



16 October 2018

From the Chairman

Dear Adherium shareholder

I am pleased to invite you to attend Adherium's Annual General Meeting, for which the following documents are enclosed:

- Notice of the meeting, including an explanatory memorandum
- A personalised proxy form and return envelope

If you have elected to receive the Annual Report for the year ended 30 June 2018 in printed form, you should have already received this by separate mail. It is available to all shareholders in the investors section of our website ([www.adherium.com](http://www.adherium.com)).

The Annual General Meeting will be held at the offices of K&L Gates, Level 31, 1 O'Connell Street, Sydney, on Tuesday 20 November 2018, commencing at 9:30am.

If you are able to attend, I look forward to welcoming you and ask you please to bring the personalised proxy form with you to assist with registration and admission to the meeting. If you are unable to attend but wish to appoint a proxy, please either lodge your vote online, following the instructions on the proxy form, or complete the proxy form and return it to the registry in the envelope provided.

Yours sincerely

A handwritten signature in black ink, appearing to read "Thomas Lynch". The signature is fluid and cursive, with a long horizontal stroke at the end.

**Thomas Lynch**  
**Non-Executive Chairman**

**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: **Tuesday 20 November 2018**

Time: **9:30am (AEDT)**

Venue: **Offices of K&L Gates  
Level 31  
1 O'Connell Street  
Sydney, NSW 2000**

**This Notice of Annual General Meeting and Explanatory Memorandum should be read in its entirety. If you are in doubt as to how to vote on any of the Resolutions, you should seek advice from your accountant, solicitor or other professional adviser without delay.**

### **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 2018.

**Note:** There is no requirement for Shareholders to approve these reports and financial statements.

#### **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 year period ended 30 June 2018 as set out in the Company's Annual Report 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. Re-election of Mr Bruce McHarrie as a Director**

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

*"That Bruce McHarrie, who retires in accordance with the Company's Constitution and ASX Listing Rule 14.4 and, being eligible and having submitted himself for re-election, be appointed as a Director of the Company."*

### 3. Re-election of Professor John Mills as a Director

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

*“That John Mills, who retires in accordance with the Company’s Constitution and ASX Listing Rule 14.4 and, being eligible and having submitted himself for re-election, be appointed as a Director of the Company.”*

### 4. Re-election of Mr Bryan Mogridge as a Director

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

*“That Bryan Mogridge, who retires in accordance with the Company’s Constitution and ASX Listing Rule 14.4 and, being eligible and having submitted himself for re-election, be appointed as a Director of the Company.”*

### 5. Appointment of Auditor

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

*“That, for the purposes of section 327B of the Corporations Act and for all other purposes, PricewaterhouseCoopers, being qualified to act as auditor of the Company and having consented to act as the Company’s auditor, be appointed as auditor of the Company with effect on and from the close of the Annual General Meeting.”*

### 6. Approval of Employee Share Plans

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

*“That the Shareholders renew the approval of the Company’s existing Employee Share Plans for the purposes of ASX Listing Rules 7.1 and 7.2 Exception 9(b), section 259B(2) of the Corporations Act 2001 (Cth), and for all other purposes and on the terms and conditions set out in the Explanatory Memorandum.”*

**Voting Exclusion Statement:** The Company will disregard any votes cast in favour of Resolution 6 by or on behalf of a Director of the Company (except a Director who is ineligible to participate in any employee incentive scheme in relation to the Company) or an associate of that Director. However, the Company need not disregard a vote on Resolution 6 if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the direction 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.

As required by the Corporations Act, no member of the Company’s key management personnel or a closely related party of any such member (each a KMP) may vote as proxy on Resolution 6 unless:

- (a) the person votes as proxy appointed in writing by a person entitled to vote on that resolution and the appointment specifies how the person is to vote on the Resolution 6; or
- (b) the person is the chair of the meeting, the appointment does not specify the way the proxy is to vote on the resolution and the appointment expressly authorises the chair to vote on the respective Resolution 6 even though that resolution is connected with the remuneration of a member of the KMP.

