PROSPECTUS ADHERIUM LIMITED

Initial Public Offering

ACN 605 352 510

FOR THE OFFER TO ISSUE UP TO 70 MILLION SHARES AT AN ISSUE PRICE OF $0.50 PER SHARE TO RAISE UP TO A$35 MILLION (WITH A MINIMUM RAISING OF A$20 MILLION)

IMPORTANT INFORMATION

THIS IS AN IMPORTANT DOCUMENT AND IT SHOULD BE READ IN ITS ENTIRETY. IF AFTER READING THIS PROSPECTUS, YOU DO NOT FULLY UNDERSTAND IT OR THE RIGHTS ATTACHING TO THE SHARES OFFERED BY IT, YOU SHOULD CONSULT AN ACCOUNTANT, SOLICITOR OR OTHER PROFESSIONAL ADVISER FOR ASSISTANCE. THE SHARES OFFERED BY THIS PROSPECTUS SHOULD BE CONSIDERED SPECULATIVE.

adherium

LEAD MANAGER

BELL POTTER

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IMPORTANT NOTICES

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01. IMPORTANT NOTICES

Offer

The Offer contained in this Prospectus is an invitation to acquire fully paid ordinary shares (**Shares**) in Adherium Limited (ACN 605 352 510) (**Adherium** or **Company**).

Lodgement and listing

This is a Replacement Prospectus dated 3 August 2015 and replaces a Prospectus dated 20 July 2015. A copy of this Replacement Prospectus was lodged with the Australian Securities and Investments Commission (**ASIC**) on that date. In this Replacement Prospectus additional material has been included (a) to have a reference in the Chairman's Letter to the risk factors in section 11; (b) to provide additional comment regarding the lack of relevance and non inclusion of the FY2013 financial statements and (c) to include endnotes in sections 5 and 6.

The Company will apply to ASX Limited (**ASX**) within seven days after the date of this Prospectus for admission of the Company to the official list of ASX and quotation of its Shares on ASX. None of ASIC, ASX or their officers take any responsibility for the content of this Prospectus or for the merits of the investment to which this Prospectus relates.

Note to Applicants

The information in this Prospectus is not financial product advice and does not take into account your investment objectives, financial situation or particular needs.

It is important that you read this Prospectus carefully and in its entirety before deciding whether to invest in the Company. In particular, you should consider the risk factors that could affect the performance of Adherium. You should carefully consider these risks in light of your personal circumstances (including financial and tax issues) and seek professional guidance from your stockbroker, solicitor, accountant or other independent professional adviser before deciding whether to invest in Shares.

Some of the key risk factors that should be considered by prospective investors are set out in section 11. There may be risk factors in addition to these that should be considered in light of your personal circumstances. You should also consider the assumptions underlying the financial information and the risk factors that could affect Adherium's business, financial condition and results of operations.

No person named in this Prospectus, nor any other person, guarantees the performance of Adherium or the repayment of capital or any return on investments made pursuant to this Prospectus.

No offering where offering would be illegal

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of the Shares in any jurisdiction outside Australia and New Zealand. The distribution of this Prospectus outside Australia and New Zealand may be restricted by law and persons who come into possession of this Prospectus outside Australia and New Zealand should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

This Prospectus has been prepared for publication in Australia and New Zealand and may not be released or distributed in the United States. This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The Shares and Existing Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United States, and may not be offered or sold in the United States, or to, or for the account or benefit of, a US Person, except in a transaction exempt from the registration requirements of the US Securities Act and applicable United States state securities laws. The Offer is not being extended to any investor outside Australia or New Zealand, other than to institutional investors as part of the Offer. This Prospectus does not constitute an offer or invitation to potential investors to whom it would not be lawful to make such an offer or invitation.

Important notice to New Zealand Investors

This Offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act and regulations made under the Corporations Act. In New Zealand, this is subpart 6 of Part 9 of the Financial Markets Conduct Act 2013 and Part 9 of the Financial Markets Conduct Regulations 2014.

This Offer and the contents of the Prospectus are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act and the regulations made under the Corporations Act set out how the offer must be made.

There are differences in how financial products are regulated under Australian law. For example, the disclosure of fees for managed investment schemes is different under the Australian regime.

The rights, remedies and compensation arrangements available to New Zealand investors in Australian financial products may differ from the rights, remedies and compensation arrangements for New Zealand financial products.

Both the Australian and New Zealand financial markets regulators have enforcement responsibilities in relation to this Offer. If you need to make a complaint about this Offer, please contact the Financial Markets Authority, New Zealand (http://www.fma.govt.nz). The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian financial products is not the same as for New Zealand financial products.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

The Offer may involve a currency exchange risk. The currency for the financial products is not New Zealand dollars. The value of the financial products will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.

If you expect the financial products to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

If the financial products are able to be traded on a financial products market and you wish to trade the financial products through that market, you will have to make arrangements for a participant in that market to sell the financial products on your behalf. If the financial products market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market,

and the information available to you about the financial products and trading may differ from financial products markets that operate in New Zealand.

Financial information presentation

Section 8 sets out in detail the financial information referred to in this Prospectus. The basis of preparation of that information is set out in section 8.

All financial amounts contained in this Prospectus are expressed in Australian dollars and rounded to the nearest $0.1 million unless otherwise stated. Any discrepancies between totals and sums of components in tables contained in this Prospectus are due to rounding.

This Prospectus contains forward looking statements which are identified by words such as "may", "could", "believes", "estimates", "expects", "intends" and other similar words that involve risks and uncertainties.

Any forward looking statements are subject to various risk factors that could cause Adherium's actual results to differ materially from the results expressed or anticipated in these statements. Forward looking statements should be read in conjunction with risk factors as set out in section 11 and other information in this Prospectus.

Disclaimer

No person is authorised to give any information or to make any representation in connection with the Offer described in this Prospectus which is not contained in this Prospectus. Any information not so contained may not be relied upon as having been authorised by the Company, or any other person in connection with the Offer. You should rely only on information in this Prospectus.

It is expected that the Shares will be quoted on ASX initially on a deferred settlement basis. Adherium, the Lead Manager and the Share Registry disclaim all liability, whether in negligence or otherwise, to persons who trade Shares before receiving their holding statement.

Exposure Period

The Corporations Act prohibits Adherium from processing Applications in the seven day period after the date of Prospectus Lodgement (**Exposure Period**). The Exposure Period may be extended by ASIC by up to a further seven days. The purpose of the Exposure Period is to enable the Prospectus to be examined by market participants prior to the raising of funds. Applications received during the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be conferred on any Applications received during the Exposure Period.

Obtaining a copy of this Prospectus

A paper copy of the Prospectus is available free of charge to any person in Australia and New Zealand by calling the Adherium Offer Information Line on 1300 392 068 (within Australia) or +61 3 9415 4035 (outside Australia) from 8.30am until 5.00pm AEST Monday to Friday during the Offer Period.

This Prospectus is also available to Australian and New Zealand resident investors in electronic form at the Offer website, www.adherium.com/investors. The Offer constituted by this Prospectus in electronic form is available only to Australian or New Zealand residents accessing the website from Australia or New Zealand. It is not available to persons in the United States. Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus.

Applications for Shares may only be made on the appropriate Application Form attached to, or accompanying, this Prospectus in its paper copy form, or in its electronic form which must be downloaded in its entirety from www.adherium.com/investors. By making an Application, you declare that you were given access to the Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to, or accompanied by, this Prospectus in its paper copy form or the complete and unaltered electronic version of this Prospectus.

Photographs and diagrams

Photographs used in this Prospectus which do not have descriptions are for illustration only and should not be interpreted to mean that any person endorses this Prospectus or that assets shown in them are owned by the Company. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in graphs, charts and tables is based on information available as at the date of this Prospectus.

Defined terms and abbreviations

Defined terms and abbreviations used in this Prospectus are explained in section 14. Unless otherwise stated or implied, references to times in this Prospectus are to AEST.

Privacy

By completing an Application Form, you are providing personal information to the Company, and the Share Registry, which is contracted by the Company to manage Applications. The Company, and the Share Registry on its behalf, collect, hold and use that personal information to process your Application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration.

Once you become a Shareholder, the Corporations Act and Australian taxation legislation require information about you (including your name, address and details of the Shares you hold) to be included in Adherium's public register. The information must continue to be included in Adherium's public register if you cease to be a Shareholder. If you do not provide all the information requested, your Application Form may not be able to be processed. The Company, and the Share Registry, may disclose your personal information for purposes related to your investment to their agents and service providers including those listed below or as otherwise authorised under the Privacy Act 1988 (Cth):

- the Share Registry for ongoing administration of the Shareholder register;
- the Lead Manager in order to assess your Application;
- printers and other companies for the purpose of preparation and distribution of documents and for handling mail;
- market research companies for the purpose of analysing the Company's shareholder base and for product development and planning; and
- legal and accounting firms, auditors, management consultants and other advisers for the purpose of administering, and advising on, the Shares and for associated actions.

You may request access to your personal information held by or on behalf of the Company. You can request access to your personal information or obtain further information about Adherium's privacy practices by contacting the Share Registry or Adherium. Adherium aims to ensure that the personal information it retains about you is accurate, complete and up-to-date. To assist with this, please contact Adherium or the Share Registry if any of the details you have provided change.

In accordance with the requirements of the Corporations Act, information on the Shareholder register will be accessible by members of the public.

Expiry Date

No applications for Shares will be accepted nor will any Shares be issued on the basis of this Prospectus later than 13 months after the date of the original Prospectus dated 20 July 2015.

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

KEY OFFER INFORMATION

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02. KEY OFFER INFORMATION

THE OFFER

Adherium Limited (ACN 605 352 510) is seeking to raise up to A$35 million by the issue of up to 70 million Shares at an Offer Price of 50 cents per Share.

Following the completion of the Offer the shareholding structure in Adherium will be as follows:

Category	Based on the Minimum Subscription of A$20 million	Based on the Maximum Subscription of A$35 million
Existing Shareholders (under the share swap agreement referred to in section 13.1)	70,000,000	70,000,000
Offer Price (A$)	50 cents	50 cents
New Shares offered under this Prospectus	40,000,000	70,000,000
Total number of Shares on completion of the Offer	110,000,000	140,000,000
Gross proceeds from the Offer	A$20,000,000	A$35,000,000
Indicative market capitalisation at the Offer Price	A$55,000,000	A$70,000,000

In addition please note Adherium will also immediately prior to Listing grant various options as detailed in sections 8 and 13.7.

INDICATIVE KEY DATES*

Prospectus lodged with ASIC	**20 July 2015**
Exposure Period	**20 July to 3 August 2015**
Opening Date	**4 August 2015**
Closing Date	**14 August 2015**
Expected Date for allocation of Adherium Shares	**19 August 2015**
Anticipated ASX Listing Date	**26 August 2015**

* The Directors reserve the right to vary the Offer dates and to extend the Issue or to close it at an earlier date. The above dates are indicative only.

MESSAGE FROM THE CHAIRMAN

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03. MESSAGE FROM THE CHAIRMAN

Dear Investor,

I have great pleasure in presenting this Prospectus and offering to you the opportunity to become a shareholder in Adherium Limited ACN 605 352 510 (**Adherium** or the **Company**).

This Prospectus offers Shares in the Company at $0.50 each to raise a minimum of A$20 million and a maximum of A$35 million. Bell Potter Securities Limited (**Bell Potter**) has been appointed as Lead Manager to this initial public offering (**IPO**).

Adherium will acquire, prior to listing on the ASX (**Listing**), 100% of the share capital of Adherium (NZ) Limited (formerly Nexus6 Limited). After Listing the Adherium Group will comprise Adherium Limited and its wholly owned, New Zealand incorporated, subsidiary Adherium (NZ) Limited.

Adherium (NZ) Limited was founded in 2001 as Nexus6 Limited when Garth Sutherland, an experienced engineer who has chronic asthma, set about finding a technology based solution that would enable him to manage his own asthma much more effectively.

Adherium is now a growing digital health company dedicated to developing technologies that address suboptimal medication use and remote patient management in chronic disease. It develops and manufactures solutions to monitor and increase patient adherence to prescribed therapies, with clinical evidence showing that the use of its Smartinhaler™ technology in asthma substantially increases adherence to preventative and maintenance medications and reduces severe exacerbations in adults and children.

Adherium's proprietary SmartinhalerLive™ platform uses wireless communications technology to provide real time data collection and reporting from the Company's proprietary Smartinhalers for prescription inhaled drug delivery devices. Our products have been used in over 40 projects (clinical, device validation or other) spanning 29 countries. At this time, 14 studies have resulted in clinical data that has been published in peer reviewed journal articles and in total there are 32 publications referencing Smartinhaler™ technology. Adherium currently has one of the largest ranges of "smart" devices for inhaled medications available globally.

The Adherium Group operates a business to business model and aims to sell the majority of its devices to large multi-national pharmaceutical companies, who in turn provide them to patients via their own distribution capabilities and clinical networks. Adherium enables these companies to improve patient health outcomes and health system efficiencies as well as allowing them to optimise the commercial performance of their drugs. This strategy enables Adherium to leverage the significant sales and distribution capabilities of its pharmaceutical customers, enabling it to grow rapidly while remaining lean, agile and cost effective.

AstraZeneca is an existing key commercial client of Adherium and has committed to invest US$3 million in the IPO of the Company under this Prospectus. This investment is one component of an ongoing relationship between the two companies. The companies have recently executed a long-term commercial product development and supply agreement, a summary of which can be found in the material contracts section of this Prospectus.

Including the commitment for AstraZeneca, the Company's Lead Manager has received other commitments to take up shares from its wholesale clients for a balance of funds up to $25.85 million.

