

Adherium Limited

ACN 605 352 510
(ASX code: ADR)

PROSPECTUS

Non-renounceable Entitlement Offer

*For a non-renounceable pro-rata entitlement offer to Eligible Shareholders of up to 340,039,981 New Shares on the basis of 1 **New Share for every Share** held by Shareholders at the Record Date at an issue price of 2 cents (\$0.02) per New Share **together with** 1 New Option for every New Share issued under the Offer (with an exercise price of 3 cents (\$0.03)) to raise a maximum of approximately \$6.8 million before costs (**Entitlement Offer**) and the placement of any Shortfall under the Entitlement Offer together with the offer of New Options in respect of the 2024 Placement.*

The Entitlement Offer closes at 5.00pm on 20 May 2024 (unless extended).

The Entitlement Offer is fully underwritten by MST Financial Services Pty Ltd.

IMPORTANT NOTICE

This document is important and should be read in its entirety.

If, after reading this Prospectus, you have any questions about the Offer Securities being offered under this Prospectus or any other matter relating to the Offers, then you should consult your professional adviser. An investment in the Offer Securities offered by this Prospectus should be considered speculative.

This Prospectus may not be released to US wire services or distributed in the United States except by the Company to a limited number of shareholders who are employees of the Company or "accredited investors" (as defined in Rule 501(a) under the US Securities Act).

This Prospectus has also been prepared in accordance with Section 713 of the Corporations Act.

IMPORTANT NOTICE

1. Prospectus

This Prospectus is dated **26 April 2024**. A copy of this Prospectus has been lodged with ASIC on that date. ASIC and its officers take no responsibility for the contents of this Prospectus. No Offer Securities will be issued or allotted on the basis of this Prospectus later than 13 months after the date of this Prospectus (**Expiry Date**).

This Prospectus is a transactional specific prospectus for an offer of continuously quoted securities (being the New Shares offered under this Prospectus) and New Options and has been prepared in accordance with section 713 of the Corporations Act.

This Prospectus does not contain the same level of disclosure as an initial public offering prospectus prepared pursuant to Section 710 of the Corporations Act. In making representations in this Prospectus, regard has been made to the fact that the Adherium Limited (**ADR** or the **Company**) is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult. Further information is provided in Section 7.4 of this Prospectus. This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX.

The Company will apply to ASX within 7 days of the date of this Prospectus for quotation of the New Shares offered under this Prospectus. The ASX takes no responsibility for the contents of this Prospectus. The fact that ASX may quote the New Shares is not to be taken in any way as an indication of the merits of the Company.

Applications for New Shares and New Options offered pursuant to this Prospectus including also for any Additional Securities can only be submitted in accordance with the terms of the applicable original Entitlement and Acceptance Form which accompanies this Prospectus. Applications for the Shortfall Offer can only be submitted by invitation from the Company and only upon the Shortfall Application Form. If you are in any doubt about the contents of this document, you should obtain independent professional advice.

2. Applications

Applications for Offer Securities (including Additional Securities) by Eligible Shareholders can only be made by payment via Bpay® or EFT, in accordance with instructions contained in Entitlement & Acceptance Form, as further described herein. Each Eligible Shareholder's Entitlement & Acceptance Form sets out that

Eligible Shareholder's Entitlement to participate in the Entitlement Offers.

3. Disclaimer

The information contained in this Prospectus is not investment advice. Before deciding to invest in the Company, you should read and understand the entire Prospectus and, in particular, in considering the Company's prospects, you should consider the risk factors that could affect the Company's performance. You should carefully consider these risk factors in Section 6 in light of your personal circumstances (including financial and taxation issues) and seek advice from your professional adviser before deciding to invest. Investing in the Company involves risks.

None of the Company, the Directors or any other person gives any guarantee as to the success of the Company, the repayment of capital, the payment of dividends, the future value of the Offer Securities or the price at which the New Shares will trade on the ASX.

Any references to past performance of the Company is no guarantee of future performance.

4. No Representations other than this Prospectus

No person or entity is authorised to give any information or to make any representation in connection with the Offers that is not contained in this Prospectus or has not been released to ASX with the authorisation of the Company. No person named in this Prospectus, nor any other person, guarantees the performance of the Company, the repayment of capital by the Company or the payment of a return on the Offer Securities.

You should rely only on information contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company or the Directors or any other person. The Application Forms accompanying this Prospectus are important.

Please refer to the instructions in Section 4 of this Prospectus regarding the acceptance of any Offers.

5. Forward looking information

Some of the statements appearing in this Prospectus may be in the nature of forward looking statements, including statements of current intention, statements of opinion and predictions as to possible future events. You should be aware that such statements are not statements of fact and there can be no certainty of outcome in relation to the matters to which the statements relate.

Forward looking statements are subject to many inherent risks and uncertainties before

actual outcomes are achieved. Those risks and uncertainties include factors and risks specific to the industry in which the Company operates as well as general economic conditions, interest rates, exchange rates and conditions in the financial markets. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement and any variation may be materially positive or negative. Forward looking information (including forecast financial information) is subject to uncertainty and contingencies, many of which are outside the control of the Company.

6. Past performance

Investors should note that the Company's past performance, including Share price performance, provides no guarantee or guidance as to future Share price performance.

Any past performance and pro forma financial information given in this Prospectus is provided for illustrative purposes only and should not be relied upon as (and is not) an indication of the Company's view of its future performance, including the Company's future financial position or Share price performance. Investors should note that the pro-forma financial information has not been audited and is based on management estimates and not on financial statements prepared in accordance with applicable statutory requirements. Accordingly, investors should treat this information with appropriate caution.

7. No cooling off rights apply to this Offer

Cooling off rights do not apply to an investment pursuant to the Offers. This means that, in most circumstances, you cannot withdraw your Application once it has been made.

8. Offer Restrictions on Distribution

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to lodge this Prospectus in any jurisdiction outside of Australia or to otherwise permit a public offering of New Shares or New Options in any jurisdiction outside Australia or New Zealand.

In particular, the Offer Securities have not been, and will not be, registered under the US Securities Act and may only be offered and sold in the United States in accordance with an available exemption from registration under the US Securities Act and applicable US state securities laws.

Payment of the Application Monies will be taken by the Company as a representation that the Applicant is an Eligible Shareholder.

9. Target Market Determination

In accordance with the obligations under the Corporations Act, the Company has determined the target market for the Offers of the New Options under this Prospectus.

The Company will only distribute this Prospectus to those investors who fall within the target market determination (**TMD**) as set out on the Company's website (www.adherium.com). By making application under the Offers, you warrant that you have read and understood the TMD and that you fall within the target market set out in the TMD.

10. Prospectus availability

Those investors who receive this Prospectus electronically are advised that the issue of securities under this Prospectus is only available to persons receiving the Prospectus in accordance with the distribution restrictions described in item 6 above. A paper copy of this Prospectus may be obtained free of charge from the Company or downloaded from the ASX website. The information on the ASX website or the Company's website do not form part of this Prospectus.

Eligible Shareholders will be able to access a copy of this Prospectus and a personalised Entitlement and Acceptance Form online at www.computersharecas.com.au/adroffer.

Those who access the electronic version of this Prospectus should ensure they download and read the entire Prospectus. The electronic version of the Prospectus on the Company's website will not include a personalised Entitlement and Acceptance Form.

11. Disclaimer

None of the Underwriter, its related bodies corporates and affiliates, nor any of their respective directors, officers, partners, employees, representatives or agents (**Underwriter Parties**), have authorised or caused the issue or despatch of this Prospectus. To the maximum extent permitted by law, the Underwriter Parties exclude and disclaim all liability for any expenses, losses, damages or costs incurred by you as a result of your participation in the Offers and any information contained in this Prospectus not being fair, reliable, accurate or complete in any way for any reason, whether by negligence or otherwise. None of the Underwriter Parties make any recommendations as to whether you or your related parties should participate in the Offers, nor do they make any representations or warranties to you concerning the Offers or any information contained in this Prospectus. To the maximum extent permitted by law, you represent, warrant and agree that you have not relied on any statements made by the Underwriter Parties in relation to the Offers.

Determination of eligibility of investors for the purposes of the Offers is determined by reference to a number of matters, including

legal requirements and regulatory requirements, logistical and registry constraints and the discretion of the Company and the Underwriter. To the maximum extent permitted by law, the Company, the Underwriter, their respective related bodies corporate and affiliates, and each of their respective directors, officers, partners, employees and agents expressly disclaim any duty or liability (including for negligence) in respect of that determination and the exercise or otherwise of that discretion.

The Underwriter may also hold interests in the securities of the Company or earn brokerage, fees or other benefits from the Company, including in relation to acting as lead manager of the Offers and underwriter of the Entitlement Offer. The engagement of the Underwriter by the Company is not intended to create any agency, fiduciary or other relationship between the Underwriter or any other investor.

12. Photographs and diagrams

Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration purposes only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents or that the assets shown in them are owned by

the Company. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables are based on information available at the date of this Prospectus.

13. Enquiries

Before making a decision about investing in the Entitlement Offer, you should seek advice from your stockbroker, accountant, financial adviser, taxation adviser or other independent professional adviser to determine whether it meets your objectives, financial situation and needs.

If you have any questions on how to take up the Offer Securities offered to you under the Offers, please contact the Company's Share Registry on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia).

14. Definitions and glossary, financial amounts and time

Definitions of certain terms used in this Prospectus are contained in Section 9. Unless otherwise indicated, all references to currency are to Australian dollars and all references to time are to Melbourne, Victoria time.

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Key Offer details

Key details of the Offer

Offer to Eligible Shareholders	The Entitlement Offer is: <ul style="list-style-type: none"> • 1 New Shares for every Share held at the Record Date at the Issue Price plus: • 1 New Option for every New Share issued under the Offer; together with the Top-Up Facility for Shareholders who subscribe for their full Entitlement.
Issue Price per New Share	\$0.02 (i.e. 2 cents) per New Share payable in full on Application.
Exercise Price per New Option and Expiry Date of 30 June 2025	3 cents per New Option
Maximum number of New Shares issued under the Offers (subject to rounding)	340,039,981 New Shares.
Maximum number of New Options to be issued under the Offers (subject to rounding)	340,039,981 New Options.
Maximum proceeds (excluding costs associated with the Offer) if the Maximum Subscription Amount is achieved under the Offers	Approximately \$6.8 million (before expenses and costs of the Offers).
Maximum number of Shares on issue following the Offers, including the Placement Shares (<u>excluding</u> any shares issued upon the exercise of any Options and subject to rounding)	758,579,962 Shares.
Maximum number of Options on issue following the Offers and the 2024 Placement (subject to rounding and excluding the Underwriter Options to be issued to the Underwriter subject to shareholder approval)	421,519,721 Options

Important Dates*

Event	Date
<u>Record Date</u> to determine Entitlements	7.00pm (AEST) on Thursday 2 May 2024
Dispatch of the Eligible Shareholder's letter	Monday 6 May 2024
<u>Opening Date</u>	Monday 6 May 2024
<u>Closing Date</u> for acceptances	5.00pm (AEST) on Monday 20 May 2024
<u>Announcement of results of the Offer and Shortfall</u>	Thursday 23 May 2024
<u>Issue of the New Shares and New Options</u>	Monday 27 May 2024
<u>Trading</u> (T+2) of New Shares expected to commence	Tuesday 28 May 2024
Dispatch of Holding Statements	Tuesday 28 May 2024

**The above dates are indicative only and subject to change. The Company reserves the right, subject to the Corporations Act and the Listing Rules, to extend these dates without prior notice including extending the last date for receipt of the Applications, or to delay or withdraw the Offer at any time without prior notice. If withdrawn, all Application Monies for New Shares which have not been issued will be refunded (without interest) as soon as practicable.*

Letter from the Chairman

Dear Shareholder,

On behalf of the Board of Adherium Limited (**Company**), I am pleased to invite you to participate in the Company's Entitlement Offer of 1 New Share for every Share held at the Record Date of 2 May 2024 at an Issue Price of \$0.02 per New Share, plus 1 New Option for every New Share issued under the Offers - to raise up to maximum of approximately \$6.8 million (before expenses) by the issue of up to 340,039,981 New Shares.

On 26 April 2024 the Company announced that it had received commitments from sophisticated and professional investors to subscribe for an aggregate of 78,500,000 Shares to raise approximately \$1.57m at an Issue Price of \$0.02 cents per Share, together with 1 New Option for each Placement Share issued (**2024 Placement**).

This 2024 Placement includes commitments from Directors, Lou Panaccio and George Baran, as well as from Chief Executive Officer, Paul Mastoridis, to subscribe for a total of \$350,000 on the same terms as other Placement investors, subject to receiving ADR shareholder approval.

On 26 April 2024 the Company also announced its intention to conduct this underwritten non-renounceable entitlement offer (**Entitlement Offer**).