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

## 7. Special Resolution - Approval of additional 10% Placement Facility

To consider and if thought fit, pass the following resolution as a **special resolution**:

*“That, for the purpose of ASX Listing Rule 7.1A and for all other purposes, the Shareholders approve the issue of equity securities of up to 10% of the total issued capital of the Company (at the time of the issue), calculated in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 over a 12 month period and on the terms and conditions set out in the Explanatory Memorandum.”*

**Voting Exclusion Statement:** The Company will disregard any votes cast in favour of Resolution 7 by or on behalf of any person (or their associates) who is expected to participate, or will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of the Company's ordinary securities).

However, the Company need not disregard a vote on Resolution 7 if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the direction 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.

At the date of this Notice of Meeting, the Company has not approached any particular existing Shareholder or security holder or an identifiable class of existing security holder to participate in an issue of equity securities under the 10% Placement Facility (as defined in the Explanatory Memorandum). Therefore, no existing Shareholder's votes will be excluded under the above voting exclusion.

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 6, 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 9:30am (AEDT) on Sunday 18 November 2018.**

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.

### **Bodies Corporate**

A body corporate may appoint an individual as its representative to exercise any of the powers the body may exercise at meetings of the Company's Shareholders. The appointment may be a standing one. Unless the appointment states otherwise, the representative may exercise all of the powers that the appointing body could exercise at a meeting or in voting on a Resolution. The representative should bring to the meeting evidence of his or her appointment, including any authority under which the appointment is signed, unless it has previously been given to the Company.

### **Online Voting**

You can lodge your vote online at:

[www.investorvote.com.au](http://www.investorvote.com.au)

### **Custodian Voting**

Custodians who are subscribers of Intermediary Online, please submit your votes electronically via [www.intermediaryonline.com](http://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 9:30am (AEDT) on Sunday 18 November 2018. 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

A handwritten signature in black ink, appearing to read 'Rob Turnbull', with a stylized, cursive script.

**Rob Turnbull**  
Joint Company Secretary  
16 October 2018

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 2018 Annual General Meeting to be held commencing at 9:30am (AEDT) on Tuesday 20 November 2018 at the offices of K&L Gates, Level 31, 1 O'Connell Street, Sydney, NSW 2000.

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 Report, Directors' Report and Remuneration Report before its Shareholders at its Annual General Meeting. The Annual 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 the vote to approve the Remuneration Report receives a "no" vote by at least 25% of the votes cast at the Meeting, this will constitute a "first strike" against the Remuneration Report. 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.

The Company's current "strike" count is zero. If a "first strike" was to occur at the 2018 Annual General Meeting:

- (a) the Company's subsequent remuneration report (in other words, the Company's Remuneration Report to be included in the 2019 Annual Report) must include an explanation of the Board's proposed action in response to the "no vote" or an explanation of why no action has been taken; and
- (b) if the Company's subsequent remuneration report also receives a "no vote" of at least 25% of the votes cast at the 2019 AGM, then as noted above, Shareholders will be asked (at that 2019 AGM) to vote on whether or not the Company is to hold another general Shareholder's meeting (within the following 90 days) to vote on a "spill resolution" under section 250V of the Corporations Act.

As set out in the Notice of Meeting, 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 – Re-election of Mr Bruce McHarrie as a Director

**Board recommendation and undirected proxies.** The Board (with the exception of Mr McHarrie 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.

In accordance with clause 13.3(b) of the Company's Constitution and ASX Listing Rule 14.4, Mr McHarrie who is due to retire, is eligible for re-election and has submitted himself for re-election at this Meeting.

Resolution 2 provides for the re-election of Mr McHarrie as Director of the Company in accordance with the Company's Constitution.

Mr McHarrie is an independent non-executive Director, and Chairman of the Audit & Risk Committee.

Mr McHarrie is currently an independent director and consultant with over 20 years' experience in the health and life sciences sectors. He was formerly with Telethon Kids Institute in Perth, Western Australia, for 15 years, where his roles included Chief Financial Officer, Director of Operations and Director of Strategic Projects. Prior to joining Telethon Kids, Mr McHarrie was a Senior Manager at Deloitte in London before moving to Rothschild Asset Management as Assistant Director of the Bioscience Unit, a life sciences private equity group investing in early stage biotechnology and healthcare companies. Outside his role at Adherium, he is currently an advisor to BioScience Managers (manager of a major shareholder in Adherium), a director at AusCann (Australasian Medical Cannabis) and an independent consultant. Mr McHarrie is a Fellow of the Institute of Chartered Accountants Australia and New Zealand. He holds a Bachelor of Commerce from the University of Western Australia and is a graduate member of the Australian Institute of Company Directors.

