

ABN 24 605 352 510

Notice of Annual General Meeting

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

Date: **Thursday 27 October 2016**

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

Venue: **Offices of K&L Gates
Level 25
525 Collins Street
Melbourne Vic 3000**

Business

Financial Statements and Reports

To receive and consider the Company's annual financial report, including the directors' report and audit report for the period ended 30 June 2016.

1. Adoption of Remuneration Report

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

"That the Company adopt the remuneration report for the 15-month period ended 30 June 2016 in accordance with Section 250R(2) of the Corporations Act."

Notes:

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

Voting Exclusion Statement: The Company will disregard any votes cast on this Resolution 1 by or on behalf of a member of the Company's key management personnel (KMP) whose remuneration details are disclosed in the Remuneration Report, or by or on behalf of a closely related party of a member of the KMP, in any capacity unless the vote is cast:

- by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

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

2. Election of Mr Thomas Lynch as a Director

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

"That Thomas Lynch, who retires in accordance with the Company's constitution and, being eligible, be elected as a Director of the Company."

3. Election of Dr William Hunter as a Director

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

"That William Hunter, who retires in accordance with the Company's constitution and, being eligible, be elected as a Director of the Company."

4. Approval of Fee Pool for Non-Executives Directors' Remuneration

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

"That in accordance with Listing Rule 10.17 of the ASX Listing Rules and clause 13.4 of the Company's Constitution, the total aggregate annual remuneration payable to non-executive Directors of the Company be set at \$500,000 per annum."

Voting Exclusion Statement: The Company will disregard any votes cast on this Resolution 4 by or on behalf of a member of the Company's Board, or by or on behalf of a closely related party of a member of the Board, in any capacity unless the vote is cast:

- by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

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

5. Approval to issue ordinary shares and associated loan to Mr Thomas Lynch

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

"That for the purposes of Listing Rule 10.14 and for all other purposes, Shareholders approve and authorise the Company to issue to Mr Lynch, or his nominee, up to 600,000 fully paid ordinary shares and the advance of a related loan of up to \$300,000 in accordance with the terms of the Company's employee share plan, and as summarised in the Explanatory Memorandum attached."

Voting Exclusion Statement: The Company will disregard any votes cast on this Resolution 5 by every Director of the Company who is eligible to participate in the Company's employee share plan in respect of which this approval is sought and any of their Associates, unless the vote is cast:

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

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

6. Approval to issue ordinary shares and associated loan to Mr Jeremy Curnock Cook

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

"That for the purposes of Listing Rule 10.14 and for all other purposes, Shareholders approve and authorise the Company to issue to Mr Curnock Cook, or his nominee, up to 300,000 fully paid ordinary shares and the advance of a related loan of up to \$150,000 in accordance with the terms of the Company's employee share plan, and as summarised in the Explanatory Memorandum attached."

Voting Exclusion Statement: The Company will disregard any votes cast on this Resolution 6 by every Director of the Company who is eligible to participate in the Company's employee share plan in respect of which this approval is sought and any of their Associates, unless the vote is cast:

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

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

7. Approval to issue ordinary shares and associated loan to Dr William Hunter

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

“That for the purposes of Listing Rule 10.14 and for all other purposes, Shareholders approve and authorise the Company to issue to Dr William Hunter, or his nominee, up to 300,000 fully paid ordinary shares and the advance of a related loan of up to \$150,000 in accordance with the terms of the Company's employee share plan, and as summarised in the Explanatory Memorandum attached.”

Voting Exclusion Statement: The Company will disregard any votes cast on this Resolution 7 by every Director of the Company who is eligible to participate in the Company's employee share plan in respect of which this approval is sought and any of their Associates, unless the vote is cast:

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

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

8. Approval to issue ordinary shares and associated loan to Mr Bruce McHarrie

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

“That for the purposes of Listing Rule 10.14 and for all other purposes, Shareholders approve and authorise the Company to issue to Mr McHarrie, or his nominee, up to 300,000 fully paid ordinary shares and the advance of a related loan of up to \$150,000 in accordance with the terms of the Company's employee share plan, and as summarised in the Explanatory Memorandum attached.”