The Company will use the proceeds from this IPO to supply commercial quantities of Smartinhalers to its key customers, as well as to support the expansion of international sales and marketing activities. In addition the Company will build its research and development capabilities enabling it to remain at the forefront of innovation in digital health technologies which support the management of chronic disease.

The main risk factors associated with an investment pursuant to this Prospectus are highlighted in section 11.

On behalf of the Directors, I recommend this Offer to you and look forward to your support and participation as a Shareholder.

Yours faithfully

Dr Doug Wilson
Non-Executive Chairman

INVESTMENT OVERVIEW

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04. INVESTMENT OVERVIEW

Topic	Details	Where to find more information
A. Introduction		
Who is Adherium?	Adherium develops, manufactures and supplies digital health technologies that address suboptimal medicine use in chronic disease. The Company's first product range is the Smartinhaler™ platform, comprising a range of approved medical devices (Smartinhalers) that attach to prescription inhalers to monitor inhaler actuation and provide audio and visual medication reminders, and the SmartinhalerLive™ software, which integrates the data from the Smartinhalers into a usable form via communications protocols, mobile applications and cloud based software. Adherium's objective is to sell the Smartinhaler™ platform directly to pharmaceutical companies, who then provide the device and supporting applications to end users via their own distribution channels and clinical networks. Additional target markets include disease management organisations and organisations conducting clinical trials.	Section 6
What is suboptimal medication adherence and why is it a problem?	Suboptimal medication adherence occurs when patients do not take the correct amount of their prescribed medication. For example, in Australia, it is estimated that only 43% of asthmatics take their medication as prescribed all of the time, and only 11% use prescribed preventative medication on a daily basis. Suboptimal medication adherence can lead to: • compromised treatment effectiveness; • diminished quality of life for patients; • health economics challenges; and • unrealised drug sales. In the US, the cost of suboptimal medicine use is estimated at approximately US$213 billion annually, or 8% of annual healthcare expenditure. Globally it is estimated to cost over US$500 billion per annum. These costs and associated expenditure could be reduced if patients were to take their medications as prescribed. This represents a substantial driver for the adoption of technologies (such as Adherium's Smartinhaler™) that improve both adherence and patient health outcomes. In addition, under current regimes, physicians are dependent upon patient feedback to ascertain medication use and adherence to treatment regimes, which may be inaccurate and subjective. Access to accurate and objective data on medication use supports both physicians, as they can identify non-adherence and make better informed decisions regarding optimal treatment; and patients who are able to better self-manage adherence using real time feedback.	Section 5

Topic	Details	Where to find more information
What are Adherium's key products?	Adherium's range of smart devices for inhaled respiratory medications is called Smartinhaler™. Smartinhalers are registered medical devices that clip onto a wide range of prescription inhalers used in the treatment of diseases such as asthma and COPD. These devices are easy to use and (depending on feature set) are able to: • record date and time of inhaler use, independent of patient actions; • transmit audio and visual reminders when the patient has missed a critical dose of a prescribed drug; • transmit that data to a mobile device, where the patient can view it in an application, and onto the Adherium cloud based servers, where it can be accessed by the patient's medical provider or physician via a proprietary web portal; and • provide warnings when patient usage data indicates the patient's disease may be mismanaged. Adherium's integrated Smartinhaler™ platform comprising device, and smartphone, tablet or computer based patient application and web portal, allows both patients and their clinicians to monitor adherence and, combined with the device's audio and visual reminders, has been clinically proven to improve adherence to preventative/maintenance medications by 59% in adults and 180% in children, as well as reducing severe exacerbations by 60% in adults. Independent validation studies have affirmed that Adherium devices consistently demonstrate 97-100% accuracy recording device actuations.	Section 6
Who are the Company's customers?	Adherium is a business to business company focused on supplying its Smartinhaler™ platform to three key target markets: • **Commercial Distribution (supplied with prescribed medications)** – Adherium's primary target market is pharmaceutical companies. By selling directly to the pharmaceutical sector Adherium is able to leverage the distribution capabilities of its customers, who then provide the devices to end-users via their own distribution channels and clinical networks. • **Managed Health Programs/Organisations** – Adherium recognises the value that its platform can add to disease management organisations, insurance companies and physician and patient-led programs by providing accurate and objective data on patient behaviour, and in improving clinical outcomes, both of which support the objectives of these types of companies. • **Clinical Trials** – Adherium aims to work with both commercial and research organisations undertaking clinical trials, which are seeking best practice electronic data capture technology to inform their trials.	Section 6

04. INVESTMENT OVERVIEW

Topic	Details	Where to find more information
Who are the Company's customers? (continued)	Adherium has worked with a number of large, international healthcare companies, including three multinational pharmaceutical companies and three global medical device companies. In addition, the Company has worked with a number of leading research institutes, including, but not limited to: • Redland Hospital (Australia) • University of Otago (New Zealand) • Medical Research Institute of New Zealand (New Zealand) • Woolcock Institute of Medical Research (Australia) • University of Newcastle and Hunter Medical Research Institute (Australia) • University of Western Australia (Australia) • Princess Amalia Children's Clinic, Isala Kliniken, Zwolle (The Netherlands) • Australian National University (Australia) • University of Auckland (New Zealand)	
How does the Company generate revenue?	Adherium currently generates most of its revenue via sales of Smartinhaler™ devices to large pharmaceutical companies and sales to organisations that are conducting clinical trials and companies that conduct disease management programs. It is expected that Smartinhaler™ device sales will be the cornerstone of the Company's revenues in the short to medium term. Moving forward, the Company plans to focus on identifying and exploiting opportunities for monetisation of the software and data components of the platform and also to seek product development funding contributions for key products from commercial customers where appropriate.	Section 6

Topic	Details	Where to find more information
What clinical outcomes have been achieved by the use of Smartinhaler™ products?	The Smartinhaler™ platform has been used in 40 projects (clinical, device validation or other) spanning 29 countries. At this time, 14 studies have resulted in clinical data that has been published in peer reviewed journal articles, and in total there are 32 publications referencing Smartinhaler™ technology. Importantly, the Smartinhaler™ platform has also been referenced in a number of clinical outcome studies. These include, but are not limited to: (a) Results of a study undertaken by Chan et al were published in the Lancet Respiratory Medicine Journal in January 2015. Spanning 220 patients over four years, this study found that: • adherence to preventative medication increased by 180% in children who received the audio-visual reminders via their Smartinhaler™; • use of rescue or reliever medication was reduced by 45%; and • parental-reported exacerbations occurred in 7% of children in the Smartinhaler™ group at the two month mark as compared to 26% in the control group. (b) Foster et al undertook a study using Smartinhaler™ in adults, which demonstrated: • increase in adherence to preventative medication by 59%; and • reduction in severe exacerbations by 60%.	Section 6
What is the Company's competitive position?	Currently Adherium is aware of three direct competitors with similar products in the chronic respiratory monitoring device market. These are Propeller Health, Gecko Health Innovations Inc and Cohero Health. All three are privately owned US companies, which are in various stages of product development and launch. Cohero Health, as far as the Company is aware, has not yet achieved an FDA 510(k) clearance for its medication monitoring devices. It has images of prototype devices available on its website and an FDA 510(k) cleared connected Spirometer. Propeller Health has two devices, one for pressurised metered dose inhalers (pMDIs) that has an FDA 510(k) clearance; and a solution for Boehringer Ingelheim's Respimat product. Propeller Health also has an associated smartphone app and software service. Gecko Health Innovations Inc also has a pMDI product, CareTRx; however as far as the Company can ascertain, this does not appear to be as advanced in its commercialisation path as Propeller Health. Propeller Health has received three FDA 510(k) clearances for its pMDI product. To the Company's knowledge, Gecko Health Innovations Inc has not applied for an FDA 510(k) clearance, instead it has opted to classify its product as a Class 1 FDA 510(k)-exempt device and neither company has a range of products that are applicable to a broad range of drugs and drug delivery devices.	Section 6

04. INVESTMENT OVERVIEW

Topic	Details	Where to find more information
What is the Company's competitive position? (continued)	Importantly, at the time of publication of this Prospectus, Adherium is unaware of any comparable independent clinical data published in peer reviewed journals using any competitor products. In comparison, Adherium products have been used in 40 projects (clinical, device validation or other) to date and peer reviewed clinical publications have been generated from 14 studies.	
What is the Company's strategy?	Adherium's primary target market is the global pharmaceutical companies that have leading products in chronic respiratory disease. These global pharmaceutical companies ship tens of millions of simple inhalers per year, allowing Adherium to leverage its customers' large global distribution capabilities while maintaining a lean and cost-effective operation. Pharmaceutical companies are subject to a number of market drivers that Adherium anticipates will make the Smartinhaler™ technology attractive: • improved clinical outcomes and reduced hospitalisations demonstrate benefits to patients and contribute to lower healthcare costs; • improving patient adherence to treatment regimes increases sales of medications; and • the respiratory market is highly competitive, and the addition of Smartinhaler™ to pharmaceutical company products may give them a competitive advantage in both optimised performance (commercial and clinical) and product differentiation, especially in the face of generic competition. Adherium intends to build out its capability in three key areas: • **Commercial development.** Adherium is focused on supplying its Smartinhaler™ platform to global pharmaceutical and medical device companies for commercial roll-out, managed health organisations running disease management programs and organisations that are undertaking clinical trials. The Company intends to build out its international sales and marketing expertise to enable it to attract and service a greater number of customers. • **Product development.** The Company plans to expand its R&D and product development capabilities to support the development of new devices and technologies. Adherium will also undertake ongoing cost-down engineering of devices in volume production to maintain, and potentially increase, gross margins. • **New applications and revenue opportunities.** Adherium intends to undertake market research, analysis and technical research and development to exploit new opportunities for its technology. This may be either via new hardware solutions for disease indications beyond respiratory disease and alternative drug delivery modalities, and/or via exploring new avenues by which the Company can monetise the software, services and data elements of its platform.	Section 6

Topic	Details	Where to find more information
B. Investment Highlights		
Suboptimal medication use is a global problem and represents a significant opportunity	The impact of suboptimal medication adherence is rising as the burden of chronic disease grows. The World Health Organization (**WHO**) estimates that medication adherence in patients suffering chronic disease in developed countries across the world, is only 50%. In Australia, Reid et al found that only 43% of asthmatics take their medication as prescribed all of the time, and only 11% use prescribed preventative medication on a daily basis. In the US it is estimated that poor medication adherence for asthma and COPD is common, with only approximately 50-55% patients taking their medication as prescribed. Such poor adherence is associated with significant morbidity and healthcare costs, creating a burden on patients, taxpayers and governments. As governments globally focus on healthcare affordability, the issue of avoidable healthcare expenditure will become increasingly important. With its proven technology, Adherium is well placed to capitalise on this growing market need.	Section 5
Respiratory market opportunity	Adherium will initially target customers that are active in the treatment of chronic respiratory disease, primarily asthma and COPD. A useful measure of current adherence rates in these diseases is the adherence to prescribed regimes in the US currently estimated at 55% for asthma and 51% for COPD. In 2014, global sales revenues of US$22 billion were directly attributable to asthma and a further US$14.4 billion attributable to COPD. Assuming the application of adherence devices resulted in an increase in adherence in the use of asthma and COPD medications of 10%, this would equate to US$3.4 billion in additional revenues globally for the international pharmaceutical companies that manufacture these medications. As an alternative measure, in the US in 2011-2012 over 140 million scripts were dispensed for asthma medications. The top ten asthma drugs accounted for 128 million of those scripts. In 2014, the global revenues for COPD were equivalent to 74% of asthma revenues. Assuming a strong correlation between revenues and number of scripts, we estimate that the number of scripts dispensed for both asthma and COPD in the US alone to be over 240 million per annum. In this case, a 10% increase in scripts dispensed driven by increased adherence would result in 24 million additional scripts in the US market each year. These statistics illustrate the scale of the market opportunity for a technology that has demonstrable abilities to improve adherence and deliver better clinical outcomes, while also potentially optimising the commercial performance of those global pharmaceutical companies that adopt the Smartinhaler™.	Section 6

04. INVESTMENT OVERVIEW

Topic	Details	Where to find more information
Respiratory market opportunity (continued)	By partnering with large pharmaceutical companies and providing devices tailored to each pharmaceutical company's proprietary drug delivery devices, Adherium products are designed to address these issues. With clinical results to date demonstrating that Adherium products increase adherence by 180% in children and 59% in adults, the Smartinhaler™ platform has the potential to optimise both the commercial and clinical performance of asthma and COPD medications.	
Key Commercial Customer Relationship	AstraZeneca is an existing key commercial client of Adherium and has committed to invest US$3 million in the IPO of the Company under this Prospectus. This investment is one component of an ongoing relationship between the two companies. The companies have recently executed a long-term commercial product development and supply agreement, a summary of which can be found in section 13.6 of this Prospectus.	Section 6
Accelerate commercial roll-out	In the financial year ended 31 March 2015, Adherium earned revenues of approximately NZ$3 million from the supply of Smartinhaler™ devices to pharmaceutical and other customers. The proceeds from the Offer are expected to accelerate the international commercialisation of Adherium's Smartinhaler™ platform. Funds raised will be used to build out the Company's capabilities and accelerate growth across product development, sales and marketing, manufacturing management and clinical operations; and provide additional working capital as international sales and volumes increase.	Section 6
Experienced management team	The executive team is led by Adherium Founder, Group Chief Executive Officer, Garth Sutherland. **Garth Sutherland** *Group Chief Executive Officer* Adherium Founder. 20 year track record in technology development and commercialisation. **Rob Turnbull** *Chief Financial Officer* 20 years' experience financial operations, former CFO ASX-listed biotechnology company. **Bronwyn Le Grice** *Head of Commercial Development and Corporate Affairs, Company Secretary* 15 year track record spanning marketing, business and corporate development, commercialisation and venture capital. **Nigel Devine** *Consultant – Head of Manufacturing* 35 years' manufacturing and engineering experience across the UK, US, NZ and Asia.	Section 7