Until recently, Mr McHarrie served as a non-executive director and chairman on the board of ASX listed company, Phylogica Limited. Mr McHarrie has held no other Australian public company directorships in the last three years.

As noted, as an advisor to BioScience Managers, Mr McHarrie has an association with a significant Shareholder of the Company. The Board is of the opinion that this does not compromise Mr McHarrie's independence as to the best of the Board's knowledge he is not involved in decision making by BioScience Managers and the value of the advisory services provided is not material.

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

## 3. Resolution 3 – Re-election of Professor John Mills as a Director

**Board recommendation and undirected proxies.** The Board (with the exception of Professor Mills 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.

In accordance with clause 13.3(b) of the Company's Constitution and ASX Listing Rule 14.4, Professor Mills who is due to retire, is eligible for re-election and has submitted himself for re-election at this Meeting.

Resolution 3 provides for the re-election of Professor Mills as Director of the Company in accordance with the Company's Constitution.

Professor Mills is an independent non-executive Director, and a member of the Audit & Risk Committee and the Nomination and Remuneration Committee.

Professor Mills is an internationally-regarded physician, scientist and biotechnology businessman. He was recruited from the US to Melbourne 25 years ago as the managing director of the Burnet Institute

of Medical Research and Public Health. Since then Professor Mills has been managing director of an ASX-listed company, Narhex Life Sciences, chairman of another ASX-listed company, AMRAD Corp., executive chairman of a Swedish biotechnology company, Cavid AB and non-executive director of a further ASX listed company, Phosphagenics Corp. Ltd. Thirteen years ago he co-founded a boutique anatomic pathology practice, TissuPath Specialist Pathology. Before taking his current position as Director of R&D at TissuPath, he served as Managing Director for three years. He is also a former investment committee member at an Australian venture capital firm, GBS Venture Partners. Professor Mills is an honours graduate of the University of Chicago and Harvard Medical School, and is a Fellow of both the US and Australian Colleges of Physicians. His expertise is in infectious diseases and pulmonary diseases. He maintains a clinical practice at The Alfred Hospital in Melbourne.

Professor Mills has held no other Australian public company directorships in the last three years.

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

#### **4. Resolution 4 – Re-election of Mr Bryan Mogridge as a Director**

**Board recommendation and undirected proxies.** The Board (with the exception of Mr Mogridge due to his interest in the outcome) recommends that shareholders vote in **FAVOUR** of Resolution 4. The Chairman of the meeting intends to vote undirected proxies in **FAVOUR** of Resolution 4.

In accordance with clause 13.3(b) of the Company's Constitution and ASX Listing Rule 14.4, Mr Mogridge who is due to retire, is eligible for re-election and has submitted himself for re-election at this Meeting.

Resolution 4 provides for the re-election of Mr Mogridge as Director of the Company in accordance with the Company's Constitution.

Mr Mogridge is an independent non-executive Director, and a member of the Audit & Risk Committee and the Nomination and Remuneration Committee.

Mr Mogridge has been a successful public company director for over 30 years. He has been CEO of two listed companies and has a background in science, manufacturing, investment and technology. His business philosophy is to be invested where he is involved and grow value for all shareholders. Mr Mogridge is currently a director of Mainfreight, Clearspan, BUPA ANZ and Thinxtra, and until recently Chairperson of Rakon Ltd. He also recently joined as a director of Auckland Regional Amenities Funding Board. Mr Mogridge also has significant involvement in philanthropy, chairing one of New Zealand's most successful charities (The Starship Foundation) for 20 years, helping to transform sick children's lives through New Zealand's national children's hospital "The Starship". Mr Mogridge is currently a Trustee for The Starship Foundation.

Mr Mogridge has held no other Australian public company directorships in the last three years.

The Directors (excluding Mr Mogridge) unanimously recommend that Shareholders vote in favour of Resolution 4.

#### **5. Resolution 5 – Appointment of Auditor**

**Board recommendation and undirected proxies.** The Board recommends that Shareholders vote in **FAVOUR** of Resolution 5. The Chairman of the meeting intends to vote undirected proxies in **FAVOUR** of Resolution 5.