Voting Exclusion Statement: The Company will disregard any votes cast on this Resolution 8 by every Director of the Company who is eligible to participate in the Company's employee share plan in respect of which this approval is sought and any of their Associates, unless the vote is cast:

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

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

9. Approval to issue ordinary shares and associated loan to Professor John Mills

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

“That for the purposes of Listing Rule 10.14 and for all other purposes, Shareholders approve and authorise the Company to issue to Professor Mills, or his nominee, up to 300,000 fully paid ordinary shares and the advance of a related loan of up to \$150,000 in accordance with the terms of the Company's employee share plan, and as summarised in the Explanatory Memorandum attached.”

Voting Exclusion Statement: The Company will disregard any votes cast on this Resolution 9 by every Director of the Company who is eligible to participate in the Company's employee share plan in respect of which this approval is sought and any of their Associates, unless the vote is cast:

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

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

10. Approval to issue ordinary shares and associated loan to Mr Bryan Mogridge

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

“That for the purposes of Listing Rule 10.14 and for all other purposes, Shareholders approve and authorise the Company to issue to Mr Mogridge, or his nominee, up to 300,000 fully paid ordinary shares and the advance of a related loan of up to \$150,000 in accordance with the terms of the Company’s employee share plan, and as summarised in the Explanatory Memorandum attached.”

Voting Exclusion Statement: The Company will disregard any votes cast on this Resolution 10 by every Director of the Company who is eligible to participate in the Company’s employee share plan in respect of which this approval is sought and any of their Associates, unless the vote is cast:

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

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

11. Approval to issue ordinary shares and associated loan to Mr Garth Sutherland

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

“That for the purposes of Listing Rule 10.14 and for all other purposes, Shareholders approve and authorise the Company to issue to Mr Sutherland, or his nominee, up to 521,367 fully paid ordinary shares and the advance of a related loan of up to \$260,683.50 in accordance with the terms of the Company’s employee share plan, and as summarised in the Explanatory Memorandum attached.”

Voting Exclusion Statement: The Company will disregard any votes cast on this Resolution 11 by every Director of the Company who is eligible to participate in the Company’s employee share plan in respect of which this approval is sought and any of their Associates, unless the vote is cast:

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

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

12. Ratification of issue of ordinary shares to institutional investor

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

“That in accordance with ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify and approve for the purposes of ASX Listing Rule 7.1, the issue to FIL Limited of 16,046,097 fully paid ordinary shares in the Company at \$0.50 per Share on 26 July 2016 and on the terms set out in the Explanatory Memorandum attached.”

Voting Exclusion Statement: The Company will disregard any votes cast on this Resolution 12 by FIL Limited and any of their Associates, unless the vote is cast:

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

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

Other business

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

Other information

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

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

Voting by proxy

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

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

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

With respect to Resolutions 1 and 4 to 11, if a Shareholder appoints the Chairman of the Meeting as proxy and does not direct the Chairman how to vote on either of those resolutions, the Shareholder authorises the Chairman to vote in accordance with his voting intention as stated in this Notice of Meeting, namely in favour of each of those resolutions, even if he is connected directly or indirectly with the remuneration of a member of the key management personnel.

Proxies must be:

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

not later than 11.00am (AEDT) on Tuesday 25 October 2016.

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

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

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

The proxy form has been enclosed. Please read all instructions carefully before completing the proxy form.

Online Voting

You can lodge your vote online at:

www.investorvote.com.au

Custodian Voting

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

Entitlement to vote

In accordance with Section 1074E(2)(g)(i) of the Corporations Act and Regulation 7.11.37 of the Corporations Regulations, the Company has determined that for the purposes of the meeting all shares will be taken to be held by the persons who held them as registered Shareholders at 7.00 pm (AEDT) on Tuesday 25 October 2016. Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

All Enquiries

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

Voting Intentions

Subject to any voting restrictions and exclusions, the Chairman intends to vote in favour of all resolutions on the agenda.