Topic	Details	Where to find more information
Experienced management team (continued)	**Maggie Scott** *Head of Clinical Operations* 25 years in life sciences senior management overseeing clinical trials. Former manager of full service CRO. **Chris Mander** *Head of Regulatory Affairs* 20 year track record in medical device manufacturing focused on quality and regulatory affairs.	
C. Key Financial Information		
What is the key financial information of the Company?	The summarised pro forma financial position of Adherium after the Offer, assuming a maximum subscription, is set out below:	Section 8

	Pro Forma (A$000)
Current assets	
Cash and cash equivalents	35,482
Trade and other receivables	346
Inventories	969
Total current assets	36,797
Non-current assets	
Property, plant and equipment	166
Intangible assets	190
Total non-current assets	356
Total assets	**37,153**
Current liabilities	
Trade and other payables	(1,329)
Income received in advance	(1,296)
Total current liabilities	**(2,625)**
Net assets	**34,528**
Equity	
Share capital	67,229
Retained earnings	(692)
Merger reserve	(32,009)
Total equity	**34,528**

04. INVESTMENT OVERVIEW

Topic	Details	Where to find more information
D. Key Risks		
Speculative nature of investment	The Shares to be issued pursuant to the Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares. Adherium currently has some revenues that it intends to reinvest into the development of new products and the execution of its international expansion plans. The success of Adherium is largely dependent on the Company's ability to continue to innovate and to secure large commercial orders from the international pharmaceutical industry. An investment in Adherium Shares should therefore be considered speculative.	Section 11
Future revenues	Up to 31 March 2015, Adherium (NZ) Limited had incurred losses in aggregate of approximately NZ$6 million. While the Company has in the past entered into various supply contracts for its products, those contracts generally have been for a limited run or order (for example related to a particular clinical trial) and do NOT guarantee the Company will receive further product orders. Further the Company has not as yet achieved significant commercial market penetration for its products. For this reason, the Board does NOT envisage in the immediate future that the Company will generate sufficient revenue to be profitable or be in a position to declare any dividends. The financial prospects of the Company are dependent on a number of factors, including without limitation successfully completing further product development (including in proposed new application areas), gaining regulatory approval, the degree of market acceptance or take-up of its products and the amount of competition encountered from competitive or alternative products developed by third parties. There is no guarantee that the Company's development work will result in commercial sales or that the Company will achieve material market penetration. In light of these factors and having regard to ASIC Regulatory Guide 170, the Directors consider at this stage the Company is unable to provide potential investors with reliable revenue, profit or cash flow projections or forecasts. An investment in medical devices is a long-term investment, with long development time frames and NO dividends should be expected in the short term.	Section 11
Sales execution risk	The Company intends to expand its Smartinhaler™ product range to ensure it can attract the broadest range of customers possible. However the Company's growth is dependent upon successfully securing substantial commercial orders from multinational pharmaceutical companies. Such orders and supply agreements can take long periods of time to negotiate and as such the Expenditure Program as outlined in this Prospectus may not result in the level of revenue expected by the Company. If the Company fails to secure such orders, the Company's business, value of its technology and resulting value of its Shares may be materially harmed.	Section 11

Topic	Details	Where to find more information
Intellectual property risks	There is no guarantee that the Company's intellectual property comprises all of the rights that the Company may require to freely commercialise its product candidates. The Company's existing intellectual property includes its copyright in source code used in its digital health technologies, its know-how in the development of digital health products and data arising from the use of its digital health products (such as the Smartinhaler™). The Company has also lodged various patent applications (as detailed in section 10) relating to various components of its current Smartinhaler™ technology platform. Those applications have mostly not been granted, and are in the process of examination. It is important to note that patent applications are commonly drafted with a very broad ambit scope of claims – as different claim scopes are often allowed in different jurisdictions. This approach is important initially so as not to unduly limit the potential coverage of the relevant patent application. An initial rejection by a patent examiner of such broad ambit claims is also commonly received (for example in the US more than 85% of patent applications have an initial rejection) and then the applicant in conjunction with discussions with the patent examiner narrows the claims for that particular jurisdiction to achieve allowance of the more narrow claims and subsequent patent grant. As outlined in section 10, to date Adherium has, in respect of some of its patent applications, received objections from the relevant examiner based on prior references. Adherium has provided or will provide responses to those objections and is able to propose a narrower basis of claim. However no assurance is given that the Company's patent applications will all result in granted patents. Even though some of the Company's patent applications have already been successful (resulting in granted patents), investors should note that a competitor may at any time challenge granted patents and a court may find that the granted patent is invalid, unenforceable or revoked. Furthermore, competition in retaining and sustaining protection of technology and the complex nature of technologies can lead to patent disputes. The Company's success depends, in part, on its ability to obtain patents, design rights and trade marks; maintain trade secret protection and operate without infringing the proprietary rights of third parties.	Section 11

04. INVESTMENT OVERVIEW

Topic	Details	Where to find more information
Competition risk	The medical device industry and the emerging field of digital health feature intense competition. Many of Adherium's potential competitors in the pharmaceutical sector are significantly larger and better resourced. In section 10, there is an overview of the competitive field relevant to Adherium's current Smartinhaler™ product range. Adherium's external patent attorney in his report has identified three granted patent families that represent a moderate degree of risk to current Adherium products. No patent infringement claims have been asserted against Adherium despite six years of product sales. The effect of any of these patent families being asserted would likely be to require Adherium to enter into a license agreement, or to modify certain products for certain markets. Two of the patent families are relatively old and towards the end of their terms. Other third parties which are not currently marketing competing products and are therefore not included in the list of direct competitors but which have filed patent applications, or obtained patents, in the asthma medication adherence monitoring field may proceed to manufacture and market their products. Apart from competitor risk in existing products or existing patents, there also exists the risk that one or more of the competitive products currently in existence or developed in the future may prove more cost effective, efficacious, or more desirable to large commercial partners than the Adherium product range, resulting in lower market penetration and lower sales for the Company's products.	Section 11
Key personnel risk	Adherium currently employs, or engages as employees and consultants, a number of the key members of its management and engineering team. The loss of any of these people's services could materially and adversely affect the Company and may impede the achievement of its research, product development and commercialisation objectives. The successful development of the Company will require the services of additional staff. There can be no assurance that the Company will be able to attract appropriate additional staff and this may adversely affect the Company's prospects for success.	Section 11
Risk of future funding requirements	Adherium has limited financial resources and, depending on the level of sales revenue achieved, may need to raise additional funds from time to time. In certain circumstances, the Company's ability to successfully operate may be subject to its ability to raise funds that will be subject to factors beyond the control of the Company and its Directors (including without limitation cyclical factors affecting the economy and financial and share markets generally).	Section 11

Topic	Details	Where to find more information
Medical device R&D risks	Medical device research and product development involve scientific and technical uncertainty and long lead times. There is no certainty as to whether any particular event or project will occur within a set period or by a certain date. Inherent risks in medical device R&D include: • uncertainty of the outcome of research results using the Company's products; • difficulties and/or delays in product development programs; • uncertainty around whether a product can be developed and produced at an acceptable cost; and • general uncertainty related to the development of an innovative medical device.	Section 11
Regulatory requirements	Medical device products are regulated by government agencies and must be approved prior to commercial sales. Complex government health regulations increase uncertainty and are subject to change at any time. As such, the risk exists that the Company's new products may not satisfy the stringent requirements for approval and/or the approval process may take longer than expected. Delays may be experienced in obtaining necessary approvals for new devices or in new territories for existing devices, and/or the regulatory agencies may require additional information or clinical evidence and these may add to the development cost and delays in the medical devices entering the marketplace or being able to be sold in commercial volumes. This may adversely affect the Company's competitive position and the financial value of the medical devices to the Company.	Section 11
Expenditure Program	Adherium has not entered into contracts for a number of the material items covered by the Expenditure Program, nor does it have binding quotations in relation to such items. Rather the Directors have determined that following the successful close of the Offer, Adherium will be well positioned to negotiate the exact terms for such contracts. It is possible that actual expenditure may be more than what is estimated by the Company in its anticipated Expenditure Program. This could, depending on the difference in actual costs, require the Company to seek additional funding. If adequate funds are not available, the Company's business operations could be negatively affected and the advance of the Company's commercialisation efforts hampered. The Directors and management have relevant industry experience and have prepared the anticipated Expenditure Program based partly on discussions with or indicative quotes obtained from potential suppliers of those services and their own experience of the likely costs for those expenditure items. While the Directors are confident Adherium will be able to source suitable suppliers, there is a risk that Adherium may not be able to source those suppliers at the estimated expenditure in the Expenditure Program.	Section 11

04. INVESTMENT OVERVIEW

Topic	Details	Where to find more information
Manufacturing risk	For volume production of the Company's products, the Company engages third party contract manufacturers (which are ISO 13485 accredited or equivalent). If a third party contract manufacturer is unable to deliver the ordered product or is terminated for any reason (for example, production problems), the Company would undertake some volume manufacturing in-house and source alternative volume manufacturers.	Section 11
Foreign currency risk	Revenue and expenditures will predominately be received or incurred in overseas jurisdictions and will be subject to the risk of fluctuations in foreign exchange markets. Accordingly, payment or receipts will be made in those foreign countries' currencies and may exceed the budgeted expenditure if there are adverse currency fluctuations against the Australian dollar. The Company has no plans at this stage to hedge its foreign currency payments.	Section 11
Product liability	The Company's business exposes it to potential product liability risks that are inherent in the development, testing, manufacturing, marketing and supply of medical devices. The Company has sought and received relevant insurance advice as relates to product and technical liability and plans to implement those policies immediately following this Offer.	Section 11
E. Summary of the Offer		
Who is the issuer of this Prospectus?	Adherium Limited ACN 605 352 510	Section 2
What is the Offer?	The Offer is an initial public offering at an Offer Price of 50 cents per Share with a minimum subscription of 40,000,000 Shares to raise A$20 million and with a maximum subscription of 70,000,000 Shares to raise A$35 million.	Section 2
Will there be a minimum capital raising under the Offer?	Yes, there will be a minimum subscription of $20 million under the Offer. If this minimum amount is not raised within four months from the date of this Prospectus, all Application money will be refunded in full (without interest).	Section 6.9
What is the purpose of the Offer?	The primary purpose of the Offer is to raise funds to: • support the Company's Expenditure Program; • achieve listing on the ASX, to broaden the shareholder base and provide a market for the Shares; • pay the expenses of the Offer; and • provide working capital.	Section 6

<table>
<tr><th>Topic</th><th>Details</th><th>Where to find more information</th></tr>
<tr><td>How will the proceeds of the capital raising be used?</td><td>It is intended that the funds raised under this Offer will be used to advance commercialisation of the current Adherium Smartinhaler™ range and fund the development of new products and services over a 24 month period – as summarised in the table below:

<table>
<tr><th rowspan="2">Use of Funds* (A$000s)</th><th colspan="3">Total subscription</th></tr>
<tr><th>Minimum $20m</th><th>Target $30m</th><th>Maximum $35m</th></tr>
<tr><td>Research and New Product Development</td><td>5,606</td><td>11,271</td><td>11,772</td></tr>
<tr><td>Manufacturing</td><td>1,789</td><td>2,238</td><td>2,238</td></tr>
<tr><td>Commercial Development (inc Sales, Marketing and Clinical Operations)</td><td>3,832</td><td>6,160</td><td>6,402</td></tr>
<tr><td>Working Capital (for General and Administration)</td><td>4,680</td><td>5,298</td><td>9,275</td></tr>
<tr><td>Total Operating Expenditure</td><td>15,907</td><td>24,967</td><td>29,687</td></tr>
<tr><td>Capital Expenditure</td><td>2,066</td><td>3,001</td><td>3,014</td></tr>
<tr><td>Expenses of the Offer</td><td>1,330</td><td>1,930</td><td>2,230</td></tr>
<tr><td>TOTAL</td><td>19,303</td><td>29,898</td><td>34,931</td></tr>
</table>
* Note: This anticipated expenditure program may vary from the actual expenditure, reflecting the outcomes of commercial activities as the Company develops.</td><td>Section 6.9</td></tr>
<tr><td>Does the Company have sufficient working capital?</td><td>On raising the minimum subscription, the Company will have sufficient working capital to meet its stated objectives (as detailed in this Prospectus).</td><td></td></tr>
<tr><td>Is the Offer underwritten?</td><td>The Offer is not underwritten.</td><td></td></tr>
<tr><td>What is the allocation policy?</td><td>The Lead Manager Bell Potter Securities Limited, in consultation with Adherium, will determine the allocation of Shares in the Offer.</td><td></td></tr>
<tr><td>Will the Shares be listed?</td><td>Not later than seven days after the date of this Prospectus, application will be made to the ASX for Adherium to be admitted to the Official List of the ASX and for the Official Quotation of the Shares. The fact that the ASX may admit Adherium to its Official List is not to be taken in any way as an indication of the value or merits of Adherium or of the Shares offered under this Prospectus.