The Company is entering a defining phase in its commercial development, bringing its world-class respiratory health product portfolio to the US, **the largest healthcare market in the world**¹. The Company has a clear and focused US engagement and market penetration strategy, which prioritises manufacturing activities and sales via established pharmaceutical and payor groups in this market.

Our Company is now a leading provider of digital health solutions and its connected respiratory device, with 12 US FDA (510K)² cleared inhalation sensors now on market. These drug-agnostic sensors cover the U.S. top 20 branded inhaler medications by sales volume – bringing a truly competitive advantage to the Company's product portfolio.

In the past six months we have invested in building a **highly credentialed team**, with operations personnel who are leaders in the respiratory health sector and supported by an experienced, hands-on Board of Directors. Together, we are mobilised with the goal of growing the Company's revenue base.

The Company is seeking to service a **significant market** and have a robust plan to expand the reach and impact of our technology. Asthma costs the US Healthcare system US \$82B³ and COPD US \$31.3B per annum⁴ – and our Company seeks to make measured reductions in the rate and severity of our patient asthma exacerbations. Our use of funds is lean and focused – with all resources pointed towards sustainable revenue generation – and we are excited to bring this Offer to you, so you can support this mission.

MST Financial Services Pty Ltd (**MST** or **Underwriter**) has been appointed as lead manager and underwriter of the Entitlement Offer. The Offer is fully underwritten pursuant to an underwriting agreement entered into between the Company and MST 26 April 2024, further details of which are set out in Section 2.10 (**Underwriting Agreement**). The Underwriter has entered into a sub-underwriting agreement with Regal Funds Management Pty Limited (**Regal**) to subscribe for almost 100% of the New Shares and New Options under the Shortfall (if any).

¹ The \$11.9 Trillion Global Healthcare Market: Key Opportunities & Strategies (2014-2022) - ResearchAndMarkets.com | Business Wire

² IQVIA US Data - Top 20 US 2021

³ Nurmagambetov, T. et al. The Economic Burden of Asthma in the United States, 2008–2013. *Annals of the American Thoracic Society* 2018 Mar 1. doi: 10.1513/AnnalsATS.201703-259OC

⁴ Mannino, David M. et al. National and Local Direct Medical Cost Burden of COPD in the United States From 2016 to 2019 and Projections Through 2029. *CHEST*, Volume 0, Issue 0 - In-press

Shareholders should note the potential increase in shareholding of Regal in the Company as a result of the sub-underwriting commitment on completion of the Offer (set out in Section 3.2). In the unlikely event that no Eligible Shareholders, other than Regal, apply for any New Securities under the Offers, **the maximum interest of Regal on completion of the Offers is expected to be 38.91%**.

The Entitlement Offer may be summarised as follows:

- Eligible Shareholders holding Shares may subscribe under the Entitlement Offer for 1 New Share for every Share held as at the Record Date of 7.00 pm on 2 May 2024, which includes the issue to the subscribers of 1 New Option for every New Share issued under the Retail Entitlement Offer.
- The issue price for New Shares is \$0.02 (2 cents) per New Share.
- The New Options have an expiry date of 30 June 2025 and an exercise price of \$0.03 (3 cents) per New Option.
- There is no minimum subscription to be raised under this Prospectus before the Entitlement Offer can close. There will be a maximum of 340,039,981 New Shares issued under the Offer.
- Eligible Shareholders who apply for their full Entitlement may also subscribe for Additional Securities (and corresponding New Options) beyond their Entitlement on the basis that some other existing Shareholders will be either ineligible or may fail to fully take up their Entitlement (**Top-Up Offer**). This Top-Up Offer to apply for Additional Securities is restricted only to Eligible Shareholders.
- If there remains any Shortfall after allocation of Entitlements to Eligible Shareholders under the Entitlement Offer and Top-Up Offer, the Underwriter will subscribe or procure subscriptions for the Shortfall in accordance with the terms of the Underwriting Agreement.
- The Directors also reserve the right for up to 3 months after the close of the Entitlement Offers, subject to agreement by the Underwriter, to place any Shortfall at the Board's discretion under this Prospectus but at a price no less than the Issue Price (**Shortfall Offer**).

A copy this Prospectus has been lodged with ASIC and the ASX and can be accessed on the ASX website or via the Company's website: www.adherium.com There are substantial risks in investment in health care and biotechnology companies, as well as medical device development and commercialisation. **Shareholders should carefully consider in detail the summary of current investment risks contained in Section 6 of this Prospectus.**

The funds from the Offer are very important to the future of the Company and will be applied as detailed in section 2.4 of this Prospectus.

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

We look forward to your participation in the Offers.

Yours sincerely



Lou Panaccio
Non-executive Chair
Adherium Limited

1. ENTITLEMENT OFFER OVERVIEW

1.1 Overview of the Offers

This Section is not intended to provide full information for investors intending to apply for New Shares and New Options offered pursuant to this Prospectus. This Prospectus and all of its Sections should be read and considered in their entirety.

Question	Response	Where to find more information
What is the Entitlement Offer	Non-renounceable Entitlement Offer of New Shares, accompanied by attaching (unlisted) options (i.e., the New Options) as described below (Entitlement Offer).	Sections 2.1 and 2.6
What are the terms of the Entitlement Offer	1 New Share for every Share held on the Record Date at an issue price of \$0.02 (2 cents) per Share, which includes the issue to the subscribers of 1 New Option for every New Share issued under the Entitlement Offer.	Section 2.1
Are the New Options to be Quoted on the ASX	No, the Company will not be applying to the ASX for the listing of the New Options.	Section 2.18
Can I sell or transfer my Entitlements	No, the Entitlement Offers are non-renounceable and, accordingly, you cannot offer to sell or transfer any of your Entitlement on ASX or via an off-market transfer.	Section 2.6
Am I an Eligible Shareholder	The Entitlement Offer and Top-Up Offers are made to Eligible Shareholders only, registered as a holder of Shares as at 7.00 pm on 2 May 2024 (Record Date).	Definition of Eligible Shareholder and Section 2.2
Can I purchase Additional Shares at the same price (Top-Up Offer)?	<p>Yes, the Company is also offering a Top-Up Facility so Eligible Shareholders who fully subscribe for their Entitlement under the Entitlement Offer will also have the right to apply for Additional Securities (New Shares not subscribed for by other Eligible Shareholders plus accompanying New Options) at the same Issue Price.</p> <p>There is no limit on the amount of Additional Securities that may be applied for (subject to the maximum available under any Shortfall) – but there is no guarantee that the Board will issue any Additional Securities under the Top-Up Facility and in any event is subject to scale back as referred to below.</p>	Sections 2.1 and 2.9

Question	Response	Where to find more information
<p>How will the Additional Securities under the Top-Up Offer be allocated</p>	<p>The Company reserves the right to scale back any applications for Additional Securities in their absolute and sole discretion, particularly where New Shares applied under the Top Up would result in a shareholder exceeding the limits prescribed under Chapter 6 of the Corporations Act.</p> <p>When determining the amount (if any) by which to scale back an application, the Company may take into account a number of factors, including the size of an Applicant's shareholding in the Company, the extent to which an Applicant has sold or bought additional Shares in the Company before and after both the announcement of the Entitlement Offer and the Record Date, as well as when the application was made.</p>	<p>Section 2.10</p>
<p>Shortfalls – Shortfall Offer</p>	<p>If there remains any Shortfall after both the Entitlement Offer and the Top-Up Offer, the Underwriter is to procure subscriptions for the Shortfall in accordance with the terms of the Underwriting Agreement (including pursuant to the sub-underwriting commitment by Regal Funds Management Pty Limited).</p> <p>If for any reason the Underwriting Agreement is terminated or breached, the Directors also reserve the right for up to 3 months from the close of the Entitlement Offer to place any Shortfall at their discretion at a price no less than the Issue Price. Application may only be made under the Shortfall Offer pursuant to a Shortfall Application Form at the invitation of the Company.</p>	<p>Sections 2.10</p>
<p>Minimum Subscription</p>	<p>There is no minimum subscription amount under the Offers.</p>	
<p>Is the Offer underwritten?</p>	<p>Yes, the Entitlement Offer is fully underwritten by MST Financial Services Pty Ltd.</p> <p>The Underwriter has also entered into a sub-underwriting agreement with Regal Funds Management Pty Limited to subscribe for almost 100% of the New Shares and New Options under the Shortfall (if any). Shareholders should note the potential increase in shareholding of Regal in the Company as a result of the sub-underwriting commitment on completion of the Offer (set out in Section 3.2).</p>	<p>Section 2.10</p>
<p>How do the New Shares rank in comparison to</p>	<p>All New Shares issued under the Entitlement Offer will rank equally in all respects with existing Shares from the date of their issue.</p>	<p>Sections 2.18 and 5.1</p>

Question	Response	Where to find more information
existing Shares		
What are my choices?	<p>As an eligible Shareholder you may:</p> <ul style="list-style-type: none"> • take up all of your Entitlement under the Entitlement Offer (and if you have taken up all your Entitlement, you may also apply for participation in the Top-Up Facility under the Top-Up Offer); or • exercise only a portion of your Entitlement and allow the balance to lapse; or • do nothing, in which case all of your Entitlements will lapse and you will receive no value for those lapsed Entitlements. As the Issue Price of the New Shares is at a material discount to the recent market price for the Company's shares, there may be a material number of New Shares issued under the Entitlement Offer, so failing to take up your Entitlement means that your holdings would therefore be diluted as a result of the issue of the New Shares and New Options issued under this Prospectus and as a result under the Underwriting Agreement including sub-underwriting by Regal Funds Management Pty Limited there is a potential impact on control of the Company (see below and Section 3.2). 	Section 4.1
What will be the effect of the Offers on control	<p>The effect of the Entitlement Offer on the control of the Company will vary with the level of Entitlements and Additional Securities taken up by Eligible Shareholders and the issue of any Shortfall (including to the Underwriter and / or Regal Funds Management Pty Limited (which has entered into a sub-underwriting agreement with the Underwriter).</p> <p>In the unlikely event that no Eligible Shareholders, other than Regal, apply for any New Securities under the Offers, the maximum interest of Regal Funds Management Pty Limited on completion of the Offers is expected to be 38.91%. For further information and the potential impact on control in the Company see Section 3.2.</p>	Section 3.2
How do I apply for New Shares / Options under the	Eligible Shareholders can apply for New Shares and New Options under the Entitlement Offer by making payment by BPAY® or EFT in the amount of Entitlement Offer (and Top-Up Offer, if applicable) applied for, as described in Section 4. You do not need to return the Entitlement and Acceptance Form and the Company	Sections 4.2 and 4.3

Question	Response	Where to find more information
Entitlement Offer	will assume that you have applied for that number of New Shares corresponding the Application Monies paid. You may accept all or part of your Entitlement.	
How can I obtain further information	Contact Mr Brett Tucker (Company Secretary) by email at any time on investors@adherium.com until the Closing Date. For advice, actively consult your broker, accountant or other professional adviser.	
Risk Factors	<p>There are many risks associated with an investment in the Company, including relating to the Company's business, its regulatory environment, its financial requirements generally. These risks will in part turn upon the Company's ability to:</p> <ul style="list-style-type: none"> • retain its current customer base, grow the service requirements of those existing customers and attract new customers. This depends on adoption of the Company's product offering by patients, physicians, disease management organisations, hospitals and payers; • remain competitive in highly competitive medical device industry which is subject to rapid technology change. 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; • raise further funds in the future through equity offerings, debt financing or corporate collaboration or to successfully commercialise its products to allow sufficient sales to fund on-going Company operations; and • retain key personnel, whose loss could cause a material disruption and adversely affect the Company including the achievement of its product and software development and commercialisation activities. <p>Refer to Section 6 for a more detailed description of some of these Risk Factors.</p>	Section 6

2. DETAILS OF THE OFFER

2.1 The Offers

The Entitlement Offer:

The Company is offering Eligible Shareholders (**Entitlement Offer**) the opportunity to subscribe for 1 New Share for every Share held at 7:00pm on the Record Date at an Issue Price of \$0.02 (2 cents) per New Share plus the issue of 1 New Option (expiring on 30 June 2025 and an exercise price of exercise price of \$0.03 (3 cents)) for every New Share issued under the Entitlement Offer. Where the determination of the Entitlement of any Eligible Shareholder results in a fraction of a New Share, that will be rounded up to the nearest whole New Share.

Your Entitlement under the Offer is shown on, and you may only make application for New Shares and New Options pursuant to, the terms of your accompanying Entitlement & Acceptance Form (or your Entitlement & Acceptance Form you access online located at www.computersharecas.com.au/adroffer). Details on how to accept the Entitlement Offer are set out in Section 4.

The Top-Up Offer:

Eligible Shareholders who fully subscribe for their entire Entitlement under the Entitlement Offer may also apply under the Top-Up Facility for Additional Securities, known as their **Top-Up Offer**.

The allocation of any Additional Securities will be limited to the extent that there are sufficient New Shares available (after all acceptances have been received under the Entitlement Offer) which have not been taken up by some of the Eligible Shareholders (and Ineligible Foreign Shareholders) regarded as the "Shortfall".