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

By order of the Board



Rob Turnbull

CFO & Joint Company Secretary

16 September 2016

This Explanatory Memorandum sets out further information regarding the proposed resolutions to be considered by Shareholders of Adherium Limited (**Adherium** or **the Company**) at the 2016 Annual General Meeting to be held commencing at 11.00am (AEDT) on Thursday 27 October 2016 at the offices of K&L Gates, Level 25, 525 Collins Street, Melbourne Vic 3000.

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

Financial statements and reports

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

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

1. Resolution 1 – Adoption of Remuneration Report

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

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

This vote is advisory only and does not bind the Directors or the Company.

The Board will consider the outcome of the vote and comments made by Shareholders on the remuneration report at this meeting when reviewing Adherium's remuneration policies. If 25% or more of the votes that are cast are voted against the adoption of the remuneration report at two consecutive annual general meetings Shareholders will be required to vote at the second of those annual general meetings on a resolution (a "spill resolution") that another meeting be held within 90 days at which all of Adherium's Directors other than the managing director must be offered up for election.

Key management personnel (including Directors) and their closely related parties must not cast a vote on the remuneration report, unless as holders of directed proxies for Shareholders eligible to vote on Resolution 1.

The Company encourages all Shareholders to cast their votes on this resolution. The Chairman will vote all undirected proxies in favour of this resolution. If you wish to vote "against" or "abstain" you should mark the relevant box in the attached proxy form.

2. Resolution 2 – Election of Mr Thomas Lynch as a Director

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

Under Clause 13.3(b) of Adherium's constitution a director appointed under clause 13.1(c) must retire at and, if eligible, may offer themselves for election at the next annual general meeting of the Company following the director's appointment. Mr Lynch was appointed as a director of the Company on 1 September 2016.

Resolution 2 provides for the election of Mr Lynch as Director of the Company in accordance with the Company's constitution.

Mr Lynch has extensive experience of biotechnology and specialty pharma. He has recently stepped down as Chair of Icon plc, one of the world's largest clinical research organisations having served on its board for 22 years. He is also chair of Evofem Biosciences Inc and Profectus Biosciences Inc, two privately-held US biotechnology companies. Mr Lynch serves as a non-executive director of GW Pharma plc, a biotechnology company listed on NASDAQ and AIM. In a pro-bono capacity, Mr Lynch serves as Chair of the Ireland East Hospital Group, the largest hospital group in Ireland. Mr Lynch has also served in a range of roles at Elan Corporation plc and Amarin Corporation plc. Throughout his career, Mr Lynch has been involved in the listing of a number of companies on the NASDAQ market and brings significant international capital markets experience to Adherium.

Mr Lynch was appointed a director and Chairman of the Board on 1 September 2016.

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

3. Resolution 3 – Election of Dr William Hunter as a Director

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

Under Clause 13.3(b) of Adherium's constitution a director appointed under clause 13.1(c) must retire at and, if eligible, may offer themselves for election at, the next annual general meeting of the Company following the Director's appointment. Dr Hunter was elected a director of the Company on 16 December 2015.

Resolution 3 provides for the election of Dr Hunter as Director of the Company in accordance with the Company's constitution.

Dr Hunter is considered a leader in pharmaceutical research. He is currently the President and CEO of the renowned Cardiome Pharma Group (NASDAQ:CRME) based in Vancouver, Canada. Cardiome is a speciality pharmaceutical company with three cardiology products approved in Europe and globally.

Having made a career out of inventing and improving medical devices, Dr Hunter has 200 patents and patent applications to his name and has been involved in the discovery and development of several key devices and products used globally.

Dr Hunter is also a non-executive director of Rex Medical (AIM) and has held numerous directorships previously for both public, private and not-for-profit companies.

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

4. Resolution 4 – Approval of Fee Pool for Non-Executive Directors' Remuneration

Board recommendation and undirected proxies. As the Board has a direct interest in relation to Resolution 4 it does not believe it appropriate it makes a recommendation. However, the Chairman of the meeting intends to vote undirected proxies in **FAVOUR** of Resolution 4.