On 10 September 2018, in accordance with section 327C(1) of the Corporations Act, the Company appointed PricewaterhouseCoopers in Australia (**PwC AU**) as auditor following ASIC's consent to the resignation of PricewaterhouseCoopers in New Zealand (**PwC NZ**) in accordance with section 329(5) of the Corporations Act. The decision to change auditors was largely procedural with the Company, and both PwC NZ and PwC AU agreeing that Australian based ASX listed company audit expertise would be of benefit to Adherium.

Following the above appointment and pursuant to section 327C(2) of the Corporations Act, PwC AU holds office until the next AGM, being this Meeting scheduled to be held on 20 November 2018. The Company now seeks Shareholder approval for the appointment of PwC AU as auditor of the Company and its controlled entities in accordance with section 327B of the Corporations Act.

In accordance with section 328B of the Corporations Act, the Company has received written notice of nomination from a Shareholder of the Company for PwC AU to be appointed as the Company's auditor. A copy of the notice of nomination is attached to this Explanatory Memorandum as Annexure A. PwC AU has given its written consent to act as the Company's auditor (subject to Shareholder approval).

The Directors unanimously recommend that Shareholders vote in favour of Resolution 5.

## **6. Resolution 6 – Approval of Employees Share Plans**

**Board recommendation and undirected proxies:** The Directors abstain from making a recommendation on Resolution 6 as they are eligible to participate in the Employee Share Plans and therefore have a potential personal interest in the matter. The Chairman intends to vote undirected proxies in FAVOUR of Resolution 6.

The Company has previously adopted the Employee Share Plans (**Plans**), comprising the New Zealand Executive Share Plan for New Zealand residents and the Australian Executive Share Plan for non-New Zealand residents to foster an ownership culture within the Company and to motivate senior management and Directors to achieve performance targets of the Company. The terms of the Plans were disclosed in the Company's IPO prospectus dated 3 August 2015.

### **6.1 ASX Listing Rules**

Listing Rule 7.1 requires shareholder approval for an issue of equity securities if, over a rolling 12-month period, the amount of equity securities issued (without prior shareholder approval) is more than 15% of the number of ordinary shares on issue at the start of that 12-month period.

Listing Rule 7.2 Exception 9 provides that an issue of securities under an employee incentive scheme does not detract from the available 15% limit under Listing Rule 7.1 if the issue of securities is made under an employee incentive scheme and that employee incentive scheme was approved by shareholders no more than three years before the date of issue of the securities. The Plans are regarded as an employee incentive scheme for the purposes of Listing Rule 7.2.

The Company intends that any issue of shares under the Plans does not detract from the Company's Listing Rule 7.1 15% entitlement. Accordingly, the Company is seeking Shareholder approval of the Plans in order for the Company to be able to issue shares pursuant to the Plans and have those shares qualify under Exception 9 to Listing Rule 7.2.

### **6.2 Information required for Listing Rule 7.2 Exception 9(b)**

As required by the provisions of Listing Rule 7.2, Exception 9(b):

#### **Terms of Employee Share Plan**

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

- (a) the participants (which includes all Directors) who are eligible to participate in the Plans and purchase Shares under the Plans (**Plan Shares**) from time to time;
- (b) the price of the Plan Shares and if a loan to acquire the Plan Shares will be provided by the Company to the 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 the participant) and any vesting conditions applicable to the Plan Shares; and
- (d) whether or not the Plan Loan will be secured or unsecured.

Under the Australian Executive Share Plan legal title to the Plan Shares will be held by the participant. Under the New Zealand Executive Share Plan the legal title to the Plan Shares will be held by a trustee on behalf of the participant pending the satisfaction of vesting conditions. While the legal title to the Plan Shares is held by the trustee, the participant will be able to exercise voting rights attaching to the Plan Shares, however they will have no right to call for the legal interest in the Plan Shares until vesting conditions are met.