Any Additional Securities to be issued will only be issued at the Board's discretion - there is no guarantee that the Board will issue any Additional Securities under the Top-Up Facility.

The Shortfall Offer:

Subject to the Corporations Act and the Listing Rules, the Board reserves the right to offer any Shortfall (after the allocations of all New Shares under the Entitlement Offer and the Top-Up Offer) to eligible investors within a 3-month period after the close of the Entitlement Offer.

Application may only be made under the Shortfall Offer pursuant to a Shortfall Application Form accompanying this Prospectus and only upon invitation by the Company.

Please note that the Company has entered into an Underwriting Agreement and where that agreement has not been terminated or breached on the close of the Entitlement Offer and the Top-Up Offer, the Company would place the Shortfall pursuant to the Underwriting Agreement. The Underwriter has entered into a sub-underwriting commitment with Regal Funds Management Pty Limited for almost 100% of any Shortfall – details of the potential impact on control from such arrangements are detailed in Section 3.2.

2.2 Eligible Shareholders

Eligible Shareholders are those holders of Shares who:

- are registered as a holder of Shares as at the Record Date; and

- have an address on the Company's share register in Australia or New Zealand,

or who would otherwise qualify as an exempt investor in their local jurisdiction and where, in respect of that exempt investor, no registration of the Offer is required in their local jurisdiction for the Company to make the Offer.

Shareholders who do not satisfy the above mentioned criteria are regarded as Ineligible Foreign Shareholders. All Ineligible Foreign Shareholders will be sent a letter advising of their inability to participate in the Entitlement Offer. The Company, in its absolute discretion, reserves the right to determine whether a Shareholder is an Eligible Shareholder and is therefore able to participate in the Entitlement Offers, or an Ineligible Foreign Shareholder and is therefore unable to participate in the Entitlement Offer. The Company disclaims all liability to the maximum extent permitted by law in respect of any determination as to whether a Shareholder is an Eligible Shareholder or an Ineligible Foreign Shareholder.

2.3 Size and Nature of the Offers

As at the date of this Prospectus, the Company has on issue 340,039,981 Shares, 2,979,740 unlisted options and 8,353,524 Stock Appreciation Rights.

In addition:

- Approximately 340,039,981 New Shares will be offered under the Offers to raise approximately \$6.8 million before the expenses of the Offers are taken into account.
- Approximately 340,039,981 million New Options will be offered under the Offers.
- 78,500,000 New Shares will be issued under the 2024 Placement (subject to receiving shareholder approval under ASX Listing Rule 10.11 in respect of the 28,500,000 New Shares proposed to be issued to Directors under the 2024 Placement).
- 78,500,000 New Options will be issued under the 2024 Placement (subject to receiving shareholder approval in respect of the 28,500,000 New Shares proposed to be issued to Directors and the CEO under the 2024 Placement).
- Approximately 7,585,800 Underwriter Options will be issued to the Underwriter in accordance with the Underwriting Agreement (subject to receiving shareholder approval under ASX Listing Rule 7.1).

When combined with the funds raised under the 2024 Placement, on completion of the Entitlement Offer and the 2024 Placement the Company will have on issue up to approximately 758,579,962 Shares and 424,105,521 unlisted options (including the Underwriter Options to be issued to the Underwriter and the issue of 2024 Placement Options which are subject to shareholder approval) and 8,353,524 Stock Appreciation Rights.

There is no minimum subscription amount under the Offers before the Company may use the funds raised after the close of the Offers.

A maximum of approximately 421,519,721 further Shares would be issued if and upon the exercise of the maximum number of New Options to be issued under the Offers and the 2024 Placement, resulting in an additional \$12.4 million (approximately) in funds for the Company from the exercise of those New Options.

2.4 Use of Funds

Where the Maximum Subscription Amount together with funds raised under the 2024 Placement of approximately \$8.37 million (before the payment of associated costs and expenses) under the Offers is achieved, the Company proposes to use these funds as follows:

Indicative expenditure** Description	A\$
Product development and capital expenditure	\$0.3
Sales, marketing & business development	\$0.1
Australian and Overseas personnel resourcing	\$3.0
Customer onboarding and scale up	\$2.7
General administration	\$1.7
Costs of the Entitlement Offer and the 2024 Placement	\$0.6
Maximum funds raised under the Offer and 2024 Placement	A\$8.4m*

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

2.5 Opening and Closing Date

The Entitlement Offer and the Top-Up Offer will open for receipt of acceptances on 6 May 2024. The Closing Date for acceptance of your Application is 5.00 pm on 20 May 2024 (unless extended).

The Company reserves the right, subject to the Corporations Act and the Listing Rules, to extend the last date for the close of the Entitlement Offers, or to delay or withdraw the Offers at any time without prior notice. Where an Offer is withdrawn, all Application Monies will be refunded (without interest) as soon as practicable by EFT to your bank account.

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

2.6 Entitlements under the Entitlement Offer

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

Shareholders who do not take up their Entitlement in full will have their percentage interest in the Company diluted as compared to that percentage as at the date the Entitlement Offers are made.

Your Entitlement has been calculated and rounded up to the nearest whole number (at the offer ratio) and where the Company receives Applications in aggregate in excess of the maximum number of available Shares – all Applications will be pro rata reduced, but not below each Eligible Retail Shareholder's respective Entitlement.

As described in Sections 2.9 and 2.10, any New Shares and New Options not taken up by an Eligible Shareholder by the Closing Date will form part of the Shares available under the Top-Up Offer and Shortfall Offer.

2.7 Entitlements and acceptance

The Entitlement of Eligible Shareholders to participate in the Entitlement Offer will be determined on the Record Date. Your Entitlement is shown on the Entitlement & Acceptance form accompanying this Prospectus (or accessed online at www.computersharecas.com.au/adroffer).

2.8 No cooling off rights

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

2.9 Top-Up Facility

Eligible Shareholders may, in addition to taking up their Entitlements in full, apply for any number of Additional Securities in excess of their Entitlements by using the Top-Up Facility (**Top Up Offer**).

Additional Securities will only be available where the total number of New Shares the subject of all Applications received under the Entitlement Offer is less than the aggregate available under the Entitlement Offer. Any Additional Securities issued will be at the same Issue Price of \$0.02 per Share and include the issue of 1 New Option (at no additional cost to the Eligible Shareholder) for every Additional Share issued to the same Eligible Shareholder under the Top Up Facility.

There can be no guarantee that there will be any allocation of Additional Securities under the Top-Up Facility.

It is an express term of the Entitlement Offer that Eligible Shareholders who apply for Additional Securities are bound to accept a lesser number of Additional Securities than they applied for, or that they may be allocated no Additional Securities at all. In both cases, excess Application Monies will be refunded without interest. The Company reserves the right to scale back any applications for Additional Securities in its absolute and sole discretion. When determining the amount (if any) by which to scale back an application, the Company may take into account a number of factors, including the size of an Applicant's shareholding in the Company, the extent to which an Applicant has sold or bought Shares in the Company before and after both the announcement of the Offers and the Record Date, as well as when the application was made. Any party who is a sub-underwriter of the Rights Issue Offer will not be eligible to participate under the Top-Up Facility.

For the avoidance of doubt, the prohibitions set out in section 606 of the Corporations Act on certain acquisitions of relevant interests in voting shares will apply to limit the acquisition of Additional Securities through the Top-Up Facility (as well as any other Shares issued under a Shortfall).

2.10 Underwriting

The Entitlement Offer is fully underwritten (and will be managed) by the Underwriter in accordance with the terms of the Underwriting Agreement. The Underwriter has also agreed to manage the 2024 Placement.

Under the Underwriting Agreement, the Underwriter will be:

- paid management and underwriting fees of 6.0% of the gross proceeds of the Offers and the 2024 Placement; and
- issued 7,403,407 Options, with an exercise price of equal to \$0.04 and expiry 3 years from the date of issue (**Underwriter Options**).

The Underwriter Options will be issued subject to receiving shareholder approval under ASX Listing Rule 7.1.

A summary of further material terms of the Underwriting Agreement is set out in Annexure B of this Prospectus. Under the Underwriting Agreement, if there remains any Shortfall after allocation of Entitlements to Eligible Shareholders under the Entitlement Offer and the issue of Additional Securities under the Top-Up Offer, the Underwriter will subscribe or procure subscriptions for the Shortfall in accordance with the terms of the Underwriting Agreement.

Please note that Underwriter has entered into sub-underwriting agreement with Regal Funds Management Pty Limited to sub-underwrite almost 100% of any Shortfall – details of the potential impact on control from such arrangements are detailed in Section 3.2.

2.11 Shortfall Offer and Placement Options

The Directors also reserve the right, subject to the Corporations Act, the Listing Rules and the agreement of the Underwriter, to place any Shortfall (which includes 1 New Option for every New Share issued under any Shortfall), at their discretion within 3 months after the close of the Entitlement Offer at a price not less than the Issue Price of \$0.02 per New Share (**Shortfall Offer**).

Application may only be made under the Shortfall Offer pursuant to a Shortfall Application Form and only upon invitation of the Company.

Subscribers for the Placement Shares will also need to make application for their Placement Options using the space provided for such application on the Shortfall Application Form pending the Company seeking shareholder approval to issue those Placement Options.

2.12 Issue and despatch

The issue of New Shares and New Options under the Offer is expected to occur on 27 May 2024.

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

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

2.13 ASX Listing

The Company has made an application for official quotation by ASX of the New Shares as offered under this Prospectus.

If the New Shares are not quoted by ASX within 3 months after the date of this Prospectus, the Company will not issue any New Shares and all Application Monies received will be refunded (without interest) in full to the Applicants.

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

It is expected that normal trading on ASX will commence in relation to New Shares on 28 May 2024.

The Company does not intend to seek quotation by the ASX of the New Options – therefore there is no guarantee of any secondary trading in the New Options.

2.14 **CHESS**

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

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

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

2.15 **Ineligible Foreign Shareholders**

In accordance with ASX Listing Rule 7.7.1 and Section 9A of the Corporations Act, the Company has decided that it is unreasonable to make the Entitlement Offer to any Shareholder who is not an Eligible Shareholder as at the Record Date (**Ineligible Foreign Shareholder**), having regard to:

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

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

2.16 Overseas shareholders

The Entitlement Offer does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would be unlawful to make such an offer or to issue this Prospectus. The Company proposes to extend the offer to certain shareholders with a registered address outside Australia or New Zealand to whom it would not be unlawful to make such an offer or to issue this Prospectus

New Zealand

The New Shares are not being offered to the public within New Zealand other than to existing shareholders of the Company with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the *Financial Markets Conduct (Incidental Offers) Exemption Notice 2021 (New Zealand)*. In addition, for Eligible Shareholders who subscribe for New Shares, the Company will issue New Options for no consideration.

This Prospectus has not been registered, filed with or approved by any New Zealand regulatory authority under the *Financial Markets Conduct Act 2013 (New Zealand)*. This Prospectus is not an investment statement or prospectus under New Zealand law and is not required to, and may not, contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

United States

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

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

Any person in the United States or any person that is, or is acting for the account or benefit of a U.S. person with a holding through a nominee may not participate in the Entitlement Offer and the nominee must not take up any Entitlement or send any materials into the United States or to any person that is, or is acting for the account or benefit of, a U.S. person, unless they are otherwise an Eligible Shareholder (as defined).

2.17 Custodians and nominees

Eligible Shareholders who are nominees or custodians must comply with the following paragraphs in relation to the participation of any underlying beneficial owners (**UBH**) of Shares in the Offers.

The offer to apply for Additional Securities under the Top-Up Facility will be available to the UBH of custodians / nominees to the extent the UBH is (i) resident in Australia or New Zealand; or (ii) is in such other jurisdiction as the Company may determine is permissible taking into account applicable laws. Due to legal restrictions, nominees and custodians may not send this Prospectus to any person outside Australia who is not permitted to participate in the Offers in accordance with the preceding sentence.

Each custodian or nominee who is applying for Additional Securities on behalf of their individual UBH will need to submit a schedule showing the Record Date holding, the

Entitlement and the amount of Entitlement and Additional Securities taken up for each UBH.

Each UBH will need to apply for their maximum Entitlement before applying for Additional Securities under the Top-Up Offer. Therefore, the requirement to fulfil a shareholders maximum Entitlement before applying for Additional Securities under the Top-Up Facility won't apply to the registered custodian / nominee holding – the Company intends to process the amount of New Shares as Entitlement Offer acceptance and also the amount of Additional Securities as additional acceptance under the Top-Up Offer (per schedule supplied by the Custodian).

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

2.18 Rights and liability attaching to New Shares / New Options

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

A summary of the important rights attaching to the New Shares is contained in Section 5.1 of this Prospectus. The Company will be making application for quotation of the New Shares. The terms and conditions of the New Options are described in Annexure A to this Prospectus and are otherwise subject to the ASX Listing Rules. The Company will not be making an application for quotation of the New Options.