Official Quotation, if granted, will commence as soon as practicable after the issue of transaction holding statements to successful Applicants. If permission for quotation of the Shares is not granted within four months after the date of this Prospectus, all Application money will be refunded without interest.</td><td></td></tr>
</table>

04. INVESTMENT OVERVIEW

Topic	Details	Where to find more information
What is the Company's dividend policy?	The Directors envisage that revenues generated in the short to medium term will be reinvested into the growth of the Company and do not envisage that the Company will be in a position to declare any dividends in the foreseeable future. The financial prospects of the Company are dependent on a number of factors, including (without limitation) successful negotiation of international supply agreements with at least one major international pharmaceutical company, completion of its product development programs, regulatory approvals and clearances and market penetration of its lead products. There is no guarantee that the Company's efforts will successfully deliver global commercial agreements with large pharmaceutical companies, achieve its internal sales targets or that future product development initiatives or regulatory approvals will be successful. In the light of these factors and having regard to ASIC Regulatory Guide 170, the Directors consider at this stage the Company is unable to provide potential investors with reliable revenue, profit or cash flow projections or forecasts. An investment in innovative medical devices is a long-term investment, with long development time frames and NO dividends should be expected in the short term.	Section 11
F. Adherium's Directors		
Who are the Directors of Adherium?	Dr John Douglas (Doug) Wilson, Non-Executive Chairman Mr Garth Sutherland, Group Chief Executive Officer Mr Jeremy Curnock Cook, Non-Executive Director Professor John Mills, Independent Non-Executive Director Mr Bryan Mogridge, Independent Non-Executive Director Mr Bruce McHarrie, Independent Non-Executive Director	Section 7.2
What are the interests of the Directors or related parties in Adherium?	As at the date of this Prospectus, and after the completion of the Offer, the interests of the Directors of Adherium (both direct and indirect) in Adherium Securities are outlined in section 13.7.	Section 13.7

Topic	Details	Where to find more information

G. Existing Shareholders

The Existing Shareholders' interests in Adherium on completion of the Offer

Interests of Existing Shareholders (assuming conversion of the Adherium (NZ) Limited convertible notes and completion under the Share Swap Agreement, and subject to notes outlined below) are as follows:

Shareholders	Existing Shares	A$20m Post-IPO %	A$35m Post-IPO %
One Funds Management Limited as trustee for the Asia Pacific Healthcare Fund II	21,823,832	19.8%	15.6%
K One W One Ltd	10,990,860	10.0%	7.9%
Garth Sutherland	10,101,933	9.2%	7.2%
Ice Angels Nominees Ltd	6,365,700	5.8%	4.5%
NZVIF Investments Ltd	4,483,383	4.1%	3.2%
Cure Kids Ventures Ltd	3,461,417	3.1%	2.5%
N6 EIP Nominees Ltd	2,018,405	1.8%	1.4%
Mogridge and Associates Ltd	1,394,289	1.3%	1.0%
Ross Alan Sutherland, Valerie Mary Sutherland and Garth Campbell Sutherland	1,072,517	1.0%	0.8%
John Leonard Walley and Selwyn Pellet	999,445	0.9%	0.7%
Pave South 1 Ltd	889,915	0.8%	0.6%
David Evans and Barbara Evans	852,114	0.8%	0.6%
TMG International Ltd	507,830	0.5%	0.4%
Peter David Bone and Christopher Robert Wilson	504,746	0.5%	0.4%
Michael Gormack	433,095	0.4%	0.3%
Geoff Whitcher and Helen Whitcher	398,153	0.4%	0.3%
Greg Casagrande	370,565	0.3%	0.3%
Keith Pine	322,500	0.3%	0.2%
John Devine	310,746	0.3%	0.2%
The Icehouse Ltd	285,721	0.3%	0.2%
Brett Hewlett	267,436	0.2%	0.2%
David Sommerville and Heidi Sommerville	254,660	0.2%	0.2%
Patricia Raudnic	237,310	0.2%	0.2%
Utrade Ltd	185,148	0.2%	0.1%
Richard Fisher	179,319	0.2%	0.1%
Masayo Price	179,319	0.2%	0.1%
Katherine Evans	173,238	0.2%	0.1%

04. INVESTMENT OVERVIEW

Topic	Details	Where to find more information
The Existing Shareholders' interests in Adherium on completion of the Offer (continued)		

Shareholders	Existing Shares	A$20m Post-IPO %	A$35m Post-IPO %
Andrew Scott Murray, Samantha Clare Murray and Anthony Richardson	167,105	0.2%	0.1%
Ken Erskine and JS Burgess	143,493	0.1%	0.1%
Andrew Bruce Parkinson and Connie Schondorff Parkinson	133,714	0.1%	0.1%
Ricky Edmonds	133,714	0.1%	0.1%
Damian Pethica	133,714	0.1%	0.1%
Daniel Batten	133,714	0.1%	0.1%
Barbara Evans	90,950	0.1%	0.1%

Notes: One Funds Management Limited as trustee for the Asia Pacific Healthcare Fund II has committed to subscribe for a further 2 million Shares at the IPO Offer Price.

In addition, the Company's key commercial client AstraZeneca has committed to invest US$3 million in the IPO of the Company under this Prospectus.

The Company's Lead Manager has received other commitments to take up Shares under this Prospectus from its wholesale clients for a balance of funds up to $25.85 million (including the commitments from One Funds Management Limited and AstraZeneca as detailed above).

Will any Shares be subject to escrow?	As part of its mandate with the Lead Manager, the Company has entered into Restriction Agreements restricting dealing for 12 months after Listing in respect of those Existing Shares held by those shareholders that hold shares which, after Listing, constitute 2% or more of the then issued share capital of the Company. In addition the ASX may, as a condition of granting the Company's application for Official Quotation, classify certain of its Existing Shares as restricted securities. Any such classification will restrict the transfer of effective ownership or control of any restricted securities without the written consent of the ASX and for such period as the ASX may determine. The terms of any such restriction or escrow arrangements will be determined by the ASX in accordance with the ASX Listing Rules. Details of any such restriction or escrow arrangements will be disclosed prior to commencement of Official Quotation of the Company's Shares.	

Topic	Details	Where to find more information
H. Applications		
How do I apply for Shares?	You may apply for Shares by completing an Application Form and lodging it either with your broker or with Computershare Investor Services Pty Limited (as outlined below). The Offer Price is $0.50 per Share. Applications must be for at least 4,000 Shares at an aggregate subscription price of $2,000.00 or a greater number in multiples of 400 Shares.	
Lodgement of Applications	Applicants should return their completed Application Forms together with their cheque for the Application money to: **Adherium Limited Share Offer** **c/- Computershare Investor Services Pty Limited** **GPO Box 52** **Melbourne Vic 3001** All Application money will be held on trust in a separate bank account that has been opened only for this purpose until the Shares are issued and allotted under the Offer or the Application money is returned to the Applicants.	
Are there additional costs payable by Applicants?	No brokerage, commission, stamp duty or any other costs are payable by Applicants on acquisition of the Shares under the Offer.	
Taxation considerations	The tax treatment and consequences of the Offer will vary depending on the particular circumstances of the Applicant. The Company accepts no liability or responsibility in relation to any taxation consequences connected to the Offer. Therefore regarding the appropriate tax treatment that applies to the Offer, it is the responsibility of any Applicant who makes an Application to satisfy themselves by consulting their own professional tax advisers prior to investing in the Company.	Section 12
Where can I find more information about this Prospectus or the Offer?	Further information can be obtained by reading this Prospectus in its entirety. For advice on the Offer you should speak to your stockbroker, accountant or other professional adviser. If you require assistance or additional copies of this Prospectus please contact the Company on 1300 392 068 (within Australia) on +61 3 9415 4035 (outside Australia).	

MARKET OVERVIEW

05

05. MARKET OVERVIEW

5.1 SUBOPTIMAL MEDICINE USE – A GLOBAL PROBLEM

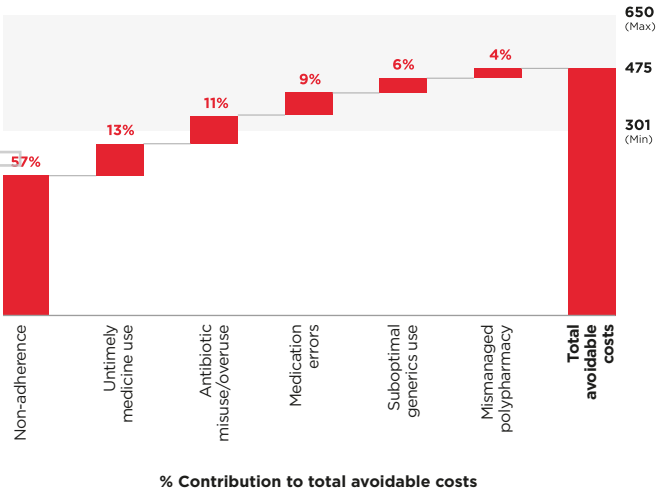
The act of taking prescribed medication as instructed is referred to as "medication adherence". In all patient groups, poor or non-adherence results in an increased risk of hospitalisations due to poor health outcomes, which in turn drives significant healthcare costs. The World Health Organization (**WHO**) has stated that "poor adherence to treatment of chronic disease is a worldwide problem of striking magnitude."

The impact of suboptimal medication adherence is rising as the burden of chronic disease grows. In patients suffering chronic disease in developed countries across the world, medication use is estimated to be only 50%.[1]

"Increasing the effectiveness of adherence interventions may have a far greater impact on the health of the population than any improvement in specific medical treatments."
– The World Health Organization

Globally, the cost of suboptimal medication use is estimated at approximately US$500 billion per annum.[2] These costs are incurred via health system costs that would not otherwise be incurred if medication was used by patients as prescribed.

Estimated Avoidable Costs by Lever
(US$ billion, 2011, Worldwide)



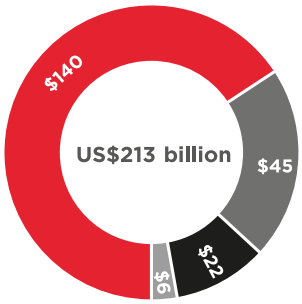
% Contribution to total avoidable costs

Source: IMS Institute for Healthcare Informatics, 2012. "Advancing the responsible use of medicines; Applying levers for change".

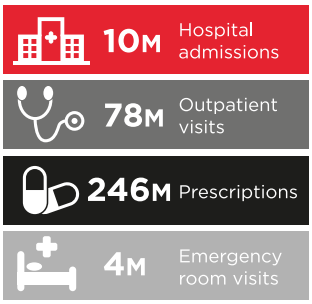
In the US the cost of suboptimal medicine use including non-adherence, under treatment, administration errors and under diagnosis is estimated to be approximately US$213 billion annually, or 8% of annual healthcare expenditure.[3] This cost is made up of hospital admissions, outpatient visits, additional prescriptions and emergency department use, placing a burden on taxpayers that could be reduced if patients were to take their medications as prescribed.

Healthcare

Avoidable Costs (US$ billion)



Healthcare System Utilisation



In the US it is estimated that poor medication adherence for asthma and COPD is common, with only approximately 50-55% of patients taking their medication as prescribed.[4] Such poor adherence is associated with significant morbidity and healthcare costs, creating a burden on patients, taxpayers and governments.

As governments globally focus on healthcare affordability, the issue of avoidable healthcare expenditure will become increasingly important. The costs of medication non-adherence as outlined above represent a significant economic driver which underpins the need for adoption and widespread use of technologies which are proven to increase adherence. With its proven technology, Adherium is well placed to capitalise on this growing market need.

05. MARKET OVERVIEW

5.2 ADHERENCE IN CHRONIC RESPIRATORY DISEASE

In Australia, it is estimated that only 43% of asthmatics take their medication as prescribed all of the time, and only 11% use prescribed preventative medication on a daily basis.[5]

Medication adherence is a major problem in the management of chronic respiratory disease. Treatment non-adherence is a critical issue in addressing population health from both economic and quality of life perspectives, with patients facing potentially life threatening risks if they are not supported in their medication adherence by the broader health system. In addition, for the pharmaceutical and medical device companies, non-adherence represents an unrealised clinical benefit to patients and a less than optimal commercial outcome in respect of unrealised sales of their drugs and devices.

This situation provides a major commercial opportunity for the deployment of smart medication management devices that both remotely track medication use and promote adherence. Such devices also provide accurate and objective data on patients' medication use and disease control to physicians, significantly changing the disease management paradigm for doctors.

Although current treatments exist that have been shown to significantly reduce asthma morbidity, these are only effective when used properly by patients. The most common form of non-adherence in asthma is chronic underuse of prescribed medication. This under-treatment can lead to poor control of the disease and greater use of reliever medications. By providing a real-life view of patients' medication usage patterns, the Smartinhaler™ platform enables patients, providers and doctors/physicians to discuss and establish joint treatment plans, which provides the best possible outcomes for all parties and potentially identifies a more efficient treatment regime.

By partnering with pharmaceutical and drug delivery device companies, and supporting sales into the clinical trials and managed care markets, Adherium is well positioned to capitalise on this market opportunity for chronic and respiratory diseases.

5.2.1 Background: About Asthma and COPD and Their Treatments

Asthma and COPD are common chronic respiratory conditions which, combined, affect over 2.8 million Australians.[6]

Asthma is a chronic inflammatory airway disorder, that results in people suffering shortness of breath, wheezing and chest tightness, which results from a tightening of the airways. COPD is a disease that limits airflow to the lungs resulting in mild to severe shortness of breath.

There are two main types of medications used to treat asthma and COPD. The first are commonly called "relievers" or "rescue" medications, which are used to provide near immediate relief from symptoms. The second type of medications are referred to as "preventers" or "maintenance" medications. These are medications that are taken regularly (once or twice daily) to control the disease and minimise flare-ups or exacerbations.

WHO has assessed that adherence to prescribed regimes for taking preventer medications could be as low as 28% in developed countries.[7] WHO states: "Failure to adhere to a regular self-management plan for asthma (including the regular taking of preventative therapies) results in poor asthma control which has clinical consequences, such as exacerbation of asthma, and decreased quality of life for the patients, as well as economic consequences, such as increased hospitalisation and emergency department visits, resulting in unnecessarily high costs of health care."