The current level of non-executive Chairman and Director fees was established in July 2015, prior to the Company's initial public offering. In the period ended 30 June 2016 the Board increased from six to seven Directors and fees totalled \$260,000 (excluding legislative superannuation, and fees for the board of Adherium (NZ) Limited which were terminated on the Company's initial public offering). There are no separate fees for Board committee membership.

The Board seeks the increase in Non-Executive Directors' fees to \$50,000 per annum (from \$40,000 per annum) and the Chairman's fee to \$100,000 per annum (from \$80,000 per annum). This would

bring these fees to 91% and 100% respectively of the median of fees paid by peer companies based on an independent analysis prepared for the Company.

The Board currently comprises six Non-Executive Directors. Should the Non-Executive Director fee pool be approved by shareholders, the aggregate annual fee paid to current Non-Executive Directors would be \$350,000. Executive Directors are not paid directors fees.

The Constitution of the Company specifies a maximum of 10 Directors may be appointed at any time. Although there is currently no intention to increase the current number of Directors on the board, on the basis of the maximum number of Directors, the aggregate annual fee paid to Non-Executive Directors would be \$500,000 (assuming one Executive Director on the Board).

No securities have been issued to the Company's Non-Executive Directors under ASX Listing Rules 10.11 or 10.14 at any time within the preceding years. Approval for Non-Executive Directors to participate in the Company's Employee Share Plans is the subject of Resolutions 5 to 10.

As the Non-Executive Directors have an interest in the outcome of Resolution 4, the Board does not believe it is appropriate to make a recommendation to Shareholders as to how to vote in relation to Resolution 4.

5. Resolutions 5 - 11 – Approval to issue ordinary shares and associated loans to Directors

5.1 Undirected proxies

The Chairman of the meeting intends to vote undirected proxies in **FAVOUR** of each of the resolutions.

5.2 Participants

Messrs Lynch, Curnock Cook, Hunter, McHarrie, Mills and Mogridge all executed Letters of Appointment pursuant to which each agreed to provide services to the Company as a Non-Executive Director, and Mr Sutherland entered an employment agreement pursuant to which he agreed to act as an executive Director (each Director a **Relevant Participant**).

In consideration of the appointments, the Company agreed to allow each of the Relevant Participants (or an entity nominated by them) the ability to participate in the Company's loan funded Employee Share Plan (**Plan**). Based on an independent analysis prepared for the Company of awards by peer companies, the Board has decided to offer each of the following Relevant Participants the right to subscribe for following shares under the Employee Share Plan:

- (a) Mr Thomas Lynch:
as a non-executive Director and Chairman 600,000 ordinary fully paid shares in the Company with an associated loan of \$300,000 as provided under the rules of the Employee Share Plan, subject to approval by Shareholders pursuant to Resolution 5;
- (b) Mr Jeremy Curnock Cook:
as non-executive Director 300,000 ordinary fully paid shares in the Company with an associated loan of \$150,000 as provided under the rules of the Employee Share Plan, subject to approval by Shareholders pursuant to Resolution 6;
- (c) Dr William Hunter:
as non-executive Director 300,000 ordinary fully paid shares in the Company with an associated loan of \$150,000 as provided under the rules of the Employee Share Plan, subject to approval by Shareholders pursuant to Resolution 7;
- (d) Mr Bruce McHarrie:
as non-executive Director 300,000 ordinary fully paid shares in the Company with an associated loan of \$150,000 as provided under the rules of the Employee Share Plan, subject to approval by Shareholders pursuant to Resolution 8;

- (e) Professor John Mills:
as non-executive Director 300,000 ordinary fully paid shares in the Company with an associated loan of \$150,000 as provided under the rules of the Employee Share Plan, subject to approval by Shareholders pursuant to Resolution 9;
- (f) Mr Bryan Mogridge:
as non-executive Director 300,000 ordinary fully paid shares in the Company with an associated loan of \$150,000 as provided under the rules of the Employee Share Plan, subject to approval by shareholders pursuant to resolution 10; and
- (g) Mr Garth Sutherland:
as executive Director 521,367 ordinary fully paid shares in the Company with an associated loan of \$260,683.50 as provided under the rules of the Employee Share Plan, subject to approval by Shareholders pursuant to Resolution 11.