2.19 Brokerage and Stamp Duty Costs

No brokerage or stamp duty is payable by Eligible Shareholders on the issue of New Shares or New Options under this Prospectus.

2.20 Risks

There are a number of risks associated with an investment in New Shares and New Options in the Company. A brief overview of some of the key risks is outlined in Section 6. In particular, as the Issue Price is at a material discount to the recent market price for the Company's shares, there may be a material number of New Shares issued under the Offers. Failing to take up an Entitlement in full means that that Eligible Shareholder could therefore be diluted (and significantly, depending upon their holding size) as a result of the issue of the New Shares and New Options. An investment in the Company carries certain risks that may impact on the future profitability of the Company and the value of the Company's securities. The Offer Securities should be considered speculative. The Directors recommend that potential investors carefully consider this Prospectus and consult their professional advisors before deciding whether to apply for Offer Securities pursuant to this Prospectus.

Some of the key risk factors affecting an investment in the Company are discussed in Section 6 of this Prospectus.

3. EFFECT OF THE ENTITLEMENT OFFER

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

The total number of New Shares that may be issued under the Offers (the exact number depends on the level of acceptances), if the Maximum Subscription Amount is achieved, will be up to approximately 340,039,981 New Shares.

The tables below sets out, for illustrative purposes only, the existing capital structure (before the Offers) together with the impact of the issue of the New Shares and New Options under the Offers and the 2024 Placement. It assumes that no existing options are exercised prior to the Record Date.

	Number of Options	Number of Shares
Existing Shares as at date of this Prospectus	-	340,039,981
Existing Options as at date of this Prospectus	2,979,740	-
Maximum number of Shares that may be issued under the 2024 Placement (subject to rounding)		78,500,000
Maximum number of New Options that may be issued under the 2024 Placement (subject to rounding)	78,500,000	-
Maximum number of New Shares that may be issued under the Entitlement Offer (subject to rounding)	-	340,039,981
Maximum number of New Options that may be issued under the Entitlement Offer (subject to rounding)	340,039,981	-
Total Shares and Options on issue following completion of the 2024 Placement and the Entitlement Offer (approximate subject to rounding) assuming maximum raising under this Prospectus and including Shares which may be issued under any Shortfall, but excluding any Shares issued on exercise of the New Options and excluding the Underwriter Options and any Shares issued on exercise of the Underwriter Options	421,519,721	758,579,962
Stock Appreciation Rights		Number of Other convertible securities
Existing Stock Appreciation Rights as at date of this Prospectus, comprising:-		

<ul style="list-style-type: none"> • Stock Appreciation Rights which are vested and exercisable to Shares (one to one basis) on or before 20 September 2031 	4,611,204
<ul style="list-style-type: none"> • Stock Appreciation Rights, vesting upon the Company share price traded on ASX equalling or exceeding \$1.44 on or before 20 September 2024, exercisable to Shares (one to one basis) and expiring 20 September 2031 	1,773,540
<ul style="list-style-type: none"> • Stock Appreciation Rights, which are vested and exercisable to Shares on or before 17 April 2029 on the basis of (i) 20-day volume weighted average price (VWAP) of Shares prior to exercise minus a base price of \$0.063 (ii) divided by the VWAP price (iii) multiplied by the number of Stock Appreciation Rights being exercised 	1,968,780
Total Stock Appreciation Rights currently on issue	8,353,524

In addition to the above, the Company intends to issue up to approximately a further 18 million Stock Appreciation Rights prior to 31 May 2024 to employees and contractors in respect of the 2023 financial year, pursuant to its Securities Incentive Plan as an incentive for long term performance. This proposed issue represents 1.5% of the Company's securities on issue on a fully diluted basis following completion of the 2024 Placement and the Entitlement Offers, assuming maximum raising under this Prospectus and including Shares which may be issued under any Shortfall, and assuming all New Options, Underwriter Options and existing options are exercised.

The effect of the Offers, if the Maximum Subscription Amount is achieved, will be to increase the number of Shares on issue in the Company and increase the cash held by the Company (before taking into account the expenses of the Offer) by up to approximately \$6.8 million. The 2024 Placement will raise a further \$1.57 million.

Cash expenses of the Offers (combined with expenses of the 2024 Placement) are expected to be approximately \$645,408 together with the proposed issue of the Underwriter Options (under the Underwriting Agreement).

3.2 Potential effect on control of the Company

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

The potential effect the Offers (including those Offer Securities which may be issued to take up a Shortfall) will have on the control of the Company, and the consequences of that effect, will depend on a number of factors, including investor demand, such as:

- a) If all Eligible Shareholders take up their Entitlements under the Entitlement Offer, then the Entitlement Offer will have no significant effect on the control of the Company.
- b) If some Eligible Shareholders do not take up all of their Entitlements under the Entitlement Offer, then the interests of those Eligible Shareholders will be diluted.
- c) The proportional interests of Ineligible Foreign Shareholders will be diluted because those Ineligible Foreign Shareholders are not entitled to participate in the Entitlement Offer.

- d) Shareholders that apply for Additional Securities under the Top-Up Offer may increase their percentage interests beyond their Entitlement. This would result in the dilution of holdings of the Ineligible Foreign Shareholders and those Shareholders who did not accept their Entitlements in full and those who did not apply for Additional Securities.
- e) Regal Funds Management Pty Limited as a result of its sub-underwriting commitments may on completion of the Offers have an interest which could exceed 19.9% depending on the level of Entitlements and Additional Securities taken up by Eligible Shareholders. The maximum voting power of Regal Funds Management Pty Limited as a result could be 38.91% (noting that Regal Funds Management Pty Limited currently has a direct shareholding of 10.66% plus an economic interest under a swap arrangements 2.66% of the issued Shares in the Company). The Company, the Underwriter and Regal Funds Management Pty Limited is relying on section 611 exception 13 of the Corporations Act with respect to this potential control transaction. See the table below for further information.
- f) To the extent there is are placements of any Shortfall in accordance with the Underwriting Agreement and sub-underwriting arrangements, the interests of those Eligible Shareholders who do not take up all of their Entitlements under the Offers will be diluted. This may result in new investors having interests in the Company (to the extent that the Shortfall is not placed with existing Shareholders).

Regal – Sub-underwriter

The Underwriter has entered into a sub-underwriting agreement with Regal Funds Management Pty Limited to subscribe for New Shares and New Options under the Shortfall (if any) up to a maximum of \$6,600,800, being the entire amount to be raised under the Offer less \$200,000 which has been committed through an additional sub-underwriting arrangement by the Underwriter with an unrelated third party investor.

In the unlikely event that no Eligible Shareholders apply for any New Securities under the Offers, except for Shareholders that have committed to participate in the Offers as outlined below, the maximum impact on the interest of Regal Funds Management Pty Limited on completion of the Offers, based on the underwriting and sub-underwriting arrangements, is expected to be as set out in the table below. This table assumes that the Company has issued 50 million new Shares under the 2024 Placement, which will be on issue at completion of the Offers. However this does not include the issue of a further 28.5 million new Shares pursuant to the 2024 Placement which are subject to shareholder approval.

Shareholder / sub-underwriter	Current interest in ADR shares (before the issue of any shares under the Offers)		Maximum New Shares that may be acquired (by the Sub-underwriters)	Relevant interest on completion of Offers	
	Shares	%		Shares	%
Regal Funds Management Pty Ltd and its associates*	45,293,325 ⁽¹⁾	13.32	221,301,181 ⁽²⁾	284,094,506 ⁽³⁾	38.91
Existing substantial shareholders (see table below)	169,494,526	50.39	100,000,000 ⁽⁴⁾	269,494,526	36.91

All other existing Shareholders	125,252,130	36.29	18,738,800 (5)	176,490,930 (6)	24.17
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- (1) Please note this represents 36,241,154 existing shares held plus an economic interest under a swap arrangements to 9,052,171 ADR Shares.
- (2) Regal Funds Management has committed to sub-underwrite the shortfall of the Offers to a maximum of \$6,600,800, being the entire amount to be raised under the Offer less \$200,000 committed through an additional sub-underwriting arrangement by the Underwriter with an unrelated third party investor. The Company has also received commitments to subscribe for the Offers which total approximately \$2,240,671 which reduce the maximum available Shortfall which Regal Funds Management will be obliged to subscribe for through its sub-underwriting arrangement with the Underwriter. The maximum New Shares that may be acquired as disclosed in the table above is calculated based on a reduced Shortfall of \$4,560,129 (being the maximum offer amount less commitments to subscribe under the Offer) and factoring in the other sub-underwriter arrangement for \$200,000 of the available Shortfall, and assuming no other shareholders participate in the Offers.
- (3) Includes additional 17,500,000 new Shares subscribed for through the 2024 Placement, which are not included in the current interests in shares.
- (4) These 100 million new Shares represent commitments to participate in the Entitlement Offer received from substantial holders, Trudell Medical Limited and from Phillip Asset Management Ltd as trustee for the BioScience Managers Translation Fund I, for 50 million new Shares each as outlined below and at Section 7.8
- (5) Comprises the commitments to participate in the Entitlement Offer received from a shareholder totalling \$240,671 as well as the commitment from sub-underwriter arrangements (other than Regal Funds Management Pty Limited) for \$200,000 of the available Shortfall after factoring in scale back arrangements amongst all the sub-underwriters, assuming no other shareholders participate in the Offers.
- (6) Includes additional 32,500,000 new Shares subscribed for through the 2024 Placement, which are not included in the current interests in shares.

The table above assumes a Shortfall based on no other Eligible Shareholders applying for any Offer Securities other than Eligible Shareholders who have given commitments to participate in the Offers (totalling \$2,240,671 as set out below). To the extent that other Eligible Shareholders do apply for Offer Securities under the Offers, the above noted percentages (and therefore impact on the control of the Company) may be less than shown in the table.

However, the table above does not take into account any new Shares which may be issued upon exercise of any New Options issued to the Regal Funds Management Pty Ltd under the Offers. The exercise of any New Options will have a further dilutive effect on parties who did not participate in the Offers, or determine not to exercise their New Options – which may ultimately be material.

Other existing substantial shareholders

The substantial shareholders of the Company as at the date of this Prospectus, other than Regal Funds Management Pty Limited, are shown in the table below. Assuming that any Shortfall is fully subscribed for based on the underwriting arrangement as outlined at section 5.3, including the sub-underwriting arrangement with Regal Funds Management Pty Limited (and the remaining sub-underwriter), the maximum impact on the interest of the substantial holders on completion of the Offers is expected to be as set out in the table below.

Shareholder	Current interest in ADR shares (before the issue of any shares under the Offers)	Maximum New Shares that may be acquired*	Interest on completion of Offers	
			Shares	%

	Shares	%			
Bank of America Corporation and its related bodies corporate	22,222,014	6.66%	22,222,014	44,444,028	5.85
Trudell Medical Limited	73,538,685	21.62%	73,538,685 ⁽¹⁾	147,077,370 ⁽²⁾	19.39
Phillip Asset Management Ltd as trustee for the BioScience Managers Translation Fund I	73,733,827	22.11%	73,733,827 ⁽³⁾	147,467,654	19.44

- (1) *Trudell Medical Limited has committed to participate in the Offer to maximum of 50 million New Shares, being a total of \$1 million. Trudell Medical Limited is not expected to participate in the Offer for its maximum entitlement and therefore its percentage holding on completion of the Offers is expected to be less than 19.39%.*
- (2) *Trudell has committed to subscribe for a total of 11 million new Shares in the 2024 Placement subject to receiving shareholder approval. These new Shares are not included in the total shown.*
- (3) *Phillip Asset Management Ltd as trustee for the BioScience Managers Translation Fund I has committed to participate in the Offer to maximum of 50 million New Shares, being a total of \$1 million. This holder is not expected to participate in the Offer for its maximum entitlement and therefore its percentage holding on completion of the Offers is expected to be less than 19.44%.*

Please note, the above table does not take into account any Shares which may be issued upon exercise of any New Options issued to the relevant substantial holder under the Offers.

3.3 Pro Forma Balance Sheet

The following pro-forma unaudited consolidated balance sheet illustrates the effect of the Entitlement Offer on the Company. It has been prepared based on the reviewed statement of financial position as at 31 December 2023, adjusted to include the maximum cash proceeds that could be received from the Entitlement Offer and the 2024 Placement. It is not intended to represent the actual financial position of the Company upon completion of the Offers, but rather it is provided as an illustration of the likely effect of the Offers. The actual impact on the Company is dependent on a range of factors, many of which are outside the control of the Company and unknown at this stage.

