessment and management of the chronic respiratory impact of post-COVID-19 syndrome, or "long COVID", relevant for remote digital sensor management.

Adherium has a clear strategic plan for the use of the capital recently provided by its Shareholders—funds will be utilised to deliver its Research and Development roadmap (which includes releasing up to six "next generation" sensors with physiological measures within 18 months, taking coverage of Asthma and COPD inhaled medications to an estimated 80% of the US market by volume and 18 medications⁴).

Concurrently, Adherium will focus on building out an ecosystem of devices commonly used in the diagnosis, treatment and management of Asthma and COPD supported by the Hailie® platform and importantly driving the commercialisation of the Hailie® solution.

⁴Based on US unit volume sales 2019 IQVIA.

6.4 Directors

Name and Title	Biography
<p>Mr James Ward-Lilley Non-Executive Chair</p> <p><i>Appointed as a Director and Chairman 14 April 2020</i></p>	<p>Mr Ward-Lilley had an extensive 28-year global pharmaceutical career at AstraZeneca before becoming Chief Executive Officer of Vectura Group PLC (the inhaled formulation and device development specialist) in September 2015.</p> <p>At Vectura he was responsible for leading the business through a critical transformation period including the successful merger with Skyepharma. James stepped down in June 2019 leaving Vectura as a growing, cash generative business with a strong balance sheet and positive pipeline momentum positioned to take a new CDMO focussed approach.</p> <p>At AstraZeneca James had a number of increasingly senior roles including leading the business in China to become the number one pharmaceutical company in the market in 2008. He went on to become Regional Vice President for Central Eastern Europe and the Middle East and led AstraZeneca's investor relations team during the transition of Chair, CEO and strategy as Leif Johansson and Pascal Soriot joined the business.</p> <p>Mr Ward-Lilley's last role at AstraZeneca was to lead the Respiratory, Inflammation & Autoimmunity franchise with responsibility for the revitalisation of one of AstraZeneca's three core therapeutic areas including the acquisitions of Almirall's respiratory business and Pearl Therapeutics. He was responsible for leading AstraZeneca's corporate device strategy in 2014/15 and was the key sponsor for AstraZeneca's initial investment in Adherium at the time of the IPO in 2015.</p> <p>Mr Ward-Lilley is Chief Commercial Officer of the Galway, Ireland Aerogen Group and Board Director of Aerogen Pharma Ltd.</p>
<p>Mr Jeremy Curnock Cook Non-Executive Director</p> <p><i>Appointed as a Director on incorporation of Adherium Limited on 17 April 2015</i></p>	<p>Mr Curnock Cook was formerly head of the life science private equity team at Rothschild Asset Management in the UK and is an active investor in the Australian life science sector. At Rothschild, Mr Curnock Cook was responsible for the launch of the first dedicated biotechnology fund for the Australian market. Over his 40-year career, Mr Curnock Cook has specialised in creating value in emerging biotech enterprises, through active participation with management. He has served on over 40 boards in various roles, including chair of private and public biotechnology companies listed on NASDAQ, AMEX, LSE, TSX and ASX. Mr Curnock Cook received his MA in Natural Sciences from Trinity College in Dublin, Ireland. He is currently Managing Director of BioScience Managers (manager of a major shareholder in Adherium), and sits on the board of Avita Medical, Rex Bionics Pty, GEN InCode Ltd, Cambridge Respiratory Innovations Ltd, and Sea Dragon Ltd. Mr Curnock Cook was previously a director of Bioxyne Limited and Phylogica Limited.</p>