The proposed issues of Shares are in respect of fully paid ordinary shares that are to be issued in addition to the Directors' remuneration.

5.3 Terms of Employee Share Plan

A proposed offer under the Plan to any particular Relevant Participant is not in any way dependent on the issue to any other Relevant Participant. The terms of the Employee Share Plan were disclosed in the Company's IPO prospectus dated 3 August 2015 and a copy of the Plan was released to the market by an ASX announcement made on 26 August 2015.

The Plan is administered by the Board. Pursuant to the rules of the Plan, the Board may determine, amongst other things:

- (a) the participants (which includes all Directors) who are eligible to participate in the Plan and purchase Shares under the Plan (**Plan Shares**) from time to time;
- (b) if a loan to acquire the Plan Shares will be provided by the Company to a participant for the purposes of acquiring the Plan Shares (**Plan Loan**);
- (c) the terms of the Plan Loan (including the loan agreement required to be executed by a participant) and any vesting conditions applicable to the Plan Shares; and
- (d) whether or not the Loan will be secured or unsecured;

The Board has decided that for each of the above offers of Plan Shares to each of the above Relevant Participants:

- (a) the Plan Share allotments to each particular Relevant Participant shall take place within 5 business days after Shareholders approve the allotment to that Relevant Participant pursuant to the terms of this Notice of Meeting;
- (b) each Relevant Participant's Plan Shares shall vest in 3 equal sized tranches, with the first tranche to vest on the first anniversary of the issue date of those Plan Shares (**Issue Date**); the second tranche to vest on the second anniversary of the Issue Date and the third tranche to vest on the third anniversary of the Issue Date;
- (c) if at any time a Relevant Participant ceases to be eligible to participate under the Plan, any of their Plan Shares not yet vested shall not vest and the Company may cancel or buy back those unvested Plan Shares (depending on the outstanding balance of the Plan Loan to that Relevant Participant);
- (d) the Relevant Participant will each be offered a Plan Loan to purchase their Plan Shares, the terms of which Plan Loan are set out below.

5.4 Key Terms of the Plan Loans

The key terms of each Plan Loan to be provided under the Plan to the Relevant Participants are as follows:

- (a) the Plan Loan is a limited recourse loan, such that on the Repayment Date (defined below) the repayment obligation under the Plan Loan will be limited to the lesser of:
 - (i) the outstanding balance of the Plan Loan; and
 - (ii) the market value of the Plan Shares on that date.

The Relevant Participant may elect for the Loan Shares to be provided to the Company in full satisfaction of the outstanding balance of the Plan Loan, in which case the Company must accept the Plan Shares as full settlement of the repayment obligation under the Plan Loan;
- (b) the Plan Loan may only be applied towards the subscription price for the Plan Shares;
- (c) the Plan Loan will be interest free;
- (d) by signing and returning a loan application, the Relevant Participant acknowledges and agrees that the Plan Shares will not be transferred, encumbered, otherwise disposed of, or have a security interest granted over them (other than in favour of the Company), by or on behalf of that Relevant Participant until the Plan Loan is repaid in full to the Company;
- (e) the loan to a Relevant Participant becomes repayable on (**Repayment Date**) the earliest of:
 - (i) 5 years from the date on which the loan is advanced to the Relevant Participant;
 - (ii) subject to paragraph (iii) following, 90 days after the date of the Relevant Participant's cessation of employment or engagement by the Company; or
 - (iii) six months after the Relevant Participant ceases to be engaged by the Company due to their death or total and permanent disability (with repayment by the Relevant Participant or the legal personal representative of the deceased Relevant Participant);
- (f) notwithstanding paragraph (e) above, the Relevant Participant may repay all or part of the Plan Loan at any time before the Repayment Date.