WHO's work on adherence clearly supports the need for new technologies to improve adherence in chronic disease. Adherium's technology delivers a solution to this problem, in the significant areas of asthma and COPD.

5.2.2 Market Opportunity: Chronic Respiratory Disease

Adherium will initially target customers who are active in manufacturing products for the treatment of chronic respiratory disease, primarily asthma and COPD. A useful measure of current adherence rates for these indications is the adherence to prescribed regimes in the US which is estimated at 55% for asthma and 51% for COPD.[8]

In 2014, global sales revenues of US$22 billion were directly attributable to asthma and a further US$14.4 billion attributable to COPD.[9] Assuming the application of adherence devices resulted in an increase in adherence in the use of asthma and COPD medications of 10%, this would equate to US$3.4 billion in additional revenues globally for the international pharmaceutical companies.

As an alternative measure, in the US alone in 2011-2012 over 140 million scripts were dispensed for asthma medications.[10] The top ten asthma drugs accounted for 128 million of those scripts. In 2014, the global revenues for COPD were equivalent to 74% of asthma revenues.[11] Assuming a strong correlation between revenues and number of scripts, we estimate the number of scripts dispensed for both asthma and COPD in the US alone to be over 240 million per annum. In this case, a 10% increase in scripts dispensed driven by increased adherence would result in 24 million additional scripts in the US market each year.

These statistics illustrate the scale of the market opportunity for a technology that has demonstrable abilities to improve adherence (and therefore increase pharma company sales) and improve clinical outcomes. By partnering with large pharmaceutical companies and providing them with devices tailored to each pharmaceutical company's proprietary drug delivery devices, Adherium products are being designed to address these issues.

With recent results published in journal articles showing the use of Adherium products increasing adherence by 180% in children and 59% in adults[12], the Adherium platform has the potential to optimise both the commercial and clinical performance of asthma and COPD medications.

5.2.3 Drivers of Growth in Respiratory Medication Adherence

In addition to the commercial drivers via improved clinical benefits and increased revenue for pharmaceutical companies, there are a number of other stakeholders that benefit from increased medication adherence.

Adherium believes the need for remote patient management systems, which improve adherence through changing patient behaviours in the respiratory market, is driven by the following factors:

- taking the guesswork out of disease management for physicians, with accurate and objective data available from the Adherium platform that clearly shows actual medication usage and patterns by each patient;
- reducing the impact of the respiratory medication patent cliff and creating a potential competitive advantage for new and existing therapies by driving device innovation as a method for differentiating proprietary products (brand extension) for pharmaceutical companies;
- improved disease control and quality of life for patients, parents and caregivers; and
- payors (e.g. health insurance companies) driving adoption of digital healthcare technologies in an effort to reduce healthcare spend by shifting treatment and management of chronic conditions from the hospital to the home.

COMPANY OVERVIEW

06

06. COMPANY OVERVIEW

6.1 COMPANY HISTORY

Garth Sutherland started Adherium (NZ) Limited (formerly Nexus6 Limited) in 2001, when he decided to apply his own technical expertise, developed as an engineer for companies such as Microsoft and Gallagher Group, to developing a solution that would help him to manage his own chronic asthma.

Since then the Company has developed one of the world's largest ranges of smart devices for inhaled drug delivery devices and has gone on to secure contracts with multinational pharmaceutical and medical device companies, as well as supplying devices to over 40 projects (clinical, device validation or other) across the world.

2001	Garth Sutherland started Nexus6 Limited to use his technical expertise to develop a solution to manage his own asthma
2003	First product developed for use in clinical trials
2005	Pre-seed funding of NZ$500,000 raised
2007	Seed funding of NZ$1.1 million raised
2008	First Original Equipment Manufacturing (OEM) Contract with international healthcare company
2009	Global wireless approvals and first FDA 510(k) clearance secured
2012	Undertook projects with two large multinational pharmaceutical companies
2013	Series A capital raise of NZ$4.6 million
2014	Company confirms FY2014 revenues of NZ$514,000 to 31 March 2014
2015	Company confirms FY2015 revenues of NZ$3,135,000 to 31 March 2015

6.2 PRODUCT OVERVIEW

6.2.1 Smartinhalers

Adherium's range of approved medical devices for the respiratory market is called Smartinhaler™. Smartinhaler™ devices provide real-time tracking of medication usage as well as audio and visual reminders that have been clinically proven to increase medication adherence.

The Smartinhaler™ device range features one of the world's largest ranges of sophisticated adherence devices for prescription respiratory medicines used to treat asthma and COPD. So far the Smartinhaler™ platform has been used in 40 projects (clinical, device validation or other) spanning 29 countries. At this time, 14 studies have resulted in clinical data that has been published in peer reviewed journal articles and in total there are 32 publications referencing Smartinhaler™ technology.

06. COMPANY OVERVIEW

6.2.2 How do Smartinhalers Work?

Smartinhalers clip onto a wide range of prescription inhalers used in the treatment of asthma and COPD. These devices are easy to use and are able to:

- record the date and time of inhaler use, independent of patient action;
- transmit that data to a mobile device and into the Adherium cloud-based servers, where it can be accessed by the patient's medical provider via a proprietary web portal;
- provide warnings when patient usage data indicates the patient's disease may be escaping control; and
- transmit reminders when the patient has missed a critical dose of their preventer drug.

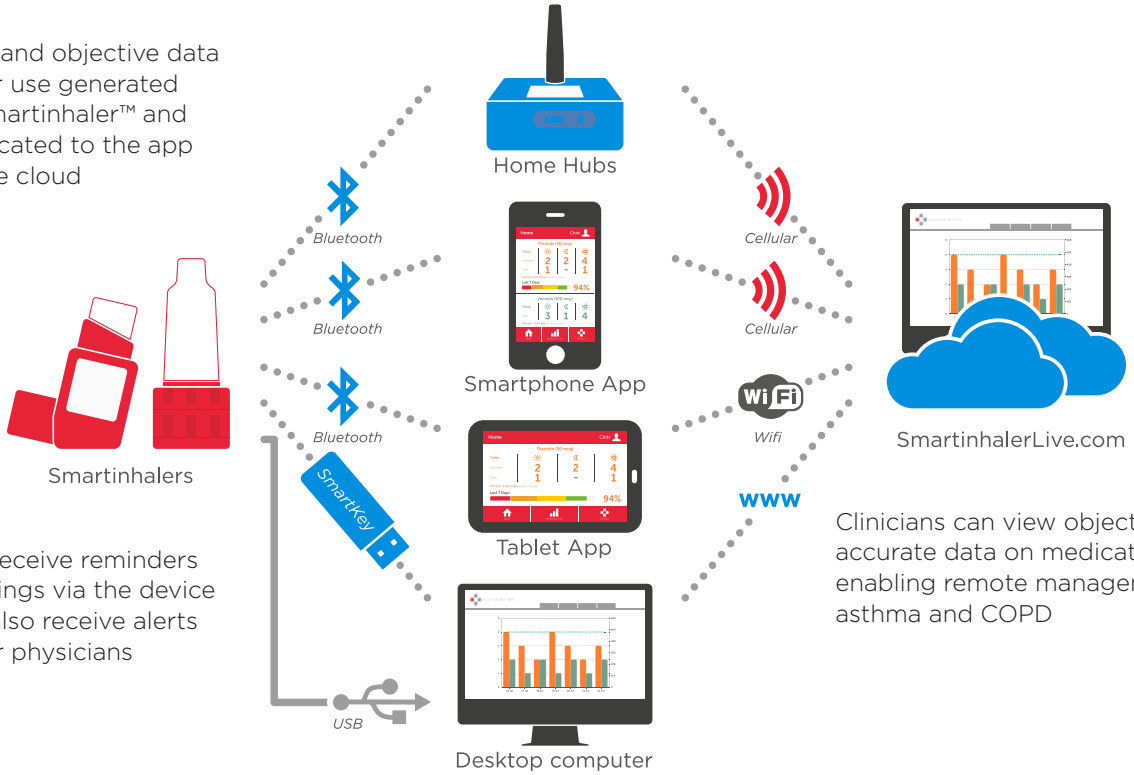
Independent validation studies have affirmed that Adherium devices consistently demonstrate 97-100% accuracy in recording of device actuations.[13]

6.2.3 Smartinhaler™ Platform

Adherium's Smartinhaler™ platform is designed to address the challenge of medication adherence and allow physicians/clinicians to remotely monitor and manage patients' adherence to improve patient outcomes. The platform comprises a medical device (Smartinhaler™) that is specifically designed for each specific type of inhaler required and the SmartinhalerLive™ software platform, which comprises the wireless communications protocols, mobile and desktop applications and cloud based software architecture.

The Adherium Smartinhaler™ Platform

Accurate and objective data on inhaler use generated by the Smartinhaler™ and communicated to the app and to the cloud



Patients receive reminders and warnings via the device and can also receive alerts from their physicians

Clinicians can view objective and accurate data on medication use enabling remote management of asthma and COPD

Patients, parents and caregivers can track their own performance using the Company's proprietary app or via client company apps

Initially targeting chronic respiratory diseases such as asthma and COPD, Adherium's integrated device, patient application and physician portal, allow patients and their clinicians to monitor adherence and, combined with the device's audio and visual reminders, have been clinically proven to improve adherence by up to 180%.[14]

6.2.4 Why Smartinhaler™?

Adherium's Smartinhaler™ platform provides a sophisticated integrated remote patient management system for people who have a chronic disease. This platform addresses unmet market needs in a number of ways:

- Adherium Smartinhalers have been proven to change patient behaviours in relation to increasing the use of preventative inhaled medications, over and above changes generated through physician training and behavioural psychology techniques;
- use of the Adherium system reduces use of rescue medication and occurrence of severe exacerbations;
- the Adherium platform can track overuse of rescue medications and notify patient and physician that the disease is becoming poorly controlled; and
- the Smartinhaler™ app provides patients, parents, caregivers and physicians, clear indications of inhaler usage and adherence to treatment plans.

6.2.5 Clinical Outcome Evidence Supporting the Use of Smartinhaler™

The use of Adherium's Smartinhaler™ platform has generated a substantial bank of clinical data and clinical outcomes papers. As outlined above, the Smartinhaler™ platform has been used in over 40 projects (clinical, device validation or other) across the world. At this time, 14 studies have resulted in clinical data that has been published in peer reviewed journal articles and in total there are 32 publications referencing Smartinhaler™ technology.

Results of a study undertaken by Chan et al in conjunction with Cure Kids in New Zealand focused on the impact of Smartinhalers in children who had been admitted to an emergency department with severe symptoms of asthma. 220 children were studied for six months each. The results of this study were published in the Lancet Respiratory Medicine Journal in January 2015. Key outcomes of this study included:

- adherence to preventer medication increased by 180% in children who received the audio/visual reminders via their Smartinhaler™;
- use of rescue or reliever medication was reduced by 45%;[15] and
- parental-reported exacerbations occurred in 7% of children in the Smartinhaler™ group at the two month mark as compared to 26% in the control group.[16]

In addition study subjects reported a reduction in symptoms and an increase in quality of life.

At the Woolcock Institute of Medical Research in Sydney, Dr Juliet Foster undertook a study using Smartinhaler™ in adults. This study was delivered via general practitioners and involved 43 GPs and 143 adult patients with moderate-severe asthma. It compared the impact of personal adherence interventions undertaken by the GP's and/or inhaler reminder and feedback via a Smartinhaler™ with active usual care alone. In the Smartinhaler™ group the study demonstrated:

- increase in adherence to preventer medication by 59% (73% adherent with Smartinhaler™ compared to 46% adherent without); and[17]
- severe exacerbations were suffered by 11% of patients in the Smartinhaler™ group and 28% of patients in the other groups, equating to a reduction in severe exacerbations by 60%.[18]

The outcomes demonstrated in these studies represent significant gains in patient health outcomes over and above the current standard of care and treatment.