<p>Dr William Hunter Non-Executive Director</p> <p><i>Appointed as a Director on incorporation of Adherium Limited on 17 December 2015</i></p>	<p>Dr Hunter has extensive experience in commercialising medical device technologies. He co-founded Angiotech Pharmaceuticals in 1992 and assumed the position of CEO in 1997 when Angiotech was a venture-stage, private, pre-clinical company with less than 50 employees. He led Angiotech through its IPO and listing on the Toronto Stock Exchange and NASDAQ. Dr Hunter has over 200 patents and patent applications to his name and products in which he was an inventor or co-inventor, including the TAXUS Drug-Eluting Coronary Stent, the Zilver PTX Peripheral DrugEluting Stent, the Quill barbed wound closure device and the 5-FU Anti-Infective Catheter. Combined, these products have generated revenues of over \$12 billion and have helped the lives of over 15 million patients globally. He is currently President and CEO of Canary Medical Inc. and formerly Correvio Pharma Corp (NASDAQ: CORV). Dr Hunter is also a Director of Rex Bionics and an Industry Expert Advisor for BioScience Managers (manager of a major shareholder in Adherium). He has previously served as a director of Epirus Biopharmaceuticals (NASDAQ: EPRS) and Union Medtech.</p> <p>Dr Hunter completed his BSc from McGill University and a MSC and MD from the University of British Columbia. Dr Hunter served as a practising physician in British Columbia for five years.</p>
<p>Mr Bruce McHarrie Non-Executive Director</p> <p><i>Appointed as a Director on 20 July 2015</i></p>	<p>Mr McHarrie is a company director and adviser in the health and life sciences sectors with over 25 years' experience. He was formerly with Telethon Kids Institute in Perth, Western Australia, for 15 years, where his roles included Chief Financial Officer, Director of Operations and Director of Strategic Projects. Prior to joining Telethon Kids, Mr McHarrie was a Senior Manager at Deloitte in London before moving to Rothschild Asset Management as Assistant Director of the Bioscience Unit, a life sciences private equity group investing in early stage biotechnology and healthcare companies. Outside his role at Adherium, he is currently an advisor to BioScience Managers (manager of a major shareholder in Adherium), a director at AusCann (Australasian Medical Cannabis) and Pharmamark Nutrition (nutritional foods). Mr McHarrie is a Fellow of the Institute of Chartered Accountants Australia and New Zealand. He holds a Bachelor of Commerce from the University of Western Australia and is a graduate member of the Australian Institute of Company Directors</p>
<p>Mr Matthew McNamara Non-Executive Director</p> <p><i>Appointed as a Director on 18 October 2019</i></p>	<p>Mr McNamara is currently the Chief Investment Officer and director of Horizon 3 Biotech Pty Ltd. Mr McNamara has over 35 years' experience in the Healthcare & Medical Sciences sector. After initially being a Molecular Biology Research Assistant, he spent 11 years in sales & marketing and general management with Merck &Co. and Johnson and Johnson Medical Pty Ltd respectively. He was CEO of a Life Sciences Venture Capital Fund, SciCapital Pty Ltd. and from 2005–2019 was CIO of BioScience Managers' healthcare funds. Mr McNamara is also a director of Avecho Biotechnology Limited (ASX: AVE).</p>
<p>Mr George Baran Non-Executive Director</p> <p><i>Appointed as a Director on 13 May 2021</i></p>	<p>Mr Baran has over 35 years of experience in the medical device industry and serves as Executive Chair of the Trudell Medical Limited Board of Directors as well as being a significant shareholder. In addition to his role at Trudell, Mr Baran is an active investor in and Director of several medical device and e-health/connected care companies including Sensory Technologies, Mozzaz Corporation, and Sky Medical Technology Inc. He was also a lead investor and a former Director of Vanrx Phamasystems, which was recently acquired by Cytiva Life Sciences.</p>

6.5 Your Directors' interests and dealings in Adherium Shares

(a) Interests in Adherium securities

As at the date of this Target's Statement, the Adherium Directors and their respective interests in Adherium Shares are set out in the table below:

Name	Adherium Shares held by or on behalf of the Director
Mr James Ward-Lilley	2,167,412
Mr Jeremy Curnock Cook	2,276,439
Dr William Hunter	2,696,439
Mr Bruce McHarrie	2,861,292
Mr Matthew McNamara	1,206,743
Mr George Baran	422,697,512 ¹

¹As disclosed in the Appendix 3X lodged with ASX 19 May 2021, the Adherium shares are registered to Trudell Medical Limited, in which Mr Baran has a 33.33% beneficial interest.