5.5 Rights attaching to Plan Shares

The Plan Shares will rank equally with all other fully paid ordinary Shares on issue in the capital of the Company. Holders of Plan Shares will be entitled to exercise all voting rights attaching to the Plan Shares in accordance with the Company's constitution. In addition, holders of Plan Shares will be entitled to participate in dividends declared and paid by the Company in accordance with the Company's constitution.

The Plan Shares may only be sold by the Relevant Participant where the Plan Loan, or any unpaid part of it, has been repaid in full (otherwise any dealing by the Relevant Participant in the Plan Shares is otherwise prohibited without the prior written consent of the Company).

5.6 Repayment of the Plan Loan

If the Plan Loan becomes due and payable under the Loan Agreement and the Relevant Participant has not repaid the amount of the loan in full within 21 days of the due date, then the Relevant Participant will forfeit their interest in the Plan Shares as full consideration for the repayment of the outstanding loan balance and the Company may either (at its election) take such action in the Relevant Participant's name (under a power of attorney) or direct that the Relevant Participant take such action in relation to the Plan Shares as the Company considers appropriate, which may include but is not limited to the Company undertaking a buy-back or cancellation of the Plan Shares or selling the Plan Shares.

In the period from establishment of the Plan to the date of this Notice 8,521,519 Plan Shares have been issued at \$0.50 per share with associated Plan Loans totalling \$4,260,759.50.

5.7 Application of ASX Listing Rules

ASX Listing Rule 10.14 states that an entity must not issue or agree to issue equity securities under an employee incentive scheme to any of the following persons without the approval of holders of ordinary securities:

- (a) a director of the entity (or their associate); or
- (b) a person whose relationship with the entity or the director (or their associate) is, in the ASX's opinion, such that approval should be obtained.

Where Shareholder approval to any of Resolutions 5 to 11 is obtained under ASX Listing Rule 10.14, further shareholder approval to that same resolution is not required under ASX Listing Rule 7.1 (see Listing Rule 7.2, Exception 14). An *employee incentive scheme* for the ASX Listing Rules includes the Company's Employee Share Plan.

5.8 Technical Information required by ASX Listing Rules

The information required by ASX Listing Rule 10.15 is as follows:

- (a) *The name of the persons in which securities are being issued*

The Company proposes to issue fully paid ordinary shares in each of Resolutions 5 to 11 to the respective Relevant Participants as listed in section 5.2(a) to (g) above (or a nominee of any such person)

- (b) *The maximum number of securities to be issued*

The maximum number of securities to be issued pursuant to each of Resolutions 5 to 11 to the respective Relevant Participants is listed in section 5.2(a) to (g) above

- (c) *The issue price of the securities*

The Plan Shares will be issued at the price of \$0.50 per Share.

- (d) *The names of all persons referred to in rule 10.14 who received securities under the scheme since the last approval, the number of securities received and the acquisition price for each security*

None

- (e) *The names of all persons referred to in rule 10.14 entitled to participate in the scheme*

The Relevant Participants, namely Thomas Lynch, Jeremy Curnock Cook, William Hunter, Bruce McHarrie, John Mills, Bryan Mogridge and Garth Sutherland

(f) *A voting exclusion statement*

A voting exclusion statement is included below in the Explanatory Memorandum

(g) *The terms of any loan in relation to the acquisition*

The key terms of the Plan Loan are set out in section 5.4 above

(h) *The date by which the Company will issue the securities*

The Company proposes to issue the Plan Shares pursuant to Resolutions 5 to 11 as soon as reasonably practicable after each respective resolution is approved by Shareholders, but in any case, by no later than 12 months after the date of passage of the respective resolutions.

5.9 Application of the Corporations Act 2001 (Cth)

The Board resolved (with each respective Relevant Participant abstaining from voting with respect to the Resolution applicable to their proposed Plan Shares) that the giving of this financial assistance to each of the Relevant Participants pursuant to the Plan to enable the respective Relevant Participants to acquire their Plan Shares does not materially prejudice the interests of the Company or its Shareholders, or the Company's ability to pay its creditors.