06. COMPANY OVERVIEW

6.3 COMMERCIALISING SMARTINHALER™

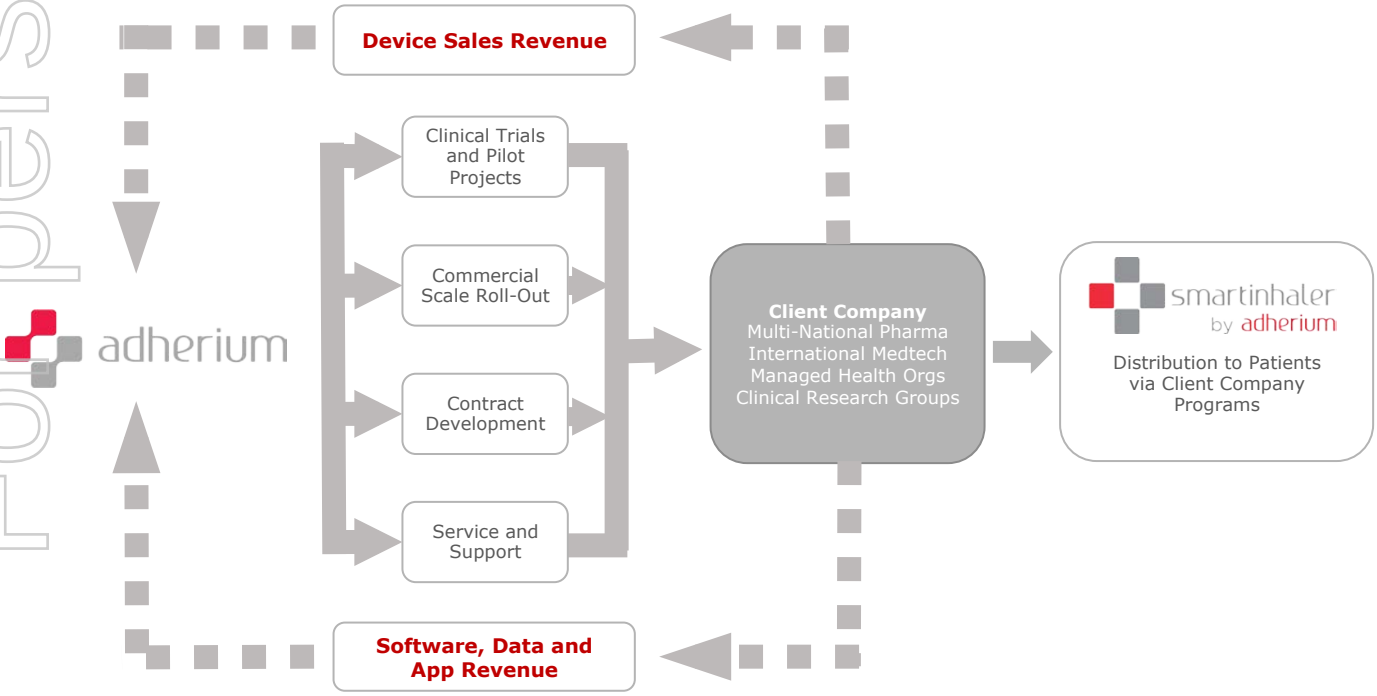
6.3.1 Adherium Business Model

Adherium's business model is to sell its devices directly to global pharmaceutical and medical device companies, which have the capability to distribute many thousands of devices to end-users via their own product distribution channels. This enables Adherium to sell large volumes of products without having to build its own distribution network, while maintaining a lean and cost effective operation.

This also creates a scenario where the pharmaceutical customer becomes the effective payer for the product, as they purchase the devices and supply the products to end users, via their own channels and programs, in order to increase adherence and thereby improve patient outcomes as well as optimising the differentiation and sales of their products. This model eliminates many of the traditional barriers to uptake of new medical devices for end users.

Adherium's revenues are, or are expected to be, generated as follows:

- **Clinical Trials and Pilot Projects** – Smartinhaler™ devices are supplied under a manufacturing and supply agreement for use in customer clinical trials and/or pilot projects of new medications or as comparison studies. Technical support as well as Smartinhaler™ devices and services are supplied as required over the life of the trial.
- **Commercial Distribution** – Smartinhaler™ devices are sold in commercial scale volumes to international corporate customers via a supply agreement. Adherium's Smartinhaler™ devices are distributed by the customer in Adherium branded packaging, acknowledging Adherium as the developer and manufacturer of the device.
- **Co-Development** – Co-development occurs where new devices are developed in conjunction with customers, for inclusion in the customer's own product releases (under a contract development agreement). Development work is undertaken on a fee for service basis.
- **Ongoing Service and Support Contracts** – Adherium may provide ongoing service and support for customers in relation to the devices and software it has deployed in the market place. This is negotiated on a case by case basis and may include customer support and/or ongoing technical hardware and software support and services.



6.3.2 Sales and Distribution/Adherium's Customers

Adherium is a business to business company focused on supplying its Smartinhaler™ platform to three key target markets:

- **Commercial distribution (supplied alongside prescribed medications)** – Adherium's primary target market is pharmaceutical companies. By selling directly to pharmaceutical companies, Adherium is able to leverage the distribution capabilities of its customers, who then provide the devices to end users via their own distribution channels and clinical networks.
- **Managed health programs/organisations** – Adherium recognises the value that its platform can add to disease management organisations, insurance companies and physician and patient-led programs, in terms of providing accurate and objective data on patient behaviour, and in clinical outcomes that support the objectives of these types of companies.
- **Clinical Trials** – Both commercial and research organisations undertaking clinical trials and which are seeking best practice electronic data capture technology to inform their trials.

Adherium has worked with a number of large, international healthcare companies, including three multinational pharmaceutical companies and three global medical device companies.

In addition, the Company has worked with a number of leading research institutes, including but not limited to:

- Redland Hospital (Australia)
- University of Otago (New Zealand)
- Medical Research Institute of New Zealand (New Zealand)
- Woolcock Institute of Medical Research (Australia)
- University of Newcastle and Hunter Medical Research Institute (Australia)
- University of Western Australia (Australia)
- Princess Amalia Children's Clinic, Isala Kliniken, Zwolle (The Netherlands)
- Australian National University (Australia)
- University of Auckland (New Zealand)

Commercial distribution

Building on Adherium's existing portfolio of Smartinhalers that suit the medications of major pharmaceutical players in the respiratory market, the Company will focus on developing ongoing commercial relationships with such companies.

Given that large pharmaceutical and medical device contracts represent the majority of the potential revenues the Company believes it can generate, the Company anticipates de-risking these revenues through:

- tailored Smartinhaler™ devices for each customer's proprietary inhaler devices rather than a standard device that clips onto any device;
- building in software and data revenue on a per user basis, enabling the Company to lower device costs over the long term, while building in a recurring revenue stream; and
- negotiating commercial agreements that ensure that the Company is able to continue to sell to more than one pharmaceutical customer, where it makes sense to do so, while being sensitive to locking in substantial partnerships with existing pharmaceutical customers.

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Managed health programs/organisations

On a global scale, the growing convergence between healthcare and information and communication technology, combined with an ever increasing focus on where and how the public healthcare dollar is spent, is creating an environment where there is increased focus on:

- preventative health, specifically in monitoring disease progression in order to keep people out of hospitals where possible;
- the cost benefit analysis of a treatment regime, including its ability to reduce unscheduled health system access;
- programs specifically aimed at reducing hospital readmissions after a hospital stay; and
- remote patient management, taking healthcare to the home and allowing physicians to monitor patients from their work places, without requiring the patient to arrange/attend an appointment.

These environmental factors have seen the growth of disease management organisations; organisations that have been created to provide patient management that reduce overall healthcare expenditure by keeping patients out of hospitals and in their homes.

Adherium has completed a number of pilot projects in the managed health context which focused on remote patient management and hospital readmission prevention. These projects spanned providing the full Adherium platform including devices to a US based disease management organisation, to providing devices and integration into an existing application for a global pharmaceutical company, to providing the telehealth system (software, portal, and app) for the proprietary nebuliser product of a global medical device manufacturer.

Clinical Trials

Of the $46.4 billion spent on R&D by Pharmaceutical Research and Manufacturers of America (PhRMA) member companies in 2010, $32.5 billion (70%) was spent on Phase 1 through Phase 4 clinical trials.[19] Clinical trials generally account for 45-75% of the estimated US$1.2 billion cost of developing a new drug. In 2013 there were 368 respiratory clinical trials (Phase 1-3) filed with the FDA by industry.[20]

The clinical trial market is of particular interest to Adherium as it offers access to a wide range of potential customers. In the respiratory space, clinical trials are often large, multi-site, international trials featuring thousands of patients for an extended period of time. In a trial setting, if subject compliance is low then trial outcomes, such as dose selection, can be compromised and may well lead to erroneous conclusions and incorrect doses. The use of Smartinhaler™ devices can provide an objective and standardised method of data collection and provide a basis on which to have further commercial discussions with the trial sponsor.

To date the clinical trials activities of Adherium have been driven by inbound demand, resulting from publications referencing the technology, word of mouth and via Adherium presentations at the two major global respiratory conferences each year.

Given the inaccuracies of manually recording inhaler use, Adherium intends to promote the need for electronic monitoring of drug usage to become the industry standard for managing respiratory trials.

6.4 MANUFACTURING

6.4.1 New Product Introduction Manufacturing

Adherium has strong in-house capability that allows for rapid development and prototyping of new devices. Due to the known regulatory pathway for Smartinhalers, the Company is also able to follow an existing regulatory process to secure swift approvals, where required, of devices in various global jurisdictions.

As the Company grows, it is envisaged that contract development, rapid prototyping and small batch manufacturing will continue to occur at the Company's ISO 13485 certified facility in Auckland. Once products are finalised ready for volume manufacturing, the manufacturing management team undertakes the transfer of the necessary tools and processes to the Company's contract manufacturer in Asia.

6.4.2 Scalable, Volume Manufacturing

Adherium uses a number of third party contract manufacturers with a proven track record in both quality and performance delivery in Asia for the volume manufacturing of various components and parts. For example the final assembly of Smartinhalers for commercial distribution is currently undertaken by an ISO 13485 certified contract manufacturer, headquartered in Asia.

Based on current manufacturing lines, the Company's contract manufacturer can produce 8,000 devices per week and offers a highly scalable solution for much larger volumes when required.

6.5 REGULATORY AND QUALITY MANAGEMENT

6.5.1 Regulatory Requirements and Process

Adherium is required to secure regulatory approvals for its products prior to them being supplied commercially. The Company has a strong understanding of the regulatory process, with FDA 510(k) and CE mark being the primary regulatory approvals required for the Company's devices and software. In addition the Company's devices must comply with environmental waste management protocols.

To ensure the regulatory budget is disbursed as efficiently as possible, the Company looks to its customers to guide the timing and jurisdiction of new applications, as they will differ by customer and by medication. For example, some pharmaceutical companies may sell a different drug delivery device for the same drug in different territories, therefore the specific Smartinhaler™ device for that drug/device combination will only be approved in the jurisdictions where the customer requires it.

This enables Adherium to manage regulatory costs as well as ensuring that there is a clear commercial rationale for seeking approvals in each jurisdiction.

The following table outlines Adherium's current approvals as at the time of the finalisation of this Prospectus.

Device	EU	US	China	Australia	NZ
SmartTouch AV	*Not Required to Date**	*Not Required to Date**	*Not Required to Date**	TGA listing	MedSafe listing
SmartTouch	RandTTE Directive CE	FDA 510(k) FDA listing FCC certification	*Not Required to Date**	TGA listing TGA declaration	MedSafe listing
SmartTurbo2	MHRA registration MDD Directive CE RandTTE Directive CE	*Not Required to Date**	CFDA registration in progress	TGA listing	MedSafe listing EMC declaration
SmartDisk	EMC Directive CE	*Not Required to Date**	*Not Required to Date**	TGA listing	MedSafe listing
SmartHandy	*Not Required to Date**	*Not Required to Date**	*Not Required to Date**	TGA listing	MedSafe listing
SmartKey	*Not Required to Date**	FCC certification	*Not Required to Date**	*Not Required to Date**	*Not Required to Date**
SmartinhalerLive™ Connection Centre	*Not Required to Date**	FDA 510(k)	*Not Required to Date**	*Not Required to Date**	*Not Required to Date**

* "Not Required to Date" means there is no reason to seek clearance to market for that product in that market – as it is not required by either the (a) regulatory requirements in the stated jurisdiction at this time, or (b) pharmaceutical customer due to the use of a different device which is sold in that jurisdiction.

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6.5.2 Quality Management

The Company's new product introduction manufacturing (**NPI Manufacturing**) capability in Auckland is ISO 13485 certified. Once NPI Manufacturing has been undertaken and tooling finalised, manufacturing of products for commercial distribution is transferred to the Company's Asia-based ISO 13485 certified contract manufacturer under agreed quality management standards.

6.6 INTELLECTUAL PROPERTY

Adherium has taken a cost effective, targeted approach to its intellectual property strategy, filing patents in New Zealand first, before moving on to international jurisdictions. In addition it has a number of registered and unregistered trade marks, trade secrets, registered designs and copyright, which together with its patents, comprise the intellectual property portfolio of the Company. Patents are generally filed in New Zealand, followed by the key jurisdictions of the US and Europe. Following the capital raising, the Company will look to take a more aggressive intellectual property strategy to further strengthen the Company's current portfolio.

As outlined in section 10 to date Adherium has, in respect of some of its patent applications, received objections from the relevant examiner based on prior references. Adherium has provided or will provide responses to those objections and is able to propose a narrower basis of claim. However no assurance is given that the Company's patent applications will all result in granted patents.

In section 10, there is also an overview of the competitive field relevant to Adherium's current Smartinhaler™ product range. Adherium's external patent attorney in its report has identified three granted patent families that represent a moderate degree of risk to current Adherium products. The principal risk is in the US, which does not have a final injunction remedy as a matter of right – rather it is a matter of discretion for the court in all the circumstances.

To date no patent infringement claims have been asserted against Adherium despite more than six years of product sales. The effect of any of these patent families being asserted would likely be to require Adherium to enter into a license agreement, or to modify certain products for certain markets. Two of the competing patent families are relatively old and towards the end of their terms.

Apart from competitor risk in existing products or existing patents, there also exists the risk that one or more of the competitive products currently in existence or developed in the future may prove more cost effective, efficacious, or more desirable to large commercial partners than the Adherium product range, resulting in lower market penetration and lower sales for Adherium's products. Adherium has assessed its competitive landscape based on its knowledge of competing commercial products currently available in the market or the subject of published patents.

Further information on Adherium's intellectual property and a review by the Company's Independent Patent Attorneys can be found in section 10, Intellectual Property Report.

6.7 COMPETITIVE LANDSCAPE

Currently Adherium is aware of three direct competitors, with products in or near market, in the chronic respiratory monitoring device market. These are Propeller Health, Gecko Health Innovations Inc and Cohero Health. All three are privately owned US companies, which are in various stages of product development and launch.

Cohero Health, as far as we can ascertain, has not yet achieved an FDA 510(k) clearance for its medication monitoring devices. It has images of prototype devices available on its website and an FDA 510(k) cleared connected Spirometer.