(b) Trading by Directors in Adherium Shares

As at the date of this Target's Statement, the Adherium Directors and their respective interests in Adherium Shares are set out in the table below:

Name*	Adherium Shares acquired by or on behalf of the Director in the preceding four months	Adherium Shares disposed by or on behalf of the Director in the preceding four months
Mr James Ward-Lilley	2,167,412	Nil
Mr Jeremy Curnock Cook	2,276,439	Nil
Dr William Hunter	1,083,705	Nil
Mr Bruce McHarrie	1,083,705	Nil
Mr Matthew McNamara	1,083,705	Nil
Mr George Baran	333,333,333 ²	Nil
Total	341,028,299	Nil

²Refer to note 1 to the table in Section 6.5(a) above.

6.6 Your Directors' interests and dealings in Respiro securities

(a) Interests in Respiro Shares and other securities

As at the date of this Target's Statement, no Director has a Relevant Interest in any securities of Respiro.

(b) Dealings in Respiro securities

No Adherium Director has acquired or disposed of a Relevant Interest in any securities of Respiro in the four months ending on the date immediately before the date of this Target's Statement.

6.7 Benefits and agreements with Respiro

(a) Directorships

As at the date of this Target's Statement, no Director of Adherium is a director of Respiro.

(b) Benefits in connection with retirement from office on a change in control

As a result of the Offer, no person has been or will be given any benefit (other than a benefit which can be given without member approval under the Corporations Act) in connection with the retirement of that person, or someone else, from a board or managerial office of Adherium on a change in control of Adherium.

(c) Agreements connected with or conditional on the Offer

There are no agreements made between any Director and any other person in connection with, or conditional on, the outcome of the Offer other than in their capacity as a holder of Adherium Shares.

(d) Benefits from Respiro

No Director has agreed to receive, or is entitled to receive, any benefit from Respiro which is conditional on, or is related to, the Offer, other than in their capacity as a holder of Adherium securities as outlined in Section 6.5(a) of this Target's Statement.

(e) Material interests of Directors in contracts with Respiro

No Director has any interest in any contract entered into by Respiro.

6.8 Potential effect of the Offer on the AstraZeneca Master Supply & Development Agreement

Under the AstraZeneca Master Supply & Development Agreement dated 1 August 2015 with the Company (MSDA), there is a change of control provision which may be triggered as a result of acceptances under the Offer, in particular where Respiro obtains a Relevant Interest in more than 50% of Adherium Shares. The MSDA imposes an obligation on Adherium to notify AstraZeneca in writing at the earliest opportunity of a possible change of control. The MSDA and all relevant product schedules may be terminated by AstraZeneca on four months written notice if Adherium undergoes a change of control (i.e. where Respiro acquires more than 50% of Adherium's Shares) where AstraZeneca, acting reasonably has concerns that the acquirer is unlikely to satisfy AstraZeneca's ethical standards (as reasonably determined by AstraZeneca). AstraZeneca may give Adherium a notice to terminate the MSDA at any time within six months after the date of the change of control.

6.9 Material litigation

At the date of this Target's Statement, your Directors are not aware of any litigation or dispute which is material in the context of Adherium.

6.10 Financial information

The most recent financial information regarding Adherium is set out in the Half Yearly Report for the period ended 31 December 2020 announced to the ASX on 26 February 2021 plus the most recent cash flow information in the Company's Appendix 4C lodged on 30 April 2021.

Except as set out in this Target's Statement, your Directors are not aware of any material changes to the financial position of Adherium since the release of the above financial information - other than those matters approved by Adherium Shareholders on 30 April 2021 (including the capitalisation of the Viburnum notes and the Adherium \$18 million capital raising).

A copy of the Company's Half Yearly Report and 2020 Annual Report are available on Adherium's website at www.adherium.com/.

6.11 ASX announcements

Adherium is a disclosing entity under the Corporations Act and therefore has continuous disclosure obligations under that legislation and also under the ASX Listing Rules.

Adherium is required to immediately disclose to the market through ASX any information concerning it that a reasonable person would expect to have a material effect on the price or value of Adherium Shares.

Adherium is in compliance with its continuous disclosure obligations under the Corporations Act and the ASX Listing Rules. Adherium's announcements are available free of charge from the ASX website at www.asx.com.au (ASX code: ADR).