The reasons for the Directors' conclusions concerning the giving of financial assistance in respect of the Plan are:

- (a) giving the assistance is in the best interests of the Company, and is of benefit to those Shareholders not receiving the financial assistance, because it increases the alignment of the interests of each of the Relevant Participants and Shareholders and rewards each of the Relevant Participants for the creation of shareholder wealth, and, therefore creates incentives for each of the Relevant Participants to strive to ensure that the Company performs for the benefit of all its Shareholders;
- (b) the terms and conditions do not materially prejudice the interests of the Company and its Shareholders because the costs of providing the financial assistance are relatively small and are outweighed by the benefit of alignment of interest that is achieved under the Plan; and
- (c) in the opinion of the Directors, the provision of financial assistance under schemes of this kind is consistent with market practice in the area of executive incentive schemes currently operated in Australia.

Shareholder approval is not required under Chapter 2E of the Corporations Act for the financial benefit covered by these Resolutions 5 to 11 as the Board has resolved that the financial benefit to be provided to each of the Relevant Participants under the Plan comes within the reasonable remuneration exemption to Chapter 2E of the Corporations Act and that the Plan Shares will be issued for a price greater than or equal to their current market price as at the date of issue. The Board has obtained a report from an independent remuneration consultant which confirms for the Board that the value of these awards will be reasonable and fall within the equity-based remuneration parameters of the Company's peer group.

5.10 Board recommendations

As all Directors are excluding from every one of resolutions 5 to 11 (inclusive), the Directors do not believe it is appropriate that they make recommendations for Shareholder voting concerning any of Resolutions 5 to 11 (inclusive).

6. Resolution 12 – Ratification of issue of ordinary shares to institutional investor

6.1 Board recommendation and undirected proxies.

The Board recommends that Shareholders vote in **FAVOUR** of resolution 12.

The Chairman of the meeting intends to vote undirected proxies in **FAVOUR** of resolution 12.

6.2 Background

On 26 July 2016 the Company issued 16,046,097 fully paid ordinary shares at an issue price of \$0.50 each in the capital of the Company to FIL Limited ("Institutional Investor"). Shareholder ratification is now being sought for the purposes of Listing Rule 7.4.

Under Listing Rule 7.1, the Company may issue up to 15% of its ordinary share capital in any 12-month rolling period without seeking prior Shareholder approval. Listing Rule 7.4 permits a company to obtain ratification from its shareholders in relation to a prior share issue.

The issue of the shares to the Institutional Investor was within the 15% limitation imposed by ASX Listing Rule 7.1, however the Company is now seeking Shareholder ratification and approval for the issue of these Shares which will effectively refresh the Company's ability to issue the same number of Shares in the next 12 months under its 15% authority pursuant to ASX Listing Rule 7.1 without seeking prior Shareholder approval.

6.3 Technical Information required by ASX Listing Rules

ASX Listing Rule 7.5 requires that the meeting documents concerning a proposed resolution to ratify the prior issue of securities in accordance with ASX Listing Rule 7.4 must include the following information:

(a) The number of Securities Issued

16,046,097 Shares

(b) The Price at which the securities were issued

\$0.50 per Share

(c) The terms of the securities

Securities were fully paid ordinary shares in the capital of the Company ranking pari passu with all other issued Shares

(d) The name of the persons to whom the securities were issued

FIL Limited

(e) The use or intended use of the funds raised

The funds raised from this issue of shares have and will be employed for working capital purposes by the Company

7. Questions and Comments by Shareholders at the Meeting

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

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

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

Shareholders may also submit a written question to PwC if the question is relevant to the content of PwC's audit report or the conduct of its audit of the Company's financial report for the period ended 30 June 2016.

Relevant written questions to PwC must be received by no later than 5:00pm (AEDT) on 20 October 2016. A list of those questions will be made available to Shareholders attending the meeting. PwC will either answer questions at the meeting or table written answers to them at the meeting. If written answers are tabled at the meeting, they will be made available to Shareholders as soon as practicable after the meeting.

Please send written questions for PwC to:

By facsimile - +61 3 9602 4709;

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

by no later than 5:00pm (AEDT) on 20 October 2016.