### **Key Terms of the Plan Loans**

The key terms of each Plan Loan provided under the Plans 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 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 participant acknowledges and agrees that the Plan Shares will not be transferred, encumbered, otherwise disposed of, or have a security interest granted over it (other than in favour of the Company), by or on behalf of that participant until the Plan Loan is repaid in full to the Company;
- (e) the loan becomes repayable on **(Repayment Date)** the earliest of:
  - (i) 5 years from the date on which the loan is advanced to the participant;
  - (ii) subject to paragraph (iii) following, 90 days after the date of the participant's cessation of employment or engagement by the Company; or
  - (iii) six months after the participant ceases to be an employee of the Company due to their death or total and permanent disability (with repayment by the participant or the legal personal representative of the deceased participant);
- (f) notwithstanding paragraph (e) above, the participant may repay all or part of the Plan Loan at any time before the Repayment Date.

### **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 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 a participant where vesting conditions have been satisfied and the Plan Loan, or any unpaid part of it, has been repaid in full (otherwise any dealing by the participant in the Plan Shares is otherwise prohibited without the prior written consent of the Company).

### **Repayment of the Plan Loan**

If the Plan Loan becomes due and payable under the loan agreement and the participant has not repaid the amount of the loan in full within 21 days of the due date, then the 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 participant's name (under a power of attorney) or direct that the 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.

### **Number of securities issued pursuant to the Plans**

In the period from establishment of the Plans to the date of this Notice, the following securities have been issued by the Company pursuant to the Plans:

|                                                | <b>Plan Shares<br/>Issued</b> | <b>Related Plan<br/>Loans</b> |
|------------------------------------------------|-------------------------------|-------------------------------|
| Issued to participants at \$0.50 per share     | 14,607,807                    | \$7,303,903.50                |
| Cancelled on participant resignation           | (2,262,712)                   | (\$1,131,356.00)              |
| On issue at the date of this Notice of Meeting | 12,345,095                    | \$6,172,547.50                |

### **6.3 Corporations Act**

Section 259B(2) permits a Company to take security over its own shares issued pursuant to an employee share scheme under certain conditions, including where prior shareholder approval of the employee share scheme has been obtained. Accordingly, the Company is seeking Shareholder approval under Resolution 6 in respect of the operation of section 259B(2) of the Corporations Act, for circumstances where the Company elects to provide an employee assistance in the acquisition of shares in itself, such as providing a loan for the payment of the purchase price of a Share to be issued under the Plans.

Section 260A of the Corporations Act allows only limited circumstances under which a company may provide financial assistance for the acquisition of shares in itself without obtaining prior shareholder approval, including the giving of the assistance which does not materially prejudice (i) the interests of the company or its shareholders, or (ii) the company's ability to pay its creditors. The Board is of the view that this exemption is applicable, and at the relevant times will be applicable, to any loans that may be granted for the acquisition of Plan Shares under the Plans. Accordingly, the Company will not be seeking Shareholder approval under Section 260A of the Corporations Act.

### **7. Resolution 7 – Approval of additional 10% Placement Facility**

**Board recommendation and undirected proxies.** The Board recommends that Shareholders vote in **FAVOUR** of Resolution 7. The Chairman of the Meeting intends to vote undirected proxies in **FAVOUR** of Resolution 7.

The purpose of this Resolution is to authorise the Company to issue a further 10% of its issued share capital through one or more placements under ASX Listing Rule 7.1A during the 10% Placement Period (as defined below) (**10% Placement Facility**) in addition to and without using the Company's 15% placement capacity under ASX Listing Rule 7.1. This would effectively provide the Company with a total placement capacity of 25% (less that part of its placement capacity not available under ASX Listing Rule 7.1).

An "eligible entity" for the purposes of ASX Listing Rule 7.1A is an entity that (as at the date of the annual general meeting):

- is not included in the S&P / ASX 300 Index; and
- has a market capitalisation of \$300 million or less.

As at the date of the Notice of Meeting, the Company is an "eligible entity" for the purposes of ASX Listing Rule 7.1A.

Any equity securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of equity securities of the Company. The Company, as at the date of this Notice of Meeting has on issue one class of equity securities, namely fully paid ordinary shares (ASX Code: ADR).

The Company is seeking Shareholder approval by this special resolution to have the ability to issue equity securities under the 10% Placement Facility. The exact number of equity securities that could be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 and described below.