6.12 Key risks faced by Adherium

Set out below is a summary of the key risks to which Adherium Shareholders will continue to be exposed if they reject the Offer and retain their current investment in Adherium Shares. The risks identified in this Section are not an exhaustive list of all of the risks relevant to Adherium. No assurances or guarantees are given as to Adherium's future performance, profitability or dividend payments.

Adherium specific risks	
Business risks	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;
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 noncompliance 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.
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.
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.
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.
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.

<p>Product liability risk</p>	<p>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.</p>
<p>General risks</p>	
<p>General investment risk</p>	<p>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.</p> <p>Further, Adherium's share price is influenced by general market factors both in Australia and internationally. These general market factors include:</p> <ul style="list-style-type: none"> • variations in the local and global markets for listed securities; • domestic and international economic conditions including the current global economic downturn caused by the regulatory response to the global COVID-19 pandemic; • changes in investor confidence generally and in relation to specific sectors of the market; • global pandemics, such as COVID-19, natural disasters, global hostilities and acts of terrorism; • changes to government policy, legislation or regulation including in relation to taxation and other policy changes.
<p>Coronavirus (COVID-19) pandemic risk</p>	<p>The outbreak of the coronavirus disease (COVID-19) is impacting global economic markets. The nature and extent of the effect of the outbreak on the performance of Adherium remains unknown. Equity markets may be adversely affected in the short to medium term by the economic uncertainty caused by COVID-19. However, the situation is continually evolving, and the consequences are therefore inevitably uncertain.</p>
<p>Disruption of business operations</p>	<p>Adherium and its customers and suppliers 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 or suppliers may have an adverse impact on the Company's growth prospects, operating results and financial performance.</p>
<p>Forward looking statements</p>	<p>Certain statements in this Target's Statement are made as forward looking statements. These statements are predictions only and are subject to inherent risks and uncertainties. These uncertainties and risks relate to factors specific to Adherium as well as broader economic conditions both domestically and internationally. Actual outcomes of events or results may differ materially from the forward looking statements expressed or implied in this Target's Statement.</p>
<p>Speculative nature of investments</p>	<p>The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of Adherium Shares. Therefore, Adherium Shares carry no guarantee with respect to the payment of dividends, returns of capital or the market value of Adherium Shares.</p>

7.

Taxation consequences



7. Taxation consequences

7.1 Taxation Treatment of the Exchange of Adherium Shares for Respiro Shares

The proposed acquisition by Respiro involves participating investors receiving 1 Respiro Share for every 7 Adherium Shares currently held. The Offer is conditional, among other matters, on Respiro achieving 50.1% minimum acceptance.

Ineligible Foreign Shareholders in Adherium will not receive Respiro Shares under the arrangement. Instead, Ineligible Foreign Shareholders will be paid the net proceeds of the sale of the Respiro Shares they would otherwise be entitled to.

The following overview of Australian tax implications associated with the disposal of Adherium Shares is confined to Australian resident investors who hold their shares on capital account.

(a) Rollover Relief

Where certain conditions are met, scrip-for-scrip rollover will be available under Subdivision 124-M of the Income Tax Assessment Act 1997. Where scrip-for-scrip rollover is available and chosen, existing Australian resident Adherium shareholders who would otherwise make a capital gain on disposal of the Adherium Shares will defer that capital gain until they dispose of the Respiro Shares that are acquired under the Offer.

A number of conditions must be met for scrip for scrip rollover to be available. **Importantly, for rollover relief to be available, it is necessary that Respiro become the owner of 80% or more of the voting shares in Adherium.** As noted above, the current Offer is conditional on Respiro achieving 50.1% minimum acceptance. Where Respiro does not acquire 80% or more of the voting shares in Adherium under this Offer, rollover relief will not be available.