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

	31 Dec 2023	Impact of equity raise (net costs)	Pro forma
Cash and cash equivalents	3,144,308	7,725,392	10,869,700
Other current assets	3,969,414	-	3,969,414

Total current assets	7,113,722	7,725,392	14,839,114
Total non-current assets	116,028	-	116,028
Total assets	7,229,750	7,725,392	14,955,142
Total current liabilities	2,605,996	-	2,605,996
Total non-current liabilities	-	-	-
Total liabilities	2,605,996	-	2,605,996
Total equity	4,623,754	7,725,392	12,349,146

The pro forma balance sheet has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

The pro forma statement of financial position is based on the reviewed financial position as at 31 December 2023 and is adjusted to reflect the following assumptions:

- (a) the 2024 Placement completes and the Entitlement Offer is fully subscribed and approximately \$8.37 million (before costs) is raised;
- (b) the estimated cash expenses of the Offers and 2024 Placement of \$645,408 are recognised in net issued capital; and
- (c) the cost of the Underwriter Options are recognised in net issued capital, valued at \$0.0166 each using a Black & Scholes valuation model with a volatility of 100%, a risk free rate of 3.654% and a market price of Shares as quoted on the ASX on 23 April 2024 of \$0.029.

Other than in the ordinary course of business or as described above, there have been no other material changes to the Company's financial position between 31 December 2023 and the date of this Prospectus other than the receipt by the Company of a Research & Development Tax Offset refund of \$1.5 million on 7 March 2024.

3.4 Market Price of Shares

The highest and lowest closing market prices of the Shares on ASX during the 3 months of trading up to and including 22 April 2024 and the respective dates of those sales, are:

Highest: \$0.093 on 15 April 2024
Lowest: \$0.028 on 18 April 2024

The volume weighted average sale price on ASX of the Shares during the 3 months immediately preceding the date of lodgement of this Prospectus with ASIC (**VWAP**) is \$0.051.

The Issue Price represents a discount of:

- 31% to the Company's closing price on 22 April 2024 of \$0.029;

- 60% to the Company's 10 day VWAP of \$0.051; and
- 60% to the Company's 30 day VWAP of \$0.051.

Shareholders will note that the Issue Price is a significant discount to the above Share prices. Notwithstanding that the Issue Price is at a discount, it may therefore result in a material dilution to those Eligible Shareholders who do not apply for the New Shares (and accompanying New Options).

3.5 **Impact of change in ASX Market price**

The market price of the Company's Shares on the ASX may change between the date of this Prospectus and the date of issue of Shares under the Retail Offer.

If there is a decrease in that market price, this will result in a corresponding proportionate decrease in the market value of Shares issued to the Applicant. If there is an increase in that market price, this will result in a corresponding proportionate increase in the market value of Shares issued to the Applicant.

However, any increase or decrease in market value will not alter the issue price per New Share, nor the number of New Shares to be issued, under the Retail Offer.

4. ACTION REQUIRED BY ELIGIBLE SHAREHOLDERS

4.1 What Eligible Shareholders may do

The number of New Shares to which Eligible Shareholders are entitled (your **Entitlement**) is shown on your accompanying (including online accessed) Entitlement and Acceptance Form (which can also be accessed online at www.computersharecas.com.au/adroffer).

If you do not take up your Entitlement, then your percentage holding in the Company will be diluted (refer to Section 3.2 above).

As an Eligible Shareholder you may:

- take up all or part of your Entitlement (refer to Section 4.2 below);
- take up all of your Entitlement and apply for Additional Securities under the Top-Up Offer (refer to Section 4.3 below); or
- do nothing, in which case all of your Entitlements will lapse (refer to Section 4.4 below).

Eligible Shareholders who take no action in respect of their Entitlement may receive no benefit and their Entitlement will lapse. The Company is not required to determine whether or not any registered shareholder is acting as a nominee or the identity or residence of any beneficial owners of securities. Eligible Shareholders who are nominees, trustees or custodians are advised to seek independent advice as to how they should proceed.

Ineligible Foreign Shareholders may not take any of the steps set out in Sections 4.1, 4.2 or 4.3.

4.2 Taking up all or part of your Entitlement

You may only take up all or part of your Entitlement by

- i. Making payment by Bpay® (*Australian residents only*) corresponding to the component (part or all) of your Entitlement (plus any Additional Securities, if you have also accepted your Entitlement in full) you wish to accept in accordance with the instructions on your Entitlement & Acceptance Form; or
- ii. making payment by Electronic Funds Transfer (**EFT**) (*New Zealand residents only*), corresponding to the component (part or all) of your Entitlement (plus any Additional Securities, if you have also accepted your Entitlement in full) you wish to accept in accordance with the instructions on your Entitlement & Acceptance Form, or
- iii. by accessing the online Entitlement and Acceptance Form and making a payment (see further details below),

by no later than 5:00pm on the Closing Date. The Issue Price for each New Share accepted under your Entitlement is payable on Application.

You cannot accept the Offer by any means other than by making payment in accordance with applicable payment method described in sections 4.2 a), b) or c)

a) If paying via Bpay® (**Australian Residents only**):

- (i) Applicants should be aware that their own financial institution may

implement earlier cut off times with regards to electronic payment and it is the responsibility of the Applicant to ensure that funds are submitted through Bpay® by the date and time mentioned above;

- (ii) you must follow the instructions for Bpay® set out in the Entitlement & Acceptance Form;
- (iii) you do not need to return the Entitlement & Acceptance Form but are taken to make each of the statements and representations in the Entitlement & Acceptance Form and as referred to in this Prospectus; and
- (iv) if you subscribe for less than your Entitlement or do not pay for your full Entitlement, you are taken to have accepted part of your Entitlement in respect of such whole number of New Shares and New Options which is covered in full by your Application Monies.

b) If paying via EFT (**New Zealand residents only**):

- (i) payment for an amount equal to the Issue Price multiplied by the number of Shares that you are applying for;
- (ii) in Australian currency (AUD) paid to the bank account specified on the Entitlement & Acceptance Form or Offer Website. Payment cannot be made in New Zealand dollars; and
- (iii) your payment maybe subject to fees and charges that your bank or any intermediary banks may deduct for performing the funds transfer. Advise your bank to 'elect remitter' to bear all charges so that the correct amount received by us, the beneficiary, is the same as the application amount you wish to apply for and your application monies in Australian dollars (AUD).

Note: For New Zealand residents only - all references in this Prospectus to making payment via Bpay® are to be read as including making payment via EFT, as described in (a) above.

c) If accessing the online Application Form:

- (i) An electronic copy of your personalised Entitlement and Acceptance Form is accessible (using your Securityholder Reference Number (**SRN**) or Holder Identification Number (**HIN**) from your latest Holding Statement, and postcode) at the same link to access this Prospectus, located at www.computersharecas.com.au/adroffer.
- (ii) Your Application under the Offer must be made by making payment in accordance with the payment instructions on your Entitlement and Acceptance Form. Your acceptance of the Offer should be made using this electronic service.
- (iii) To access your personalised Entitlement and Acceptance Form online visit the Offer Website located at www.computersharecas.com.au/adroffer).
- (iv) If you are unable to access the Offer Website you can obtain a hard copy of your Entitlement and Acceptance Form by contacting the Company Secretary by email at investors@adherium.com.
- (v) you do not need to return the Entitlement & Acceptance Form but by making payment for your Application you are taken to make each of the statements and representations on that form referred to in this Prospectus.

4.3 Applying for Additional Securities

As referred to in Section 4.1 above, Eligible Shareholders may, in addition to taking up their Entitlements in full, apply for Additional Securities in excess of their Entitlements under the Top-Up Offer.

If you wish to subscribe for Additional Securities in addition to your Entitlement, then you must make the combined payment for your full Entitlement and the Additional Securities you are applying for (at the Issue Price of \$0.02 for each Additional Share). If your payment exceeds the amount payable for your full Entitlement, you are taken to have accepted your Entitlement in full and to have applied for such number of Additional Securities which is covered in full by your 'excess' of Application Monies paid by Bpay® or EFT (as applicable).

Where the aggregate of New Shares applied for under the Top-Up Offers exceeds the New Shares available from Shareholders who have not taken up, or are ineligible to take up, their Entitlement in full, Eligible Shareholders who apply for Additional Securities may be allocated a lesser number of Additional Securities than applied for, or may be allocated no Additional Securities at all, in which case excess Application Monies will be refunded without interest.

4.4 Entitlements not taken up

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

4.5 Payment of Application Monies is binding

Payment of Application Monies pursuant to this Prospectus constitutes a binding offer to acquire New Shares and associated New Options on the terms and conditions set out in this Prospectus and, once paid, cannot be withdrawn. The Directors' decision whether to treat an acceptance of any Offer as valid is final.

4.6 Representations you will be taken to have made by accepting the Offers

By making a payment pursuant to this Prospectus, you will be deemed to have:

- a) fully read and understood this Prospectus and the Entitlement & Acceptance Form in their entirety;
- b) agreed to be bound by the terms of the Entitlement Offer, the provisions of this Prospectus and the Company's Constitution;
- c) declared that you are over 18 years of age and have the legal capacity and power to perform all your rights and obligations under the Entitlement Offer and your Entitlement & Acceptance Form;
- d) authorised the Company to register you as the holder of the New Shares and New Options;
- e) acknowledged that once the Company receives any payment of your Application Monies pursuant to this Prospectus, you may not withdraw your application or funds provided except as allowed by law;
- f) confirmed that you are an Eligible Shareholder as at the Record Date;

- g) confirmed that you were the registered holder at the Record Date of the Shares indicated in the Entitlement & Acceptance Form as being held by you on the Record Date;
- h) agreed to apply for and be issued up to the number of New Shares and New Options for which you have submitted payment of any Application Monies pursuant to this Prospectus, at the Issue Price per New Share;
- i) authorised the Company, the Share Registry and their respective officers, employees or agents to carry out on your behalf all necessary actions for the New Shares and New Options to be issued to you;
- j) understood and acknowledged that the information contained in this Prospectus and your Entitlement & Acceptance Form is not investment advice nor a recommendation that the New Shares or New Options are suitable for you given your investment objectives, financial situation or circumstances;
- k) acknowledged that investment in the Company is subject to the risk factors outlined in Section 6 of this Prospectus;
- l) acknowledged that the Company or its related bodies corporate, affiliates and their respective directors, officers, partners, employees, representatives, agents, consultants or advisers do not guarantee the performance of the Company or the Share price, nor do they guarantee the repayment of capital;
- m) authorised the Company to correct any errors in your Entitlement & Acceptance Form or any other document provided to you;
- n) agreed to provide any requested substantiation of your eligibility to participate in the Offers and your holding of Shares on the Record Date; and
- o) represented and warranted that:
 - i. you are not in the United States and are not acting for the account or benefit of a person in the United States;
 - ii. the New Shares or New Options have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States and accordingly, the New Shares, New Options and the Shares underlying the New Options may not be offered, sold or otherwise transferred except in accordance with an available exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and any other applicable securities laws; and
 - iii. you have not sent, and will not send, any materials relating to the Offers to any person in the United States.

4.7 Shortfall Offer and Placement Options

Investors may only apply for New Shares (and associated New Options) under the Shortfall by completing a Shortfall Application Form (also attached to this Prospectus) and only upon invitation by the Company. All New Shares issued under the Shortfall Offer will be issued at the same Issue Price of \$0.02 per New Share (See Section 2.10 for further details).

By completing and returning a Shortfall Application Form and making a payment pursuant to this Prospectus with respect to the Shortfall, the Applicant will be deemed to have made the same representations to the Company as stated in Sections 4.6 (other than sections 4.6f) and 4.6g) for investors who are not already shareholders), with the necessary adjustment to refer to the Shortfall Application Form instead of the Entitlement & Acceptance Form.

Subscribers for the Placement Shares will also need to make application for their Placement Options using the space provided for such application on the Shortfall Application Form pending the Company seeking shareholder approval to issue those Placement Options.

4.8 **Privacy Act**

If you make an Application for New Shares (including making payment pursuant to this Prospectus), you will be providing personal information to the Company (directly or by the Company's Share Registry). The Company collects, holds and uses that information to assess your application, service your needs as a Shareholder or investor, facilitate distribution payments and corporate communications to you as a Shareholder or investor and carry out administration. The information may also be used from time to time and disclosed for purposes related to Shareholders' investments to the Company's agents and service providers, such as:

- a) to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's Share Registry.
- b) the Share Registry for ongoing administration of the shareholder register;
- c) printers and other companies for the purpose of preparation and distribution of statements and for handling mail; and
- d) legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering and advising on the New Shares and or New Options and for associated actions.

The Company complies with its legal obligations under the *Privacy Act 1988* (Cth). You can access, correct and update the personal information that we hold about you. Please contact the Company or its Share Registry if you wish to do so at the relevant contact numbers set out in this Prospectus.

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

4.9 **Brokerage Commission**

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

4.10 **Queries concerning your Entitlement**

If you have any queries concerning the Offers please contact the Company directly at investors@adherium.com. If you have any queries concerning your Entitlement please contact the Company's Share Registry on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia).

5. RIGHTS AND LIABILITIES ATTACHING TO THE NEW SHARES AND NEW OPTIONS

5.1 Rights attaching to the New Shares

The Company is incorporated in Australia and is subject to the Corporations Act. As a company listed on ASX, the Company is also regulated by the Listing Rules.