Glossary

In this Explanatory Memorandum, and the Notice of Meeting:

Board means the board of directors of the Company.

Company means Adherium Limited.

Constitution means the constitution of the Company.

Director means a director of the Company.

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

Listing Rules means the listing rules of the ASX Limited.

Meeting means the Annual General Meeting of the Company the subject of this Notice of Meeting scheduled to occur on Thursday 27 October 2016.

Shareholder means a holder of a Share.

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

ADHERIUM LIMITED
ACN 605 352 510

ADR

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

Lodge your vote:



Online:

www.investorvote.com.au



By Mail:

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

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:

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

Proxy Form

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Vote online

View the annual report on-line, available 30 September 2016

- Go to www.investorvote.com.au or scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.

Your access information that you will need to vote:

Control Number: 999999

SRN/HIN: I9999999999 PIN: 99999

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



 **For your vote to be effective it must be received by 11.00am (AEDT) Tuesday, 25 October 2016**

How to Vote on Items of Business

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

Appointment of Proxy

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

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

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

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

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

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

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

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

Attending the Meeting

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

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,
or turn over to complete the form →**

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

☐

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



I 9999999999

IND

Proxy Form

Please mark ☒ to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

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

☐ the Chairman of the Meeting

OR

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

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Adherium Limited to be held at the offices of K&L Gates, Level 25, 525 Collins Street, Melbourne, Victoria on Thursday, 27 October 2016 at 11.00am (AEDT) and at any adjournment or postponement of that Meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Items 1 and 4 to 11 (except where I/we have indicated a different voting intention below) even though Items 1 and 4 to 11 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

Important Note: If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Items 1 and 4 to 11 by marking the appropriate box in step 2 below.

STEP 2 Items of Business

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

		For	Against	Abstain			For	Against	Abstain
Item 1	Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Item 8	Approval to issue ordinary shares and associated loan to Mr Bruce McHarrie	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 2	Election of Mr Thomas Lynch as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Item 9	Approval to issue ordinary shares and associated loan to Professor John Mills	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 3	Election of Dr William Hunter as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Item 10	Approval to issue ordinary shares and associated loan to Mr Bryan Mogridge	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 4	Approval of Fee Pool for Non-Executive Directors' Remuneration	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Item 11	Approval to issue ordinary shares and associated loan to Mr Garth Sutherland	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 5	Approval to issue ordinary shares and associated loan to Mr Thomas Lynch	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Item 12	Ratification of issue of ordinary shares to institutional investor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 6	Approval to issue ordinary shares and associated loan to Mr Jeremy Curnock Cook	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>					
Item 7	Approval to issue ordinary shares and associated loan to Dr William Hunter	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>					

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

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

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date



ADHERIUM LIMITED
ACN 605 352 510

ADRRM
MR RETURN SAMPLE
123 SAMPLE STREET
SAMPLE SUBURB
SAMPLETOWN VIC 3030

Dear Securityholder,

We have been trying to contact you in connection with your securityholding in Adherium Limited. Unfortunately, our correspondence has been returned to us marked "Unknown at the current address". For security reasons we have flagged this against your securityholding which will exclude you from future mailings, other than notices of meeting.

Please note if you have previously elected to receive a hard copy Annual Report (including the financial report, directors' report and auditor's report) the dispatch of that report to you has been suspended but will be resumed on receipt of instructions from you to do so.

We value you as a securityholder and request that you supply your current address so that we can keep you informed about our Company. Where the correspondence has been returned to us in error we request that you advise us of this so that we may correct our records.

You are requested to include the following;

- > Securityholder Reference Number (SRN);
- > ASX trading code;
- > Name of company in which security is held;
- > Old address; and
- > New address.

Please ensure that the notification is signed by all holders and forwarded to our Share Registry at:

Computershare Investor Services Pty Limited
GPO Box 2975
Melbourne Victoria 3001
Australia

Note: If your holding is sponsored within the CHESS environment you need to advise your sponsoring participant (in most cases this would be your broker) of your change of address so that your records with CHESS are also updated.

Yours sincerely

Adherium Limited