For completeness, we set out below the further conditions that must be satisfied for scrip for scrip rollover to be available:

- (i) As a consequence of a single arrangement, shareholders exchange shares in Adherium for shares in Respiro.
- (ii) All voting shareholders in Adherium are entitled to participate in the restructure.
- (iii) Participation is available on substantially the same terms for all owners of interests in Adherium (e.g. all ordinary shareholders participate on the same terms).
- (iv) The takeover is not be carried out in contravention of the provisions in paragraphs 612(a) to (g) of the Corporations Act 2001.
- (v) The Adherium Shareholder acquired its shares post-CGT (after 20 September 1985) and, apart from the rollover, would make a capital gain on the disposal of the shares.
- (vi) The Adherium Shareholder chooses to obtain the rollover.
- (vii) Each Adherium Shareholder informs Respiro in writing of the cost base of their shares in Adherium worked out just before the CGT event happened to those shares.
- (viii) Where Respiro is a member of a wholly-owned group, no member of the group can issue equity (other than a replacement interest, being the shares in Respiro) or owe new debt, under the arrangement, to an entity that is not a member of the group and in relation to the replacement interest.
- (ix) If either Adherium or Respiro had less than 300 shareholders just before the exchange, or were members of the same linked group, additional conditions must be satisfied if the parties did not deal with each other at arm's length. Further, if a shareholder has a "significant stake" or "common stake" in Adherium and Respiro, additional rules apply. Under the rules, the choice to apply the rollover must be made in a specific way and Respiro's cost base of ordinary shares must be worked out in a particular way. We would not think these additional conditions would need to be satisfied in this case.
- (x) The Adherium Shareholders do not receive any other consideration apart from replacement interests in Respiro. If other consideration is received, only a partial rollover is available.

Where the roll-over is available, and a shareholder elects the roll-over:

- (xi) a capital gain which would otherwise be realised on disposal of the shares in Adherium is disregarded; and
- (xii) each Adherium Shareholder's cost base in the Adherium Shares is allocated to the Respiro shares acquired.

(b) Where Rollover relief is not available

Where rollover relief is not available, Australian resident Adherium shareholders will be subject to CGT on the disposal of those shares. The following overview of Australian tax implications associated with the disposal of shares is confined to Australian resident investors who hold their Adherium Shares on capital account.

The disposal of a share by an investor will give rise to a CGT event where the investor holds their share on capital account. Australian tax resident investors will:

- make a capital gain where the capital proceeds received on the disposal of the share exceed the cost base of the share; or
- make a capital loss where the capital proceeds received on the disposal of the share are less than the reduced cost base of the share.

The capital proceeds will generally be equal to the amount received for the disposal of the share or in this case, the market value of the Respiro Shares received (or that the shareholder is entitled to receive) in respect of the disposal.

If an investor is an individual or complying superannuation entity and has held the Adherium Share for at least 12 months or more before disposal of the share, the shareholder will generally be entitled to a "CGT discount" for any capital gain made on the disposal of the share. Where the CGT discount applies, any capital gain arising (after applying any available capital losses) may be reduced by:

- 50% in the case of individuals; or
- one-third in the case of complying superannuation entities.

Investors that are companies are not entitled to a CGT discount.

Any resulting net capital gain is included in an investor's assessable income.

Where the disposal results in a net capital loss and the investor has no remaining capital gains to offset, the capital loss is carried forward and may be available to be offset against capital gains in future years (subject to the satisfaction of any applicable loss recoupment rules). Capital losses cannot be used to reduce ordinary assessable income (only capital gains).

7.2 Taxation Treatment of Dividends

The treatment of the dividends which may be paid to investors whilst holding Respiro Shares will vary depending on the nature of the investor and the extent to which any dividends are franked.

Dividends received by Australian resident investors will be assessable income for Australian tax purposes. Generally, both the amount of the cash dividend received and an amount equal to the franking credits attached to a franked dividend must be included in assessable income in the year of receipt. An Australian resident shareholder would then be entitled to a franking tax offset to reduce their tax liability on all forms of income (including the assessable dividend income). However, it is important to note that shares must be held 'at risk' for a period of 45 days, in order for any investor to be able to claim an offset for franking credits.

The level of franking credits attached to such dividends will depend on the level of franking credits generated and available to the Company, through the payment by it of Australian company tax.

Ineligible Foreign Shareholders in Adherium will not receive Respiro Shares under the Offer.

The tax treatment in respect of the dividends from ordinary shares will vary depending on the nature of the investor, as follows:

(a) Individual Investors

An individual receiving a dividend that is unfranked will include the amount of the dividend in their assessable income, with tax being paid at the individual's marginal rate of tax.