The rights attaching to ownership of Shares (including New Shares) are described in the Constitution and are regulated by the Corporations Act, Listing Rules and the general law.

The New Shares will rank equally in all respects with, and have the same rights as, existing Shares. Full details of the rights attaching to Shares are set out in the Company's Constitution, a copy of which can be inspected, free of charge, at the Company's registered office during normal business hours.

In applying for New Shares, the Applicant agrees that the New Shares and the New Shares to issue upon the exercise of New Options are bound by the terms of the Constitution.

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

General Meetings and Notice

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

Voting Rights

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

- » each Shareholder entitled to vote may vote in person or by proxy, attorney or representative or if a determination has been made by the Board in accordance with the Constitution, by direct vote;
- » on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder entitled to vote has one vote (even though he or she may represent more than one member); and
- » on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder entitled to (or where a direct vote has been lodged) shall, in respect of each fully paid Share held by them, or in respect of which they are appointed a proxy, attorney or representative, have one vote for every fully paid Share, but in respect of partly paid Shares shall have such number of votes being equivalent to the proportion which the amount paid (not credited) is of the total amounts paid and payable in respect of those Shares (excluding amounts credited), and
- » different voting procedures may apply at a virtual meeting of Shareholders.

Dividend Rights

There is no guarantee of any dividends or distributions by the Company. Subject to and in accordance with the Corporations Act, the Listing Rules, the rights of any preference Shareholders and to the rights of the holders of any shares created or raised under any special arrangement as to dividend, the Directors may from time to time decide to pay a dividend to the Shareholders entitled to the dividend which shall be payable on all Shares according to the proportion that the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) in respect of such Shares. The Directors may rescind a decision to pay a dividend if they decide, before the payment date, that the Company's financial position no longer justifies the payment.

Winding up

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

Transfer of Shares

Shares in the Company are freely transferable, subject to formal requirements, and so long as the registration of the transfer does not result in a contravention of or failure to observe the provisions of a law of Australia and the transfer is not in breach of the Corporations Act or the Listing Rules.

Variation of Rights

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

5.2 Terms and Conditions of the New Options

The terms and conditions of the New Options are described in Annexure A to this Prospectus. The New Options are not quoted and there is no intention to seek quotation of the New Options on any stock exchange.

5.3 Underwriting Agreement

The Rights Issue Offer is fully underwritten (and will be managed) by MST in accordance with the terms of the Underwriting Agreement.

A summary of further material terms of the Underwriting Agreement is set out in Annexure B of this Prospectus.

6. RISKS

Shareholders should consider the investment in the context of their individual risk profile for speculative investments, investment objectives and individual financial circumstances. Each Shareholder should consult their own stockbroker, solicitor, accountant or other professional adviser before deciding whether or not to invest in the Offer Securities. This is not an exhaustive list of the relevant risks and the risks set out below are not in order of importance. Many of the risks below are outside the control of the Company and its directors. These risks and other risks not specifically referred to below, may in the future materially adversely affect the value of the Company's Shares and their performance.

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

If any of the following risks actually occurs, our business, prospects, financial condition and results of operations could be materially and adversely affected, the trading price of the Shares could decline and you could lose all or part of your investment.

This section identifies some of the major risks associated with an investment in the Company. There may be other risks which the Directors and/or management of the Company are unaware which may impact upon the Company, its operations and/or the value and performance of the New Shares and the Company generally. Intending Applicants should, before any decision is made to subscribe for shares, read the Company's prior continuous disclosure announcements to the ASX market in order to fully appreciate the risks particular to an investment in a medical technology company such as Adherium Limited and in particular the risks faced by the Company in the continued development and proposed commercialisation of its Hailie® respiratory medication monitoring technology.

6.1 Speculative nature of investment

Any potential investor should be aware that subscribing for New Shares involves various risks. The New Shares to be issued carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those shares. The Company's business is in the commercialisation and continued development of the medical device. An investment in the Company should therefore be considered very speculative.

6.2 Business risks associated with the Company

a) Business risks

Eligible Retail Shareholders should consider the various risks and difficulties frequently encountered by companies early in their commercialisation, particularly companies that develop and sell medical devices. These risks include Adherium's ability to: (a) implement and execute its business strategy; (b) expand its sales team and marketing programs; (c) increase awareness of its brand and products, and build adoption by healthcare participants; (d) manage expanding operations; and (e) respond effectively to competitive pressures and developments.

b) Regulatory risks

Adherium's services and products are subject to various laws and regulations including but not limited to product and quality compliance. Although Adherium has obtained US FDA and other clearances for a number of its products, there is no guarantee that compliance for future products will be achieved to support the Company's commercialisation plans. Regular reviews by regulatory bodies are also a

feature of the medical device industry Adherium operates in, and if non-compliance is identified Adherium may be subject to warning letters, penalties, restriction or suspension of activities or product recall. Changes in laws and regulations (including interpretation and enforcement) could also adversely affect the Company's ability to market, distribute and sell its products and services. It is not possible to predict the likelihood, nature or extent of changes in government regulation that may arise.

c) Failure to retain existing customers and attract new customers

The Company's success depends on its ability to continue to retain its current customer base, grow the service requirements of those existing customers and attract new customers. This depends to a large extent on adoption of Adherium's product offering by patients, physicians, disease management organisations, hospitals and payers. Failure to retain existing customers or attract new customers would materially impact the Company's ability to generate revenue which will have an adverse effect on the Company's operating and financial performance.

d) Reliance on key personnel

The Company employs, or engages as consultants, a small management and development team. The loss of key personnel could cause a material disruption and adversely affect the Company including the achievement of its product and software development and commercialisation.

e) Developing technology and competitive risk

The medical device industry is highly competitive and subject to rapid technology change. The industry includes companies with significantly greater financial, technical, human, research and development, and marketing resources than Adherium. Competitors may commercialise products that compete directly or indirectly with Adherium's products. If competitors develop products or technologies that are more effective, Adherium's current or future products may become obsolete or uncompetitive.

f) Sufficiency of funding

Adherium is currently not profitable and does not expect to become profitable until after achieving successful commercialisation of its products to allow sufficient sales revenue to fund on-going company operations. Adherium may need to finance its future cash needs through equity offerings, debt financing or corporate collaboration. There is no assurance that additional funding would be available in the future or would be secured on acceptable terms.

g) Product liability risk

As with all medical device products, despite regulatory approvals, there is no assurance that unforeseen adverse events or manufacturing defects will not arise. Adherium may be exposed to the risk of product liability claims, which are inherent in the design, manufacturing, marketing, and use of medical devices. While Adherium holds a level of product liability insurance, that insurance may not sufficiently cover the claims of a product liability suit. Product liability claims may damage Adherium's reputation and may destroy or substantially diminish Adherium's business. Defending a suit, regardless of its merits, could be costly and could divert management attention from core business activities.

h) Disruption of business operations

The Company and its customers are exposed to a large range of operational risks relating to both current and future operations. Such operational risks include occupational health & safety and natural disasters. A disruption in the Company's operations or those of its customers may have an adverse impact on the Company's growth prospects, operating results and financial performance.

i) Cyber security and data protection issues

The Company collects a wide range of confidential information. Cyber-attacks may compromise or breach the technology the Company uses to protect confidential information.

Despite its efforts, there is a risk that the Company's security measures may not be sufficient to detect or prevent unauthorised access to, or disclosure of, confidential information held by the Company. Data security breaches could result in the loss of information integrity or breaches of the Company's obligations under applicable laws and agreements. This could lead to increased security costs and a slower take up of the Company's products and services by customers, and may adversely impact the Company's reputation, value and financial performance.

j) Value of the New Options

The New Options that are being issued as part of the Offers are issued for no additional consideration but require the exercise price for each Option to be paid at the time of exercise. If the prevailing trading price of the Company's shares during the Option's exercise period is lower than the exercise price for the New Options, then it is likely that the New Options will not be exercised. In this case, for investors, the unexercised New Options will not have a value and will lapse on the respective expiry dates of the New Options. If the New Options are not exercised, or only some are exercised, then the Company may not receive the proceeds that would otherwise be generated if Option holders pay the Option exercise price. This possibility may reduce the amount of capital that the Company would receive if all of the New Options are exercised on or before the respective Option expiry dates.

k) General risks

There are risks associated with any share market investment. These include market fluctuation, liquidity, general economic conditions, and taxation amongst others. Other risks include those normally found in conducting business, including litigation resulting from breach of agreements or in relation to employees or any other cause. These could adversely affect Adherium's operations or the value of its shares.

6.3 Concluding Comment

The above list of risk factors ought not to be taken as an exhaustive one 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 the New Shares and New Options offered under this Prospectus.

Investment in the Company must be regarded as highly speculative and neither the Company nor any of its Directors or any other party associated with the preparation of this Prospectus guarantee that any specific objectives of the Company will be achieved or that any particular performance of the Company or of the New Shares and New Options, including those offered by this Prospectus, will be achieved.

7. ADDITIONAL INFORMATION

7.1 Nature of the Prospectus

This Prospectus is a transaction specific prospectus issued under section 713 of the Corporations Act which allows the issue of a transaction specific prospectus in relation to offers of securities (or options to acquire such securities) where those securities are of a class which have been quoted for 3 months before the date of that prospectus.

7.2 Indemnification of Directors

To the extent permitted by law, the Company indemnifies every person who is or has been a Director or officer of the Company against reasonable legal costs incurred in defending an action for a liability incurred or allegedly incurred by the person as an officer of the Company.

7.3 Taxation

The acquisition of Offer Securities and disposal of Offer Securities by investors or Shareholders will have tax consequences, which will differ depending on the individual financial affairs of each Shareholder or investor. All potential investors in the Company are urged to take independent financial advice about the consequences of acquiring Offer Securities from a taxation viewpoint and generally.

The Directors consider that it is not appropriate to give advice regarding the taxation consequences associated with a purchase or subsequent disposal of any Offer Securities subscribed for under this Prospectus as it is not possible to provide a comprehensive summary of the possible taxation positions of Shareholders. The Directors recommend that all Eligible Shareholders consult their own professional tax advisers.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability or responsibility with respect to the taxation consequences of subscribing for New Shares under this Prospectus.

7.4 Continuous Disclosure and Documents Available for Inspection

This Prospectus is issued pursuant to section 713 of the Corporations Act.

Section 713 of the Corporations Act enables companies to issue transaction specific prospectuses where those companies are, and have been for a period of 12 months, disclosing entities.

The Company is a "disclosing entity" for the purposes of section 713 of the Corporations Act. As such, it is subject to regular reporting and disclosure obligations which requires it to disclose to ASX any information of which it is, or becomes, aware concerning the Company and which a reasonable person would expect to have a material effect on the price or value of securities of the Company.

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

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

Additionally, the Company is also required to prepare and lodge with ASX yearly and half yearly financial statements accompanied by a directors' statement and report and an audit

review or report. These reports are released to ASX and published on the Company's and ASX's websites.

The Company will provide a copy of each of the following documents, free of charge, to any person who asks for it prior to the Closing Date:

- a) the Annual Report for the financial year ended on 30 June 2023, being the annual financial report most recently lodged with ASIC by the Company;
- b) the financial report for the Half Year ended 31 December 2023; and
- c) any continuous disclosure notices given by the Company after the lodgement of the Annual Report referred to above and before the lodgement of this Prospectus with ASIC. Such notices are listed below under the heading "ASX Releases" in Section 7.6.

Copies of documents lodged with ASIC in relation to the Company may be obtained from, or inspected at, an office of ASIC.

7.5 Details of Substantial Shareholders

Based on publicly available information, and as confirmed with the Company in the case of Regal Funds Management Pty Limited, the following shareholders are substantial shareholders who have a relevant interest in 5% or more of the Shares on issue as at 26 April 2024.