ASX Listing Rule 7.1A.2 provides that eligible entities that have obtained Shareholder approval at an annual general meeting under ASX Listing Rule 7.1A may issue, or agree to issue, during the 12-month period after the date of the annual general meeting, a number of equity securities calculated in accordance with the following formula:

$$(A \times D) - E$$

**A =** The number of fully paid shares on issue 12 months before the date of issue or agreement to issue:

- plus the number of fully paid shares issued in the 12 months under an exception in ASX Listing Rule 7.2;
- plus the number of partly paid shares that became fully paid in the 12 months;
- plus the number of fully paid shares issued in the 12 months with approval of shareholders under ASX Listing Rules 7.1 or 7.4; and
- less the number of fully paid shares cancelled in the 12 months.

**D =** 10%.

**E =** The number of equity securities issued or agreed to be issued under ASX Listing Rule 7.1A.2 in the 12 months before the date of issue or agreement to issue, that are not issued with the approval of shareholders under ASX Listing Rules 7.1 or 7.4.

#### ***Specific disclosures required by ASX Listing Rule 7.3A***

Pursuant to and in accordance with ASX Listing Rule 7.3A, the below information is provided in relation to the approval of the 10% Placement Facility:

##### ***a. Issue Price***

In accordance with the ASX Listing Rule 7.1A.3, the equity securities (if any) will be issued at an issue price of not less than 75% of the volume weighted average price of the Company's equity securities in that class over the 15 trading days on which trades in that class were recorded immediately before:

- i. the date on which the price at which the securities are to be issued is agreed; or
- ii. if the securities are not issued within 5 trading days of the date mentioned in paragraph (i) above, the date on which the securities are issued.

##### ***b. Risk of Economic and Voting Dilution***

If Resolution 7 is approved by Shareholders and the Company issues shares under the 10% Placement Facility, the existing Shareholders' voting power in the Company will be diluted.

Shareholders should be aware that there is a risk that:

- the market price for the Company's equity securities in that class may be significantly lower on the date of the issue of the equity securities than on the date of the approval under Listing Rule 7.1A (being the date of the Annual General Meeting); and

- the equity securities may be issued at a price that is at a discount to the market price for the Company's equity securities on the issue date or the equity securities are issued as part of consideration for the acquisition of a new asset, which may have an effect on the amount of funds raised by the issue of the equity securities.

The table below is included for illustrative purposes only and shows the dilution of existing Shareholders on the basis of the current market price of shares as at 11 October 2018 and the current number of ordinary securities for variable "A" calculated in accordance with the formula in ASX Listing Rule 7.1A.2 as at the date of this Notice of Meeting. The table also shows the voting dilution impact where the number of shares on issue (variable A in the formula) changes and the economic dilution where there are changes in the issue price of shares issued under the 10% Placement Capacity.

| Number of Shares on issue*     | Number of Shares that may be issued under 10% Placement Facility | Dilution                                                                              |                                                            |                                                                                       |
|--------------------------------|------------------------------------------------------------------|---------------------------------------------------------------------------------------|------------------------------------------------------------|---------------------------------------------------------------------------------------|
|                                |                                                                  | Funds raised based on issue price of \$0.040 (50% decrease in issue price of \$0.079) | Funds raised based on issue price of \$0.079 (issue price) | Funds raised based on issue price of \$0.119 (50% increase in issue price of \$0.079) |
| 174,273,932                    | 17,427,393                                                       | \$697,096                                                                             | \$1, 376,764                                               | \$2,073,860                                                                           |
| 261,410,898<br>(50% increase)  | 26,141,089                                                       | \$1,045,644                                                                           | \$2,065,146                                                | \$3,110,790                                                                           |
| 348,547,864<br>(100% increase) | 34,854,786                                                       | \$1,394,191                                                                           | \$2,753,528                                                | \$4,147,720                                                                           |

\* The number of shares on issue (variable "A" in the formula) could increase as a result of the issue of shares that do not require Shareholder approval under ASX Listing Rule 7.1 or that are issued with Shareholder approval under ASX Listing Rule 7.1.

Table 1 has been prepared on the following assumptions:

- the current shares on issue are the shares on issue as at the date of this Explanatory Memorandum;
- the current issue price set out above is the closing price of the shares on the ASX on 1 October 2018;
- the Company issues the maximum number of shares available under the 10% Placement Facility; and
- no options are exercised into shares before the date of the issue of the shares under the 10% Placement Facility.