Propeller Health has two devices, one for pressurised metered dose inhalers (pMDIs) which has an FDA 510(k) clearance and a solution for Boehringer Ingelheim's Respimat product in development. Propeller Health also has an associated smartphone app and software service. Propeller Health has received three FDA 510(k) clearances for its pMDI product.

Gecko Health Innovations Inc also has a pMDI product, CareTRx; however as far as we can ascertain, this does not appear to be as advanced in its commercialisation path as Propeller Health. To our knowledge, Gecko Health Innovations Inc has not applied for an FDA 510(k) clearance, instead it has opted to classify its product as a Class 1 FDA 510(k)–exempt device. While its products may be used across a number of pMDI devices (i.e. fitted onto the canister), neither company has a range of products applicable to a broad range of drug delivery devices.

Importantly, at the time of publication of this Prospectus, Adherium is unaware of any comparable independent clinical outcomes data published in peer reviewed journals using any competitor products. In comparison, Adherium products have been used in 40 projects (clinical, device validation or other) spanning

29 countries. At this time, 14 studies have resulted in clinical data that has been published in peer reviewed journal articles and in total there are 32 publications referencing Smartinhaler™ technology.

6.7.1 Competitive Advantages

There are three key aspects to the competitive advantages of Adherium's products. These are:

1. **Clinical Evidence and Publications:** The significant bank of clinical evidence that the Company's products has generated, via their use in clinical trials and via independent clinical outcome studies such as those undertaken by Chan et al and Foster et al (see section 6.2.5). It has taken a substantial amount of time to amass the significant number of clinical publications that currently reference the technology, and the Company is constantly developing new clinical opportunities. The Company believes it will be difficult for any competitor company to match this level of clinical evidence, given the leadership position Adherium has established in this space.
2. **Range of Devices:** Adherium has a range of Smartinhalers that attach to a wide variety of prescription inhalers. The Company believes it has the widest range of specialised "smart" devices for prescription inhaled medications globally, including devices for dry powder and liquid spray inhalers. The ability to design specialised devices for these proprietary inhalers is one area where the Company believes it has a substantial advantage.
3. **Intellectual Property:** The Company is developing new technologies and has started to build a portfolio of intellectual property, that spans patents, copyright in software code, product information and documentation, trade marks, registered designs, know-how and trade secrets.

6.8 FUTURE TECHNOLOGIES: PRODUCT DEVELOPMENT

6.8.1 Digital Health

Digital health is one of the world's fastest growing sectors. According to Rock Health, in 2014 digital health attracted over US$4 billion of US venture capital funds or 8% of all venture capital funding from Q3 2013 through to Q3 2014. The sector had a compound annual growth rate of 45% between 2011 and 2014 and grew 93% from 2013 to 2014. Digital therapies (including medication adherence tools) were one of the three fastest growing categories in digital health in 2014.

In addition to the growth of digital health more broadly, new technologies that provide seamless and effortless health tracking are growing in popularity globally.

A study undertaken in the US to look at the occurrence of self-tracking of health information concluded that:

- 66% of Americans are interested in using apps to manage their health, 79% are interested in wearable technology;
- 88% were happy to share their personal information for the sake of improving care and treatment options; and
- those with chronic conditions are more likely to self-track.

Adherium also intends to leverage its intellectual property, knowledge and expertise to explore applications of its technology to other drug delivery modalities, as well as focusing on the development of sophisticated data analytics functions.

6.8.2 Continuous Innovation

Adherium is built on a premise of continuous innovation, whereby continuous improvement and iterative development are core activities of the development team.

Within the team, continuous development is a focus, across both hardware and software, allowing for the Company to plan a roll-out of new versions of existing products to key customers on a regular basis. Device miniaturisation and increased feature sets as well as cost reduction are a focus on the hardware side. The Adherium software and mobile application are also being continuously improved via an agile in-house development environment that allows customer feedback to be quickly and easily incorporated into the next release of software.

6.8.3 Customer-Led Development

The Adherium platform is versatile and has many potential applications, both in respiratory disease and in other areas. The Company has witnessed significant variety in past orders demonstrating that each customer has specific needs and will require a different bundle of products and services as compared to other customers.

As such, Adherium has evolved to have a customer-led product development strategy, which focuses on products which are currently in demand for customers, and also includes developing tailored products for each customer. These customers are effectively leveraging the Adherium team's capability, as much as they are

06. COMPANY OVERVIEW

leveraging the physical products. This enables Adherium to keep its development expenditure focused on work for which the Company is either being paid, or will be paid via an order of devices, making it a lean and cost effective approach to development.

The product development plan is focused on new iterations of each existing product line and ongoing software and application development. In addition, it is expected that further new product development work may be required where requested by new pharmaceutical or medical device customers, or where customers are seeking a solution for a non-respiratory application.

6.8.4 Adherium In-House Capabilities

Adherium has a multi-disciplinary in-house team that spans all aspects of design and development, manufacturing and approval for new products. These are outlined below:

Device Development: Sensor Design, Circuit Board Design, PCB Layout and Assembly, Mechanical Engineering, Device Software, Device Communications Protocols, Power Management.

App Development: Communications Protocols, iOS and Android Sensor and App Development, Database, Security, Interaction with Cloud Server.

Cloud Development: Database Design, Browser Development, Business Logic, Privacy and Security, Notifications, Patient Management System Integration, Communications Protocols, Algorithm Development, Internationalisation.

Manufacturing: New Product Introduction (NPI) Line, Volume Manufacturing, Product Verification, Product Quality, Procurement, Logistics.

Regulatory and Quality: FDA Submissions, European Regulatory Submissions, Authorised Representation, Medical Electrical Devices, Verification, Software Devices, ISO 13485.

6.9 USE OF FUNDS

The Company intends that the funds raised under this Offer will be used to advance commercialisation of the current Adherium Smartinhaler™ range and fund the development of new products and services over a 24 month period. In large part the costs of the business are variable in nature and can be proactively managed by the Board and management in the response to overall growth of the business.

As such, the Company's use of funds scenarios are based around a 24 month program of intensive growth and investment, proactively managed in response to growth of the Company's sales volumes, but with increasing intensity should the maximum subscriptions be raised.

As noted in section 13.9 the costs of the Offer are estimated to be $2.5 million based on raising the minimum of $20 million in the Offer, and $3.5 million based on raising a maximum of $35 million in the Offer. Of these total costs of the Offer, $1.2 million are expected to be paid by Adherium (NZ) Limited from existing cash balances prior to the Offer closing. Accordingly, the costs of the Offer set out in the following tables represent those further costs to be paid from the funds raised under the Offer.

Minimum funding scenario of $20 million

Adherium has a minimum funding scenario where it will raise a minimum of $20 million. This will provide funding for 24 months operations and the Company will be able to execute on the stated plan of expanding both product development and commercial development capacity, to enable it to supply commercial device volumes and services to key pharmaceutical customers.

Total A$20 million Raise Expenditure Program	Total A$000
Research and New Product Development	5,606
Manufacturing	1,789
Sales, Clinical Operations, Marketing and Business Development	3,832
Other Working Capital (for General and Administration)	4,680
OPERATING FUNDS USAGE	**15,907**
Capital Expenditure	2,066
Costs of Offer	1,330
TOTAL USE OF FUNDS	**19,303**

Target raise of $30 million

The Company is targeting a $30 million raise which provides funding for 24 months and will support the Company's business plan in expanding the research and product development capability of the Company, alongside establishing an international commercial, sales and marketing capability. In addition, expenditure designed to increase the capacity for development and manufacture of devices and the capacity and sophistication of the Smartinhaler™ platform services will be increased.

Total A$30 million Raise Expenditure Program	Total A$000
Research and New Product Development	11,271
Manufacturing	2,238
Sales, Clinical Operations, Marketing and Business Development	6,160
Other Working Capital (for General and Administration)	5,298
OPERATING FUNDS USAGE	**24,967**
Capital Expenditure	3,001
Costs of Offer	1,930
TOTAL USE OF FUNDS	**29,898**

Maximum raise of $35 million

Adherium will take subscriptions up to a total raise of $35 million. The Company would plan to use additional funds to develop new technology at both the device and software service levels associated with medication adherence monitoring and reporting. Commercial capability will also be further expanded to support the Company's ability to secure increasing sales of devices and supporting services, and the additional funds will provide a greater amount of working capital for this increased level of business as well as future operations.

Total A$35 million Raise Expenditure Program	Total A$000
Research and New Product Development	11,772
Manufacturing	2,238
Sales, Clinical Operations, Marketing and Business Development	6,402
Other Working Capital (for General and Administration)	9,275
OPERATING FUNDS USAGE	**29,687**
Capital Expenditure	3,014
Costs of Offer	2,230
TOTAL USE OF FUNDS	**34,931**

BOARD AND MANAGEMENT

07

07. BOARD AND MANAGEMENT

7.1 ADHERIUM EXECUTIVE MANAGEMENT TEAM

Garth Sutherland
Group Chief Executive Officer
Garth has spent the last 20 years working for some of the world's top technology companies in Europe, North America and Australasia including Microsoft and Gallagher Group.

Garth graduated with a Masters of Science in Physics from the University of Waikato with First-Class Honours.

Garth founded Nexus6 in 2001. Having had asthma all his life he wanted a solution for automatically tracking his asthma medication use to improve his asthma management.

Rob Turnbull
Chief Financial Officer
Rob has over 20 years' corporate experience, starting his career with PricewaterhouseCoopers where he worked in Auckland, Toronto, and London; and has over 10 years' experience with technology and life-sciences companies.

Most recently Rob was Chief Financial Officer for an ASX-listed biotech company undertaking multiple international studies ranging from preclinical to clinical Phase 3, and with operations in the United States, Australia and New Zealand. In addition to capital markets financing and compliance, treasury, tax, financial reporting, commercial contract negotiations and general management, he was involved in M&A activity to acquire and develop specific technologies.

Rob graduated from Auckland University with a Bachelor of Commerce, and is a Chartered Accountant and member of Chartered Accountants Australia and New Zealand.

Bronwyn Le Grice
Head of Commercial Development and Corporate Affairs, Company Secretary
Bronwyn has over 12 years' executive experience in the life sciences sector including senior business and corporate development roles in Australia and as Chief Executive Officer of NZBIO, New Zealand's national industry body representing bio-based industries.

Bronwyn joined leading healthcare fund manager BioScience Managers in 2012, where she was responsible for strategic positioning, marketing and external relations and was a member of the Investment team for two funds totalling AU$96 million under management. Most recently she project managed the acquisition of New Zealand company Rex Bionics by Union Medtech Plc and the merged entity's subsequent listing on the AIM market, including pre-IPO and IPO capital raisings of £10.9 million.

Bronwyn is currently undertaking her Masters of Commercial Law at the University of Melbourne. She has a Bachelor of Commerce from the University of Western Australia, a Professional Certificate (Post Graduate) in Commercialisation from the University of Melbourne and is a Member of the Australian Institute of Company Directors.

Maggie Scott
Head of Clinical Operations
Maggie has over 25 years' experience in the healthcare and biotech industry at a senior management level. This includes 14 years managing a full service, New Zealand based CRO. Maggie has overseen the conduct of multiple clinical trials covering all phases of study and including the successful registration of two products under the FDA's NDA process. She has worked with a variety of international pharmaceutical and biotech companies and has a strong background in clinical operations and quality management.

Maggie qualified as a registered nurse from St Bartholomew's Hospital, London and as a health care auditor in New Zealand.

Nigel Devine
Head of Manufacturing (Consultant)
Nigel has over 35 years' experience in manufacturing, engineering and operations, starting his career with British Aerospace where he worked in the UK before emigrating to New Zealand in 1995. He has held a number of senior and executive positions with a number of technology companies including OSCMAR International Ltd, Cubic Defense (NZ) Ltd, Boeing (USA) and Dyson Ltd (Malaysia).

Most recently Nigel was Vice President of Global Operations for NextWindow Ltd, a New Zealand technology company. For the last five years of the role Nigel was based in Singapore, setting up and developing an office to support operations across Asia. Nigel was responsible for the entire supply chain, procurement, manufacturing and New Product Introduction (NPI) and had a team spread across Asia and New Zealand.

07. BOARD AND MANAGEMENT

Nigel graduated from the University of Huddersfield (UK) with a 1st Class Bachelor of Engineering in Computer Aided Engineering and is a Chartered Engineer and a member of the IET.

Chris Mander
Head of Regulatory and Quality Affairs
Based in New Zealand, Chris has over 20 years' experience in the medical device manufacturing sector. He has worked for companies with a strong focus on international export, including Fisher and Paykel Healthcare.

Chris has focused on regulatory affairs and quality management for over 15 years, with extensive experience in obtaining United States and European market entry clearance and implementing quality management systems. Previously, Chris also held positions with responsibilities including procurement, manufacturing, product management and intellectual property.

Chris graduated from Auckland University with a Bachelor of Science in Physics, Chemistry and Mathematics, and a Bachelor of Engineering in Electrical and Electronics.

7.2 ADHERIUM BOARD OF DIRECTORS

Dr John Douglas (Doug) Wilson MB, ChB, PhD, FRACP, FRCPA
Non-Executive Chairman
Dr Doug Wilson was Senior Vice President for Medical and Regulatory Affairs for Boehringer Ingelheim Pharmaceuticals (USA) where he oversaw a team of 400, including a number of medical staff, and was responsible for many parallel drug developments.

He then became head of Boehringer's worldwide medical research group overseeing all research programs and working on a multitude of drugs, later relocating to Ingelheim (Germany) as head of Medicine and Regulatory Affairs worldwide.

Doug has a medical degree from New Zealand, is a Fellow of the Royal Australian College of Physicians, a Fellow of the College of Pathologists of Australia and has a PhD from the University of London. He is currently Chair of ASX-listed biotechnology company, Phylogica Limited, and a Director of AFT Pharmaceuticals (NZ) and VAXXIT (Italy).