Name	Shareholding	%
Bank of America Corporation and its related bodies corporate	22,222,014	6.54%
Regal Funds Management Pty Limited and its associates: <ul style="list-style-type: none"> • Existing ADR Shares • Economic interest in ADR shares on swap 	36,241,154 9,052,171	13.32%
Trudell Medical Limited	73,538,685	21.63%
Phillip Asset Management Ltd as trustee for the BioScience Managers Translation Fund I	73,733,827	21.68%

7.6 ASX Releases

ASX releases of the Company since the date of lodgement of the Company's latest annual report and prior to the date of lodgement of this Prospectus are listed below:

Date	ASX Announcement title
30 Aug 2023	Appendix 4G & Corporate Governance Statement
18 Sep 2023	New Major Asthma Partnership with US-Based SENTA partners
25 Sep 2023	First Patients Enrolled at Allergy Partners in the US
9 Oct 2023	Production & market release of new, next generation sensors
26 Oct 2023	Notice of Annual General Meeting/Proxy Form
26 Oct 2023	Letter to Shareholders regarding Annual General Meeting
26 Oct 2023	Proposed Consolidation of Capital
26 Oct 2023	Consolidation/Split - ADR
31 Oct 2023	Quarterly Activities/Appendix 4C Cash Flow Report
9 Nov 2023	Notification of cessation of securities - ADR
14 Nov 2023	Application for quotation of securities - ADR

14 Nov 2023	Cleansing Notice
14 Nov 2023	Notification of cessation of securities - ADR
21 Nov 2023	First Patients Enrolled at SENTA Partners in the US
22 Nov 2023	Monsoon Twilight Investor Briefing Presentation
30 Nov 2023	CEO Presentation to the Annual General Meeting
30 Nov 2023	Results of Meeting & Approval of Share Consolidation
1 Dec 2023	Amended Constitution
1 Dec 2023	Securities Incentive Plan
4 Dec 2023	Production and US Market Release of Advanced Smartinhaler
7 Dec 2023	Completion of Share Consolidation
18 Dec 2023	First Order of Hailie Sensors to US Intermountain Health
10 Jan 2024	Partnership with NuvoAir Medical to Enhance Patient Outcomes
10 Jan 2024	Change of Company Address
16 Jan 2024	Resignation of CEO
31 Jan 2024	Quarterly Activities/Appendix 4C Cash Flow Report
1 Feb 2024	New CEO Appointed - Dr Paul Mastoridis
22 Feb 2024	Adherium Exhibiting at AAAAI 2024 Annual Meeting
29 Feb 2024	Half Yearly Report and Accounts
29 Feb 2024	Alliance Tech Medical Partnership to expand US product reach
7 Mar 2024	Adherium receives \$1.5m Australian R&D Tax Rebate
20 Mar 2024	First Patient Enrolled in Major e-health Clinical Study
27 Mar 2024	Change in substantial holding
2 April 2024	Notification of cessation of securities – ADR
3 April 2024	Rimidi Partnership for Respiratory Clinical Management
4 April 2024	Change of Director Interest Notices x2 - Expiry of Options
15 April 2024	US FDA clearance of Hailie for AstraZeneca inhalers
17 April 2024	Application for quotation of securities - ADR
17 April 2024	Notification regarding unquoted securities - ADR
18 April 2024	Disclosure of Long Equity Derivative Positions
23 April 2024	Trading Halt

The Company may make further ASX announcements after the date of this Prospectus. Copies of the abovementioned announcements (as well as any further announcements) will be available on the ASX website, www.asx.com.au under the Company's code "ADR". You are advised to refer to the ASX's website and the Company's website for announcements or updates relating to the Company.

7.7 Information excluded from continuous disclosure notices

As at the date of this Prospectus, there is no information that has not been disclosed under the continuous disclosure requirements of the Listing Rules and which the Board considers would reasonably require in order to assess the Company's assets and liabilities, financial position and prospects and the rights and liabilities attaching to New Shares and New Options in the Company.

7.8 Interests of Directors

Other than as set out below or elsewhere in this Prospectus, no Director has or had within 2 years before the lodgement of this Prospectus with ASIC, any interest in:

- a) the formation or promotion of the Company;

- b) any property acquired or proposed to be acquired by the Company in connection with its promotion or formation or in connection with the offer of New Shares or New Options; or
- c) the offer of New Shares or New Options, other than as ordinary Shareholders, and no amounts or benefits have been paid or agreed to be paid (in cash or Shares or otherwise) to any Director:
- a) to induce him or her to become, or to qualify him, as a Director; or
- b) for services rendered by him or her in connection with the promotion or formation of the Company or the offer of New Shares.

The current Directors' and their nominees' current shareholdings and interests in Shares and options (prior to the capital raising the subject of the Offers) are as follows:

	Lou Panaccio ¹	George Baran ²	Jeremy Curnock Cook	William Hunter ³	Bruce McHarrie ⁴
Current Number of Shares	1,333,334	73,538,685	179,503	207,504	185,160
Current percentage holding	0.40%	22.05%	0.05%	0.06%	0.06%
Current number of options (in various classes)	666,667	23,365,731	-	-	-
Entitlement	1,333,334	73,538,685	179,503	207,504	185,160
Maximum number of Shares following the Entitlement Offers (assuming Directors subscribe for their Entitlements and the 2024 Placement as outlined below)	7,666,668	142,038,685	179,503	207,504	371,220
Maximum percentage of Shares following the completion of the Entitlement Offers and the 2024 Placement (assuming there is no Shortfall)	1.036%	18.72%	0.024%	0.028%	0.050%

Note:

1) Shares and options are held by Vilmos Pty Ltd as trustee for the Panaccio Investment Trust, of which Mr Panaccio is a director of the trustee and beneficiary of the trust

2) Shares and options are held by Trudell Medical Limited, in which Mr Baran has a 33.33% beneficial interest

3) Shares are held personally by Mr Hunter and by HSBC Custody Nominees (Australia) Ltd non-beneficially on behalf of Mr Hunter.

4) Shares are held by Anticus Pty Ltd as trustee for the Anticus Superannuation Fund, of which Mr McHarrie is a director of the trustee and beneficiary of the trust.

In respect of the Directors' intentions to participate in the Entitlement Offer and the 2024 Placement (and as reflected in the table above):

- Mr Panaccio intends to take his Entitlement under the Entitlement Offer in whole and subject to shareholder approval, to subscribe \$100,000 in the 2024 Placement, being 5,000,000 New Shares.
- Trudell Medical Limited, an entity associated with Mr Baran, has committed to participate under the Entitlement Offer for a total of 50,000,000 New Shares and has also committed to subscribe for \$220,000 in the 2024 Placement being 11,000,000 new Shares, subject to shareholder approval. Mr Baran in his personal capacity, subject to shareholder approval, has also committed to subscribe \$150,000 in the 2024 Placement, being 7,500,000 new Shares.
- Mr McHarrie intends to take up his Entitlement under the Entitlement Offer in whole.
- Mr Curnock Cook and Mr Hunter reserve their right to take up their respective Entitlements in whole or in part under the Entitlement Offer, but as at the date of the Prospectus, have not indicated their intention to do so.

In addition to the Director's intentions disclosed above, Dr Paul Mastoridis (Chief Executive Officer of the Company) has indicated his intention in his personal capacity to subscribe \$100,000 in the Placement, being 5,000,000 New Shares.

The remuneration currently paid (including superannuation and non-cash share based payments) to Directors or their nominees during the past two financial years preceding the lodgement of this Prospectus with ASIC is set out below:

Director	Financial year ending 30 June 2022	Financial year ending 30 June 2023
Lou Panaccio – Non-Executive Chairman	\$27,500	\$110,500
George Baran – Non-Executive Director	\$50,000	\$50,000
Jeremy Curnock Cook - Non-Executive Director	\$50,000	\$50,000
William Hunter - Non-Executive Director	\$51,654	\$50,000
Bruce McHarrie - Non-Executive Director	\$55,551	\$55,250

7.9 Related Party Transactions

There are no related party transactions entered into that have not otherwise been disclosed in this Prospectus.

7.10 Restricted securities

The Company as at the date of this Prospectus does not have any of its issued securities classified as 'restricted securities' (as defined in the Listing Rules).

7.11 Estimated Costs of the Offer

If the Entitlement Offers are fully subscribed, the expenses of the Offers (exclusive of GST and fees payable to the Underwriter under the Underwriting Agreement as detailed in Section 2.10) are estimated to be approximately as follows:

Cash expenses	\$
Legal (in the preparation of this Prospectus)	\$50,000
Printing and postage	\$5,000
Additional ASX listing fees and CHESSE issue fees	\$21,644
Cash commission* at the maximum capital raising	\$501,852
Share registry	\$48,706
ASIC Lodgement Fees	\$3,206
Other	\$15,000
Total	\$645,408

* Please note that in addition to the cash costs of the Offers as detailed above, the Company has subject to shareholder approval (if required), to issue to the Underwriter (or its nominee) Underwriter Options equal in number to 1% of the issued capital of the Company as calculated on completion of the Entitlement Offer and 2024 Placement, at an issue price of \$0.00001 per Underwriter Option, an exercise price of \$0.04 and an expiry date of three years from the date of issue; and otherwise on terms and conditions compliance with the ASX Listing Rules. On a Black & Scholes valuation assuming applications are received for the maximum of the Offers, the implicit value of those Underwriter Options (and the corresponding cost / expense of the capital raising in respect of the issue of those Underwriter Options) is \$125,924. In that case the aggregate costs of the Offers assuming maximum subscription is \$771,332.

7.12 Consents and Interests of Parties

Each of the parties referred to in this Section does not make, or purport to make, any statement in this Prospectus other than as specified in this Section and to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than the reference to its name or a statement included in this Prospectus with the consent of that party as specified in this Section.

Computershare Investor Services Pty Limited has given and not withdrawn its written consent to be named herein as the Share Registry to the Company in the form and context

in which it is so named. Computershare Investor Services Pty Limited does not make, or purport to make, any statement in this Prospectus and is not aware of any statement in this Prospectus which purports to be based on a statement made by it and makes no representation, expressed or implied, regarding and takes no responsibility for, any statements in or omissions from this Prospectus.

Computershare Investor Services Pty Limited has been appointed to conduct the Company's share registry functions and to provide administrative services in respect to the processing of Application Forms received pursuant to this Prospectus, and are paid for these services on standard industry terms and conditions.

MST Financial Services Pty Ltd has given and not withdrawn its written consent to be named herein as Underwriter to the Company in the form and context in which it is so named. MST Financial Services Pty Ltd does not make, or purport to make, any statement in this Prospectus and is not aware of any statement in this Prospectus which purports to be based on a statement made by it and makes no representation, expressed or implied, regarding and takes no responsibility for, any statements in or omissions from this Prospectus.

The fees payable to MST Financial Services Pty Ltd in respect of the Offers in accordance with the terms of the Underwriting Agreement are set out in Section 2.10.

Regal Funds Management Pty Ltd has given and not withdrawn its written consent to be named herein as sub-underwriter to the Offers in the form and context in which it is so named. Regal Funds Management Pty Ltd does not make, or purport to make, any statement in this Prospectus and is not aware of any statement in this Prospectus which purports to be based on a statement made by it and makes no representation, expressed or implied, regarding and takes no responsibility for, any statements in or omissions from this Prospectus.

Regal Funds Management Pty Ltd may receive sub-underwriting fees in respect of the Offers from the Underwriter, in accordance with the sub-underwriting agreement between Regal Funds Management Pty Ltd and the Underwriter.

Other than as set out below or elsewhere in this Prospectus, all persons named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation of or distribution of this Prospectus do not have, and have not had in the 2 years before the date of this Prospectus, any interest in:

- » the formation or promotion of the Company;
- » property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the offer of New Shares and New Options pursuant to this Prospectus; or
- » the offer of New Shares and New Options pursuant to this Prospectus,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) and no other benefit has been given or agreed to be given to any of those persons for services provided by those persons in connection with the formation or promotion of the Company or the offer of New Shares and New Options issued pursuant to this Prospectus.

7.13 Electronic Prospectus

A copy of the Prospectus can be downloaded from the website of the Company at www.adherium.com. If you are accessing the electronic version of this Prospectus for the purpose of making an investment in the Company, you must be an Eligible Shareholder.

You may obtain a hard copy of this Prospectus free of charge by contacting the Company Secretary by email of investors@adherium.com.

7.14 Financial Forecasts

The Directors have considered the applicable laws and do not believe that they have a reasonable basis to forecast future earnings, on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast.

7.15 Directors' authorisation

Each Director of the Company has given, and has not withdrawn, their consent to the lodgement of this Prospectus with ASIC.

8. DIRECTORS' STATEMENT

The Directors have made all reasonable enquiries in the preparation of this Prospectus and on that basis have reasonable grounds to believe that

- any statements made by the Directors in this Prospectus are not misleading or deceptive and that in respect to any other statements made in this Prospectus by persons other than Directors,
- other persons making the statement or statements in this Prospectus were competent to make such statements and that those persons have given their consent to the statements being included in this Prospectus in the form and context in which they are included and have not withdrawn that consent before lodgement of this Prospectus with the ASIC, or to the Directors knowledge, before any issue of New Shares or New Options pursuant to this Prospectus.

This Prospectus is prepared on the basis that certain matters may reasonably be expected to be known to likely investors or their professional advisors. Each of the Directors of the Company has consented to the lodgement of this Prospectus in accordance with Section 720 of the Corporations Act and has not withdrawn that consent.



Lou Panaccio
Non-executive Chairman
Adherium Limited

9. DEFINITIONS

In this Prospectus the following terms and abbreviations have the following meanings, unless otherwise stated or unless the context otherwise requires:

\$ or AUD means Australian dollar;

2024 Placement means the proposed issue of 50,000,000 new Shares (together with accompanying New Options) to sophisticated and professional investors together with the issue of 28,500,000 new Shares to Directors and the CEO of the Company subject to shareholder approval, to subscribe for an aggregate of \$1.57 million at an Issue Price of 2 cents per new Share, as announced by the Company on 26 April 2024;

Additional Securities means New Shares (including and accompanying New Options) applied for by an Eligible Shareholder under the Top-Up Facility that are in excess of that Eligible Shareholder's Entitlement;

AFSL Holders means a holder of an Australian Financial Services Licence;

Applicant refers to a person who makes payment or submits a Shortfall Application Form pursuant to this Prospectus;

Application refers to the making payment or submission of a Shortfall Application Form pursuant to this Prospectus;

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

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

ASX Settlement Operating Rules means ASX Settlement Pty Limited's operating rules.