Where the dividend is fully or partly franked, the individual's assessable income is grossed up to include the franking credit attaching to the dividend. The individual should then be entitled to a tax offset equal to the amount of the franking credit

Where the individual's marginal rate of tax is greater than the applicable corporate tax rate (which is currently 30%, unless the company qualifies for the lower base rate entity tax rate of 26.0% for the income year ended 30 June 2021 and 25.0% for the income year ended 30 June 2022), further tax will be payable on the grossed up dividend. This is commonly referred to as "top-up tax".

Where the individual's marginal rate of tax is less than the applicable corporate tax rate, a tax offset is available to reduce tax payable on other income or alternatively results in a refund of the excess franking credits.

(b) Corporate Investors

A corporate investor receiving an unfranked dividend will pay tax on this dividend (net of any allowable deductions) at the applicable corporate tax rate, unless the company qualifies for the lower base rate entity tax rate.

Where dividends are franked, the corporate investor will be entitled to offset the franking credit against its tax liability for the year. To the extent that the franking credit exceeds the corporate investor's tax liability, the excess can be converted into a carry forward loss and offset against future taxable profits (subject to the loss testing rules for companies). Generally a corporate investor cannot receive a refund of franking credits (noting there are limited exceptions for certain entities).

Further, the franked dividend may give rise to a franking credit in the corporate investor's franking account.

(c) Complying superannuation funds

Complying superannuation funds (which include self-managed superannuation funds) are assessable on the dividend and gross up of the franked dividend in the same way as individuals and corporate investors.

A complying superannuation fund investor receiving an unfranked dividend will pay tax on this dividend (net of any allowable deductions) at the rate of 15% (current, as at the date of this Target's Statement).

Where dividends are franked, the complying superannuation fund investor will include in its assessable income the amount of dividend received and the amount of any franking credits attached to that dividend. The complying superannuation fund tax rate of 15% is then applied to the grossed up dividend. The franking credit is available to offset tax payable on other income of the complying superannuation fund or alternatively results in a refund of the excess franking credits.

(d) Trusts and partnerships

Investors who are trustees (other than trustees of complying superannuation funds) or partnerships should include both the amount of the dividend and the franking credit in determining the net income of the trust or partnership. The relevant beneficiary or partner may be entitled to a share of the tax offset equal to the beneficiary's or partner's share of the net income of the trust or partnership.

7.3 Quotation of Tax File Number

It is not compulsory for Australian resident Shareholders to provide Respire with details of their Tax File Number (**TFN**) or Australian Business Number (**ABN**). However, a failure to quote a TFN or ABN (or proof of exemption) to a public company will result in the company being required to withhold and remit tax at the top marginal rate (currently 45% plus 2% Medicare levy) from unfranked dividends paid to the relevant Australian resident shareholder. The amount withheld in these circumstances should be available as a credit against the investor's tax liability.

7.4 Goods & Services Tax (GST)

No GST is applicable to the issue or transfer of the shares given that, under current law, shares in a company are an input-taxed financial supply for GST purposes. However, investors may incur GST on costs that relate to their participation in the proposed offer and should seek their own independent advice in relation to the GST implications.

7.5 Stamp Duty

On the basis that Respire is not a landholder for stamp duty purposes in any Australian jurisdiction, no stamp duty should be payable by investors on acquisition of the shares.

8.

Additional information



8. Additional Information

8.1 Information included in this Target's Statement

This Target Statement is required to include all the information that Adherium Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer, but:

- (a) only to the extent to which it is reasonable for investors and their professional advisers to expect to find this information in this Target's Statement; and
- (b) only if the information is known to any Director of Adherium.

The Directors of Adherium are of the opinion that the information that Adherium Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept Respiro's Offer is:

- (c) the information contained in the Bidder's Statement (to the extent that the information is not inconsistent with or superseded by information in this Target's Statement); and
- (d) the information contained in this Target's Statement.

The Directors of Adherium have assumed, for the purposes of preparing this Target's Statement, that the information in the Bidder's Statement is accurate (unless they have expressly indicated otherwise in this Target's Statement). However, the Directors of Adherium do not take any responsibility for the contents of the Bidder's Statement and are not to be taken as endorsing, in any way, any or all of the statements contained in it.