#### *c. Issue date*

The Company will only issue equity securities under the 10% Placement Facility during the 10% Placement Period (as defined below).

Shareholder approval under ASX Listing Rule 7.1A is valid from the date of Shareholder approval until the earlier of:

- the date that is 12 months after the date of approval under ASX Listing Rule 7.1A, that is any time up to 20 November 2019; or
- the date the Company obtains Shareholder approval for a transaction under ASX Listing Rule 11.1.2 (significant change to nature or scale of activities) or ASX Listing Rule 11.2 (disposal of main undertaking),

("10% Placement Period").

*d. Purpose of Issue*

The Company may seek to issue the equity securities under the 10% Placement Facility for:

- cash consideration. The Company may use the funds raised (without limitation):
  - to advance initiatives in the commercialisation of the Company's technology in accordance with its business plan; or
  - for general working capital purposes.
- non-cash consideration. This may include (without limitation) an acquisition of new assets and other investments. If such circumstances arise, the Company will provide a valuation of the non-cash consideration as required by ASX Listing Rule 7.1A.3.

There are no current proposals to utilise the 10% Placement Facility. Should any specific proposals be approved by the Board, the Company will announce same to ASX as required by its continuous disclosure obligations.

*e. Allocation Policy*

The Company will comply with the disclosure obligations under ASX Listing Rules 7.1A.4 and 3.10.5A upon issue of any equity securities using the 10% Placement Facility. The Company's allocation policy will be dependent on the prevailing market conditions at the time of any proposed issue. The identity of the allottees of equity securities will be determined on a case-by-case basis having regard to a range of factors, including but not limited to, the following:

- the methods for raising funds that are available to the Company, including but not limited to, a rights issue and other fundraising structures in which existing security holders can participate;
- the effect of the issue of the shares on the control of the Company;
- the financial situation and solvency of the Company; and
- advice from corporate, financial and broking advisers (if applicable).

The allottees under the 10% Placement Facility have not been determined as at the date of this Notice of Meeting but may include existing substantial Shareholders and/or new Shareholders who are not related parties or associates of a related party of the Company.

*f. Previous Approval under ASX Listing Rule 7.1A*

The total number of equity securities issued in the 12 months preceding the date of this Meeting is set out in the below table:

| <b>Type of Equity Security</b> | <b>Number</b> | <b>% of Number on issue at start of 12-month period</b> |
|--------------------------------|---------------|---------------------------------------------------------|
| Ordinary shares                | 946,997       | 0.5%                                                    |
| Unlisted options               | Nil           | Not applicable                                          |

The following are the details of all issues of equity securities by the Company during the 12 months preceding the date of this Meeting:

| <b>Date</b>   | <b>Number of equity securities issued (ORD)</b> | <b>Shareholder</b> | <b>Purpose of issue</b>                       | <b>Date approved by Shareholders</b> | <b>Price issued including discount to market price</b> | <b>Issued for cash? Value of non cash consideration and current value of that consideration</b> |
|---------------|-------------------------------------------------|--------------------|-----------------------------------------------|--------------------------------------|--------------------------------------------------------|-------------------------------------------------------------------------------------------------|
| 29 March 2018 | 519,714                                         | Garth Sutherland   | Exercise of unlisted options issued 2011-2013 | Not applicable                       | \$0.075268 (51% discount to market price)              | \$39,117.83 cash                                                                                |
| 29 March 2018 | 2,850                                           | John Allen         | Exercise of unlisted options issued 2011      | Not applicable                       | \$0.075268 (51% discount to market price)              | \$214.51 cash                                                                                   |
| 29 March 2018 | 77,957                                          | Barbara Evans      | Exercise of unlisted options issued 2011      | Not applicable                       | \$0.075268 (51% discount to market price)              | \$5,867.67 cash                                                                                 |
| 29 March 2018 | 173,238                                         | David Evans        | Exercise of unlisted options issued 2011      | Not applicable                       | \$0.075268 (51% discount to market price)              | \$13,039.28 cash                                                                                |
| 29 March 2018 | 173,238                                         | Michael Gormack    | Exercise of unlisted options issued 2011      | Not applicable                       | \$0.075268 (51% discount to market price)              | \$13,039.28 cash                                                                                |

## **8. 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 year ended 30 June 2018.

Relevant written questions to PwC must be received by no later than 5:00pm (AEDT) on 13 November 2018. 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 13 November 2018.**

## Glossary

In this Explanatory Memorandum, and the Notice of Meeting:

**Annual General Meeting / AGM** means the annual general meeting of the Company to be held at 9:30am AEDT on 20 November 2018 pursuant to the Notice of Meeting.