Board means the board of Directors;

Business Day has the meaning ascribed to it in the Listing Rules.

CHES means Clearing House Electronic Subregister System.

Closing Date means the closing date of the Offer being 5.00 pm on 20 May 2024 (subject to the right of the Company to vary the date without notice);

Company means Adherium Limited ACN 605 352 510;

Constitution means the constitution of the Company;

Corporations Act means Corporations Act 2001 (Cth);

Directors means the directors of the Company;

EFT means electronic funds transfer, and if applicable, includes funds transfer using required SWIFT codes;

Eligible Shareholder means a Shareholder whose details appear on the Company's register of Shareholders as at the Record Date whose registered address is in Australia or New Zealand or who would otherwise qualify as an exempt investor in their local jurisdiction and where in respect of that exempt investor no registration of the Offer is required in their local jurisdiction for the Company to make the Offer;

Entitlement means the entitlement to subscribe for 1 New Share for every Share held by an Eligible Shareholder on the Record Date and to receive 1 New Options for every New Share issued to the Applicant (as set out in the Entitlement & Acceptance Form) together with the Top-Up offer; and **Entitlements** has a corresponding meaning;

Entitlement & Acceptance Form means the Entitlement & Acceptance Form accompanying this Prospectus or accessible online at www.computersharecas.com.au/adroffer;

FMC Act means Financial Markets Conduct Act 2013 (New Zealand);

Ineligible Foreign Shareholder has the meaning as provided in section 2.15 of this Prospectus;

Issue Price means \$0.02 (2 cents) per New Share;

Listing Rules means the listing rules of the ASX;

Maximum Subscription Amount means approximately \$6.8 million

New Option means an option, subject to the Option Terms, to purchase a Share with an exercise price of \$0.03 and expiring on 30 June 2025, issued pursuant to this Prospectus;

New Shares means the Shares proposed to be issued pursuant to the Offers;

Offer Securities means collectively the New Shares and the New Options under this Prospectus;

Offer Website means www.computersharecas.com.au/adroffer;

Offers means collectively the Entitlement Offer, the Top-Up Offer and the Shortfall Offer;

Opening Date means the opening date of the Offer being 6 May 2024 (subject to the right of the Company to vary the date without notice);

Option Terms means the terms applicable to the New Options, a copy of which terms is attached as Annexure A to this Prospectus;

Placement Shares means the Shares to be issued under the 2024 Placement;

Placement Options means the 78,500,000 Options to be issued to the subscribers for Placement Shares under the 2024 Placement;

Record Date means 7.00 pm on 2 May 2024;

Regal means Regal Funds Management Pty Limited ACN 107 576 821;

Related Bodies Corporate has the meaning as provided in the Corporations Act 2001;

Relevant Interest has the same meaning as provided in the Corporations Act;

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

Shareholder means a holder of Shares;

Share Registry means Computershare Investor Services Pty Limited;

Shortfall means the aggregate amount by which all Eligible Shareholders do not apply for their full Entitlement under the Entitlement Offer;

Shortfall Application Form means the application form for some or all of the Shortfall under the Shortfall Offer, which form accompanies this Prospectus;

Shortfall Offer means the offer by the Directors to place any Shortfall at their discretion (other than to Directors and related parties of the Company) within 3 months after the close of the Entitlement Offer at a price not less than the Issue Price of \$0.02 per New Share, as described in section 2.1;

Stock Appreciation Rights means an right provided to Company employees to receive Shares based on the value appreciation in the price of Company Shares as quoted on the ASX from a fixed price, and over a defined period.

Top-Up Facility means the mechanism by which Eligible Shareholders can apply for Additional Securities;

Top-Up Offer means the offer under the Top-Up Facility to Eligible Shareholders as described in section 2.1;

Underwriter or **MST** means MST Financial Services Pty Ltd ACN 617 475 180;

Underwriter Options means the 7,403,407 unlisted Options with an exercise price of \$0.04 and expiry date of three years from the date of issue, to be issued to the Underwriter in accordance with the Underwriting Agreement, subject to receiving shareholder approval under ASX Listing Rule 7.1;

Underwriting Agreement means the underwriting agreement between the Company and the Underwriter dated on or around 26 April 2024;

US Securities Act means the US Securities Act of 1933, as amended.

Please note that references in this Prospectus to "Sections" are to sections of this Prospectus.

10. CORPORATE DIRECTORY

Directors

Lou Panaccio	Non-Executive Chair
George Baran	Non-Executive Director
Jeremy Curnock Cook	Non-Executive Director
William Hunter	Non-Executive Director
Bruce McHarrie	Non-Executive Director

Company Secretary

Brett Tucker – Company Secretary

Registered office

Collins Square, Tower Four
Level 18, 727 Collins Street
Melbourne VIC 3008
Australia

Share Registry

Computershare Investor Services Pty Limited
Yarra Falls, 452 Johnston Street,
Abbotsford, VIC 3067

Telephone: 03 9415 4000

Website: www.computershare.com.au

Underwriter

MST Financial Services Pty Ltd
Level 13, 14 Martin Place
Sydney NSW 2000

Annexure A - Option Terms and Conditions

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

1. Subject to clause 2 and any restrictions imposed by the ASX Limited (**ASX**), each Option is exercisable at any time after the date it is issued (**Issue Date**), until and including their expiry date, namely 5pm on 30 June 2025 (**Expiry Date**). Any Options not exercised by the Expiry Date will automatically lapse at 5pm on the Expiry Date.
2. The Options may be exercised for part or all of the Options held at a particular time by the Option Holder paying to the Company at its registered office prior to the Expiry Date the exercise price of A\$0.03 per Option (**Exercise Price**).
3. On receipt by the Company of the payment of the Exercise Price, the Company must, within 4 Business Days and if the Shares are listed on the ASX within the time period prescribed by the Listing Rules of the ASX (**ASX Listing Rules**):
 - (a) allot to the Option Holder one Share in the Company for each Option exercised by the Option Holder;
 - (b) cause to be despatched to the Option Holder the relevant acknowledgement of issue, a holding statement or share certificate (as applicable) as soon as is reasonably practicable detailing the issue of the relevant Share/s; and
 - (c) issue (if applicable) a new holding statement (or option certificate) for the balance of the Options that remain unexercised.
4. Shares allotted on the exercise of Options will rank equally in all respects with the then existing issued ordinary fully paid shares in the capital of the Company (except in respect to any dividends which shall have been declared but not yet distributed before the actual exercise of an Option) and will be subject to the provisions of the Constitution of the Company.
5. The Options are transferable in accordance with the ASX Listing Rules.
6. If any reorganisation (including consolidation, subdivision, reduction, return or cancellation) of the issued capital of the Company occurs before the expiry of any Options, the number of Options to which each Option Holder is entitled or the Exercise Price of his or her Options or both must be reorganised in accordance with the ASX Listing Rules applying to a reorganisation at the time of the reorganisation (which adjustment formula will apply even where the Company is not admitted to the ASX Official List).
7. An Option does not confer the right to participate in new issues of capital offered to holders of Shares (**Rights Entitlement**) during the currency of the Options without exercising the Options. However, the Company will use reasonable endeavours to see that for the purpose of determining Rights Entitlements to any such issue, the Option Holder is to receive at least 2 Business Days written notice from the Company of the pending closing or record date and sufficient time for the Option Holder to exercise the Options prior to that closing or record date in order to qualify for the participation in the Rights Entitlement.
8. In the event of the liquidation of the Company, all unexercised Options will lapse upon the occurrence of that liquidation.
9. The Options do not provide any entitlement to dividends paid to ordinary shareholders.
10. The Options do not entitle the Option Holder to vote at any meeting of shareholders
11. To the extent (if any) that any of these Option Terms and Conditions are inconsistent with or contrary to the ASX Listing Rules, the ASX Listing Rules provisions will prevail and these Option Terms and Conditions are deemed to incorporate the relevant ASX Listing Rules provisions as an amendment to these terms; and
12. These Option Terms and Conditions are governed by the laws of Victoria. The parties submit to the non-exclusive jurisdiction of the courts of Victoria.

Annexure B - Material terms of Underwriting Agreement

The 2024 Placement and the Entitlement Offer are underwritten by MST Financial Services Pty Ltd ACN 617 475 180 AFSL 500557 (**Underwriter**).

A summary of the material terms of the Underwriting Agreement is set out below.

Fees:

The Underwriter will be paid the following fees:

- (a) underwriting fee of 3%; and
- (b) issue management fee of 3%,

of the total gross amount raised in the 2024 Placement and Entitlement Offer.

The Company must also reimburse the Underwriter for all reasonable costs and expenses of and incidental to the Rights Issue (including professional and legal fees).

Underwriter Options

The Company has agreed subject to shareholder approval (if required), to issue to the Underwriter (or its nominee) Underwriter Options equal in number to 1% of the issued capital of the Company as calculated on completion of the Entitlement Offer, at an issue price of \$0.00001 per Underwriter Option, an exercise price of \$0.04 and an expiry date of three years from the date of issue; and otherwise on terms and conditions compliance with the ASX Listing Rules.

Where shareholder approval is required for the issue of the Underwriter Options pursuant to ASX Listing Rule 7.1, then the Company will use its best endeavours to seek and obtain that shareholder approval at a general meeting to be held no later than 28 days following the issue date of the Shares under the Entitlement Offer, and the Underwriter Options must be issued within three Business Days of receipt of that shareholder approval.

Conditions Precedent and Termination Events

The Underwriter's obligation to underwrite the Entitlement Offer is subject to the satisfaction of certain conditions precedent documented in the Underwriting Agreement that are customary for a transaction of this nature. If one or more of those conditions are not satisfied by the relevant date or if certain events occur, then the Underwriter may terminate the Underwriting Agreement.

The events which may trigger termination of the Underwriting Agreement include (but are not limited to) the following:

- (a) the Underwriter forms the view (acting reasonably) that a statement contained in the Prospectus is or becomes misleading or deceptive or likely to mislead or deceive (including by omission), or a matter required by the Corporations Act is omitted from the Prospectus or the issue of the Prospectus becomes misleading or deceptive or likely to mislead or deceive;
- (b) a person gives a notice to the Company under section 730 of the Corporations Act in relation to the Prospectus (other than the Underwriter);

- (c) any person (other than the Underwriter) whose consent to the issue of the Prospectus or any supplementary prospectus is required and who has previously consented to the issue of the Prospectus or any supplementary prospectus withdraws such consent;
- (d) the Company lodges a supplementary prospectus without the consent of the Underwriter or fails to lodge a supplementary prospectus in a form acceptable to the Underwriter or, in the Underwriter's reasonable opinion, becomes required to lodge a supplementary prospectus;
- (e) any material adverse change occurs in the assets, liabilities, the equity of any Company shareholders, financial position or performance, profits, losses or prospects of the Company from the position disclosed in the Entitlement Offer ASX announcement, this Prospectus or a duly completed Appendix 3B or as most recently disclosed to ASX by the Company before the date of the Underwriting Agreement;
- (f) the ASX/S&P 300 Index is at any time more than 10% below its level as at 5.00pm on the Business Day immediately preceding the date of the Underwriting Agreement;
- (g) the Company ceases to be admitted to the ASX or the Shares cease trading or are suspended from quotation on ASX other than in connection with the Entitlement Offer;
- (h) there is an application to a government agency (including, without limitation, the Takeovers Panel) for an order, declaration (including, in relation to the Takeovers Panel, of unacceptable circumstances) or other remedy in connection with the Offers (or any part of it) or any agreement entered into in respect of the Offers (or any part of it) subject to limited exceptions; and
- (i) hostilities occur involving any one or more of Australia, New Zealand, Japan, Hong Kong, Russia, Israel, Syria, Iran, the United Kingdom, any member of the state of the European Union, the United States or China or any diplomatic, military, commercial or political establishment of any of these listed countries.

As is customary with these types of arrangements:

- (j) the Company has agreed to indemnify the Underwriter and its related bodies corporate, and each of its officers, directors employees, agents, advisers and representatives (**Indemnified Party**) against losses incurred in connection with the Entitlement Offer and 2024 Placement or the performance of the Underwriter's obligations under the Underwriting Agreement other than losses determined by a court to have resulted directly from the fraud, recklessness, wilful misconduct or gross negligence of the Indemnified Party; and
- (k) the Company has provided a full range of warranties and representations to the Underwriter, including about the Offer and its compliance with applicable laws.

The Underwriter is not responsible for the form and content of this Prospectus.