In deciding what information should be included in this Target's Statement, the Directors of Adherium have had regard to:

- (a) the nature of the Adherium Shares;
- (b) the matters that Adherium Shareholders may reasonably be expected to know;
- (c) the fact that certain matters may reasonably be expected to be known to Adherium Shareholders' professional advisers; and
- (d) the time available to Adherium to prepare this Target's Statement.

8.2 Takeover response costs

The Offer will result in Adherium incurring expenses that would not otherwise have arisen in 2021. These include legal, financial and other expenses from advisers engaged by Adherium to assist in responding to the Offer. The total cost of the takeover response depends on the outcome of the Offer, the duration of the Offer and required response activities, as well as the complexity of the issues addressed in the response. Therefore, it is difficult to estimate the likely total cost to Adherium. These defence costs will be reflected in Adherium's financial results for the financial year ending 30 June 2021.

8.3 Consents

K&L Gates has given and has not withdrawn its consent to be named in this Target's Statement as legal advisers to Adherium for preparing this Target's Statement. K&L Gates does not make, nor purport to make, any statement included in this Target's Statement. No statement in this Target's Statement is based on any statement by K&L Gates. To the maximum extent permitted by law, K&L Gates expressly disclaims and takes no responsibility for any part of this Target's Statement other than the references to its name.

Computershare Investor Services Pty Limited has given and has not withdrawn its consent to be named in this Statement as the Share Registry of Adherium. Computershare Investor Services Pty Limited does not make, nor purport to make, any statement included in this Target's Statement. No statement in this Target's Statement is based on any statement by Computershare Investor Services Pty Limited. To the maximum extent permitted by law, Computershare Investor Services Pty Limited expressly disclaims and takes no responsibility for any part of this Target's Statement other than the references to its name.

8.4 Documents lodged with ASIC or given to the ASX

As permitted by ASIC Class Order 13/521, this Target's Statement contains statements which are made, or based on statements made, in documents lodged with ASIC or given to the ASX. In accordance with this class order, the consent of Respiro or the ASX (respectively) is not required for the inclusion of such statements in this Target's Statement. Any Adherium Shareholder who would like to receive a copy of any of those documents may obtain a copy (free of charge) during the Offer Period by contacting Adherium.

As permitted by ASIC Corporations (Consents to Statements) Instrument 2016/72, this Target's Statement may include or be accompanied by certain statements:

- fairly representing what purports to be a statement by an official person; or
- that are correct and fair copies or, or extracts from, what purports to be a public official document, published book, journal or comparable publication, provided the statement was not made, or published in connection with the Offer, or Respire or Adherium or any business, property or person the subject of the Bidder's Statement or this Target's Statement.

In addition, as permitted by ASIC Corporations (Consents to Statements) Instrument 2016/72, this Target's Statement contains share price trading and financial data sourced from Bloomberg, without their consent.

Neither ASIC, nor the ASX nor their respective officers take any responsibility for the contents of this Target's Statement.

8.5 Approval of Target's Statement

This Target's Statement has been approved by a resolution passed by your Directors.

Signed for and on behalf of Adherium by:

A handwritten signature in black ink, appearing to be 'James Ward-Lilley', written over a horizontal line.

James Ward-Lilley
Chairman

Date: 28 June 2021

9.

Glossary

9. Glossary

Term	Meaning
Acceptance Form	the form with that title that accompanies the Bidder's Statement and which forms part of the Offer
ADR, Adherium or Company	Adherium Limited ACN 605 352 510
Adherium Board or Board	the board of directors of Adherium
Adherium Group	Adherium and its Related Bodies Corporate
Adherium Options	the options set out in section 6.2 of the Bidder Statement
Adherium Secured Convertible Notes	the convertible notes held by Viburnum Funds Pty Ltd
Adherium Share or Share	a fully paid ordinary share in the capital of Adherium
Adherium Shareholder or Shareholder	a holder of Adherium Shares
AEST	Australian Eastern Standard Time
Announcement Date	29 April 2021
ASIC	Australian Securities and Investments Commission
Associate	has the same meaning as given to that term for the purposes of Chapter 6 of the Corporations Act (as modified by ASIC from time to time) as if section 12(1) of that Act included a reference to this Target's Statement and Adherium was the designated body
ASX	ASX Limited ABN 98 008 624 691 or, where the context otherwise requires, a financial market operated by it known as the Australian Securities Exchange
ASX Listing Rules	the Listing Rules of ASX, as amended or replaced
AUD or A\$ or \$	Australian dollars
Bidder's Statement	The replacement bidder's statement by Respiri dated 27 May 2021 setting out the terms and other information in relation to the Offer which replaced the original Bidder's Statement lodged on 29 April 2021
Capital Raise	the issue of 1,030,100,998 Adherium Shares contemplated by resolution 2 set out in the Notice of Extraordinary Meeting
CGT	Capital Gains Tax
Condition	each defeating condition to which Respiri's Offer is subject, as set out in section 12.9 of the Bidder's Statement
COPD	Chronic Obstructive Pulmonary Disease
Corporations Act	the Corporations Act 2001 (Cth)
Director	a director of Adherium