**Annual Report** means the Directors' Report (including Remuneration Report), the Financial Report and the Auditor's Report in respect to the financial year ended 30 June 2018.

**ASX** means ASX Limited (ACN 008 624 691) and, where the context permits, the Australian Securities Exchange operated by the ASX.

**ASX Listing Rules** or **Listing Rules** means the Listing Rules of the ASX as amended from time to time.

**Board** means the board of directors of the Company.

**Company** means Adherium Limited.

**Constitution** means the constitution of the Company.

**Corporations Act** means the *Corporations Act 2001 (Cth)*.

**Director** means a director of the Company.

**Directors' Report** means the annual Directors' Report prepared under chapter 2M of the Corporations Act for the Company and its controlled entity.

**Employee Share Plans** means the Company's existing New Zealand Executive Share Plan for New Zealand residents and the Australian Executive Share Plan for non-New Zealand residents.

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

**Key Management Personnel** or **KMP** means the key personnel as disclosed in the Remuneration Report.

**Meeting** means the Annual General Meeting of the Company the subject of this Notice of Meeting scheduled to occur on Tuesday 20 November 2018.

**Notice of Meeting** or **Notice** means this notice of Annual General Meeting.

**Proxy Form** means the proxy form accompanying this Notice of Meeting.

**Remuneration Report** means the remuneration report of the Company for the year ended 30 June 2018 as set out in the Company's Annual Report for the year ended 30 June 2018.

**Resolution** means the resolutions referred to in the Notice of Meeting.

**Shareholder** means a holder of a Share.

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

## Annexure A: Nomination of Auditor



10 October 2018

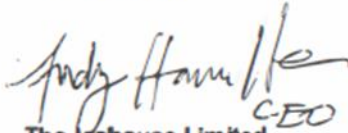
Mr Rob Turnbull  
Company Secretary  
Adherium Limited  
Collins Square, Tower 4  
Level 18, 727 Collins St  
Melbourne VIC 3000, Australia

**NOMINATION OF AUDITOR**

In accordance with the provisions of section 328B(1) of the *Corporations Act 2001 Cth*, The Icehouse Limited, being a shareholder of Adherium Limited ACN 605 352 510, hereby nominates PricewaterhouseCoopers of One International Towers, Watermans Quay, Barangaroo, NSW 2000, Australia for appointment as Auditor of Adherium Limited as and from the Annual General Meeting to be held on 20 November 2018 or any adjournment of that meeting.

Please distribute copies of this Notice of Nomination as required by section 328B(3) of the *Corporations Act 2001 (Cth)*.

Yours faithfully

  
CEO  
The Icehouse Limited



Adherium Limited  
ABN 24 605 352 510

## Lodge your vote:



**Online:**  
[www.investorvote.com.au](http://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](http://www.intermediaryonline.com)

**For all enquiries call:**  
(within Australia) 1300 850 505  
(outside Australia) +61 3 9415 4000

ADR

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

## Proxy Form

XX



### Vote and view the annual report online

- Go to [www.investorvote.com.au](http://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 9:30am (AEDT) on Sunday 18 November 2018**

### 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](http://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

XX

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 31, 1 O'Connell Street, Sydney, NSW 2000 on Tuesday 20 November 2018 at 9:30am (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 Resolutions 1 and 6 (except where I/we have indicated a different voting intention below) even though Resolutions 1 and 6 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 Resolutions 1 and 6 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                  |
|--------------|---------------------------------------------------|--------------------------|--------------------------|--------------------------|
| Resolution 1 | Adoption of Remuneration Report                   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 2 | Re-election of Mr Bruce McHarrie as a Director    | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 3 | Re-election of Professor John Mills as a Director | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 4 | Re-election of Mr Bryan Mogridge as a Director    | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 5 | Appointment of Auditor                            | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 6 | Approval of Employee Share Plans                  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 7 | Approval of additional 10% Placement Facility     | <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

ADR

999999A

Computershare +