EGM Securities	the Adherium Shares and Adherium Options issued: (a) under the Capital Raise; (b) in connection with the Note Conversion; and (c) under the Director Share Issues, being 1,276,238,098 Adherium Shares and 179,855,877 Adherium Options
Extraordinary General Meeting	the extraordinary general meeting held by Adherium on 30 April 2021
FY	Financial Year, which for Adherium is the year ending 30 June
GST	Goods and Services Tax
Note Conversion	the conversion of the Adherium Secured Convertible Notes and subsequent issue of: (a) 238,989,991 Adherium Shares; and (b) 179,855,877 Adherium Options, to Viburnum Funds Pty Ltd
Notice of Extraordinary General Meeting	the notice of general meeting released by Adherium to the ASX on 31 March 2021
Offer	the off-market takeover bid by Respiri for all Adherium Shares other than those already owned by Respiri, as described in the Bidder's Statement
Offer Consideration	the consideration due to you as a result of your acceptance of the Offer once it is declared or becomes unconditional
Offer Period	the period during which the Offer will remain open for acceptance in accordance with section 12.3 of the Bidder's Statement
Offer Price	one (1) Respiri Share for every seven (7) of your Adherium Shares offered by Respiri, on the terms set out in the Bidder's Statement, for the purchase of Adherium Shares that exist at the Register Date
Ineligible Foreign Shareholder	an Adherium Shareholder whose address as shown in the register of members of Adherium is in a jurisdiction other than Australia and its external territories, New Zealand, United Kingdom, Singapore or Canada, unless Respiri otherwise determines (in its absolute discretion) after being satisfied that it is not unlawful, not unduly onerous and not unduly impracticable to make the Offer to an Adherium Shareholder in the relevant jurisdiction and to issue Adherium Shares to such an Adherium Shareholder on acceptance of the Offer, and that it is not unlawful for such an Adherium Shareholder to accept the Offer in such circumstances in the relevant jurisdiction
Register Date	the time and date set by Respiri under section 633(2) of the Corporations Act, being 7:00pm (Sydney time) on 11 May 2021
Relevant interest	has the meaning given in sections 608 and 609 of the Corporations Act
Respiri	Respiri Limited ACN 009 234 173
Respiri Share	a fully paid ordinary share in the capital of Respiri
Respiri Shareholder	any holder of Respiri Shares

Rights	all accreditations, rights or benefits of whatever kind attaching or arising from Adherium Shares directly or indirectly at or after the Announcement Date (including, but not limited to, all dividends or other distributions and all rights to receive them or rights to receive or subscribe for shares, notes, bonds, options or other securities declared, paid or issued by Adherium or any of its subsidiaries)
Target's Statement	this document, being the statement of Adherium under Part 6.5 of the Corporations Act in response to the Offer
US FDA	United States Food & Drug Administration
Voting Power	has the meaning given in section 610 of the Corporations Act
VWAP	Volume Weighted Average Price

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Corporate Directory

Directors

Mr James Ward-Lilley, Non-Executive Chair
Mr Jeremy Curnock Cook, Non-Executive Director
Dr William Hunter, Non-Executive Director
Mr Bruce McHarrie, Non-Executive Director
Mr Matthew McNamara, Non-Executive Director
Mr George Baran, Non-Executive Director

Registered office

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