Garth Sutherland MSc
Group Chief Executive Officer (Executive Director)
Garth has spent the past 20 years working for some of the world's top technology companies in Europe, North America and Australasia including Microsoft and Gallagher Group.

Garth graduated with a Masters of Science in Physics from the University of Waikato with First-Class Honours.

Garth founded Nexus6 in 2001. Having had asthma all his life he wanted a solution for automatically tracking his asthma medication use to improve his asthma management.

Jeremy Curnock Cook MA
Non-Executive Director
Jeremy Curnock Cook is a former head of the life science private equity team at Rothschild Asset Management. He is currently Managing Director of Bioscience Managers.

Jeremy received his MA in Natural Sciences from Trinity College in Dublin.

At Rothschild, Jeremy was responsible for the launch of the first dedicated biotechnology fund for the Australian market and the launch of a joint venture with Johnson and Johnson Development Corporation for the creation of Healthcare Ventures.

Jeremy has served on more than 30 boards of directors in the healthcare and medical sciences sector in the UK, Europe, USA, Canada, Japan and Australia.

Professor John Mills AO SB MD FACP FIDSA FRACP ARCPA
Independent Non-Executive Director
Prof John Mills AO 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 he has been managing director of an ASX-listed company, chairman of another ASX-listed company and executive chairman of a Swedish biotechnology company, and non-executive director of a further ASX-listed company.

He is currently a non-executive director of an Australian venture capital company and non-executive director of two charitable companies (one Australian and one US). Twelve years ago he co-founded a boutique, private, anatomic pathology practice in Victoria, TissuPath Specialist Pathology, serving as its managing director

for three years before stepping down (as the practice was sold to the pathologists) to Director of Research and Development.

He 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.

Bruce McHarrie BCom, FCA, GAICD
Independent Non-Executive Director
Bruce is currently an independent director and consultant with over 20 years' experience in the health and life sciences sectors.

He was formerly with the 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 the Telethon Kids Institute, Bruce 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/ healthcare companies.

Bruce is a Fellow of the Institute of Chartered Accountants Australia and New Zealand, holds a Bachelor of Commerce degree from the University of Western Australia, and is a graduate member of the Australian Institute of Company Directors.

Bryan Mogridge BSc, ONZM, FNZIOD
Independent Non-Executive Director
Bryan has been a successful public company director for the past 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.

His current directorships are Rakon Ltd (Chairman), Pyne Gould Corporation (Chairman), Mainfreight Ltd and BUPA ANZ Pty Ltd.

Bryan has significant involvement in philanthropy, chairing one of New Zealand's most successful charities (The Starship Foundation) for the past 20 years, helping to transform sick children's lives, through New Zealand's national children's hospital "The Starship".

FINANCIAL INFORMATION

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08. FINANCIAL INFORMATION

8.1 Introduction

This section contains a summary of the historical financial information and pro forma historical financial information of Adherium (NZ) Limited (formerly named Nexus6 Limited) and Adherium Limited respectively (collectively the **Financial Information**), which has been prepared by the Directors of Adherium Limited.

In preparation for listing on the ASX an internal restructure will take place resulting in a newly incorporated company, Adherium Limited, becoming the legal parent of Adherium (NZ) Limited subject to conditional ASX approval of the Listing of Shares under the Offer. This is discussed in further detail in section 8.2.

The Historical Financial Information of Adherium (NZ) Limited comprises the:

- Historical Statements of Comprehensive Income for the financial years ended 31 March 2014 (FY2014) and 31 March 2015 (FY2015) of Adherium (NZ) Limited (**Historical Statements of Comprehensive Income**); and
- Historical Statements of Cash Flows for FY2014 and FY2015 of Adherium (NZ) Limited (**Historical Statements of Cash Flows**).

The Pro Forma Historical Financial Information of Adherium Limited comprises the:

- Pro Forma Historical Statement of Financial Position of Adherium Limited as at 31 March 2015.

The Historical Financial Information has been audited by PricewaterhouseCoopers, and the Pro Forma Historical Financial Information has been reviewed by BDO East Coast Partnership (**BDO ECP**). BDO ECP's Investigating Accountant's Report on the Pro Forma Historical Financial Information is contained in section 9. Investors should note the scope and limitations of that report (refer to section 9).

Also summarised in this section are:

Table 1: Overview of Financial Information

Section	Heading
8.2	Basis of Preparation and Presentation of the Financial Information
8.3	Historical Statements of Comprehensive Income
8.4	Historical Statements of Cash Flows
8.5	Management Discussion and Analysis on Historical Financial Information
8.6	Pro Forma Historical Statement of Financial Position
8.7	Debt Facilities
8.8	Lease Commitments
8.9	Liquidity and Capital Resources
8.10	Dividend Policy
8.11	Significant Accounting Policies

The information in this section 8 should be read in conjunction with the risk factors set out in section 11 and other information contained in this Prospectus.

All amounts disclosed in the tables are presented in both New Zealand dollars and Australian dollars, and unless otherwise noted, are rounded to the nearest thousand dollars.

8.2 Basis of Preparation and Presentation of the Financial Information

8.2.1 Overview

The Directors of Adherium Limited are responsible for the preparation and presentation of the Financial Information.

The Financial Information included in this section 8 has been prepared in accordance with the recognition and measurement principles of Generally Accepted Accounting Practice in New Zealand which comply with New Zealand Equivalents to International Financial Reporting Standards (**NZ IFRS**) and International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board (**IASB**), and the accounting policies of Adherium Limited. The Financial Information and accompanying commentary presented in this section has also been disclosed with consideration to regulatory guidance issued by ASIC.

The Financial Information is presented in abbreviated form and does not contain all the disclosures, statements or comparative information required by NZ IFRS or IFRS applicable to financial statements prepared in accordance with the Corporations Act.

In preparing the Financial Information, the accounting policies of Adherium (NZ) Limited and Adherium Limited have been applied consistently throughout the periods presented. The significant accounting policies of

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Adherium (NZ) Limited and Adherium Limited relevant to the Financial Information are set out in section 8.11.

The Directors have considered ASIC Regulatory Guide 170, and having regard to the requirements of this Regulatory Guide, note that as Adherium Limited is currently in the growth phase any prospective financial information would contain a broad range of potential outcomes and possibilities such that the Directors have concluded Adherium Limited cannot include prospective financial information in this Prospectus.

8.2.2 Preparation of Historical Financial Information

The Historical Financial Information of Adherium (NZ) Limited has been extracted from the statutory financial statements of Adherium (NZ) Limited for the financial years ended 31 March 2014 and 31 March 2015. The statutory financial statements of Adherium (NZ) Limited have been audited by PricewaterhouseCoopers, who have issued unqualified audit opinions in respect of the financial years ended 31 March 2014 and 31 March 2015, with an emphasis of matter paragraph in respect of the financial year ended 31 March 2015 regarding the fact there is a material uncertainty regarding the ability for Adherium (NZ) Limited to continue as a going concern in the event further equity investment is not received.

The Directors note that as there was no requirement, Adherium (NZ) Limited's statutory financial statements for the financial year ended 31 March 2013 were not audited. Further, compared with the financial years ended 31 March 2014 and 2015, the business activities of Adherium (NZ) Limited during the financial year ended 31 March 2013 were on a smaller scale and comprised a higher level of contract development with higher gross margin than the manufacture and sale of Smartinhaler™ devices in subsequent years. Accordingly, the Directors of Adherium Limited are of the view that the historical financial information for the year ended 31 March 2013 is not relevant for investors and have therefore elected to present the last two years of historical financial information only.

The Directors of Adherium Limited intend to present the financial reports of Adherium Limited in Australian dollars to ensure consistency with other Australian listed companies. Historical financial reports of Adherium (NZ) Limited were presented in New Zealand dollars. For the convenience of prospective investors, both Australian dollar and New Zealand dollar financial information is included in this Prospectus.

8.2.3 Preparation of Pro Forma Historical Financial Information

The Pro Forma Historical Financial Information has been prepared for the purposes of inclusion in this Prospectus, and has been extracted from the statutory financial statements of Adherium (NZ) Limited for the year ended 31 March 2015, with adjustments applied to reflect Adherium Limited's capital structure that will be in place following completion of the Offer. Refer to Section 8.6 for a reconciliation between the Pro Forma Historical Financial Information and the statutory equivalent financial information.

In preparation for Listing an internal restructure will take place resulting in a newly incorporated company, Adherium Limited, becoming the legal parent of Adherium (NZ) Limited subject to conditional ASX approval of the Listing of Shares under the Offer.

The Directors have elected to account for the restructure as a capital re-organisation rather than a business combination. In the Directors' judgement, the continuation of existing accounting values is consistent with the accounting that would have occurred if the assets and liabilities had already been in a structure suitable to IPO and most appropriately reflects the substance of the internal restructure.

As such, the consolidated financial statements of Adherium Limited will be presented as a continuation of the pre-existing accounting values of assets and liabilities in the Adherium (NZ) Limited financial statements with Adherium (NZ) Limited deemed to be the acquirer for accounting purposes.

In adopting this approach the Directors note that there is an alternate view that such a restructure, which is conditional on approval of the IPO by the ASX, should be accounted for as a business combination, with Adherium Limited being the acquirer. If this view is taken, the net assets of the group would have been uplifted to fair value by A$32.0 million, based on assumed market capitalisation at IPO of A$35.0 million, with consequential impacts on the Statement of Comprehensive Income, and Statement of Financial Position. The Directors anticipate that the excess of the fair value compared to the book value of net assets would primarily be allocated to goodwill.

An IASB project on accounting for common control transactions is likely to address such restructures in the future.

However, the precise nature of any new requirements and the timing of these are uncertain. In any event, history indicates that any potential changes are unlikely to require retrospective amendments to the financial statements.

8.2.4 Explanation of certain non-IFRS and other financial measures

Adherium Limited uses certain measures to manage and report on its business that are not recognised under IFRS. These measures are referred to as "non-IFRS financial measures". Non-IFRS financial measures are intended to supplement the measures calculated in accordance with the IFRS and not as a substitute for those measures. As non-IFRS financial measures are not defined by the recognised body of accounting standards, they do not have a prescribed meaning and the way that Adherium Limited calculates them may be different to the way that other companies calculate similarly titled measures. Readers should therefore not place undue reliance on non-IFRS financial information.

In the disclosures in this Prospectus, Adherium Limited uses the following non-IFRS measures of performance to assist prospective investors with understanding the trends in financial performance and profitability.

- **Gross profit** is calculated as sales less Costs of Sales;
- **Costs of Sales** represents the sum of direct manufacturing and inventory costs, distribution and other selling costs, and salaries and wages for manufacturing and procurement staff;
- **EBITDA** is earnings before interest, tax, depreciation and amortisation expenses; and
- **EBIT** is earnings before interest and tax expenses.

8.3 Historical Statements of Comprehensive Income

Set out below is a summary of Adherium (NZ) Limited's Historical Statements of Comprehensive Income for FY2014 and FY2015 presented in both Australian dollars and New Zealand dollars.

Table 2: Historical Statements of Comprehensive Income

	NZ$		A$	
000s	FY2014	FY2015	FY2014	FY2015
Sales	**514**	**3,135**	**450**	**2,907**
Costs of Sales ("COS")	(351)	(1,478)	(307)	(1,371)
Gross profit	**163**	**1,657**	**143**	**1,536**
Grants income	162	219	142	203
Research and development costs	(1,389)	(1,448)	(1,216)	(1,343)
Sales and marketing costs	(356)	(272)	(311)	(252)
Administrative expenses	(990)	(1,342)	(867)	(1,244)
EBITDA	**(2,410)**	**(1,186)**	**(2,109)**	**(1,100)**
Depreciation	(31)	(81)	(27)	(74)
EBIT	**(2,441)**	**(1,267)**	**(2,136)**	**(1,174)**
Net interest income (expense)	83	(87)	72	(81)
Net profit (loss) before tax	**(2,358)**	**(1,354)**	**(2,064)**	**(1,255)**
Taxation expense	–	–	–	–
Net profit (loss) after tax	**(2,358)**	**(1,354)**	**(2,064)**	**(1,255)**

Note:

(1) New Zealand dollar financial information has been translated into Australian dollars at the average exchange rate for the financial year, being 1.14 for FY2014 and 1.08 for FY2015.

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8.4 Historical Statements of Cash Flows

Set out below is a summary of Adherium (NZ) Limited's Historical Statements of Cash Flows for FY2014 and FY2015 presented in both Australian dollars and New Zealand dollars:

Table 3: Historical Statements of Cash Flows

	NZ$		A$	
000s	FY2014	FY2015	FY2014	FY2015
EBITDA	**(2,410)**	**(1,186)**	**(2,109)**	**(1,100)**
Non-cash items in EBITDA	186	67	162	63
Movements in working capital	(168)	1,119	(147)	1,038
Interest paid	(5)	–	(4)	–
Interest received	87	24	76	22
Net cash flow from operating activities before investing activities, financing activities and tax	**(2,310)**	**24**	**(2,022)**	**23**
Purchase of property, plant and equipment	(142)	(89)	(125)	(83)
Product development costs incurred	–	(182)	–	(169)
Net cash flow before financing activities and tax	**(2,452)**	**(247)**	**(2,147)**	**(229)**
Proceeds from the issue of shares	43	–	38	–
Proceeds from the exercise of options	82	26	72	24
Proceeds from the issue of convertible notes	–	2,000	–	1,855
Payment of share issue expenses	(2)	(255)	(1)	(237)
Payment of convertible note issue expenses	–	(21)	–	(19)
Net cash flow	**(2,329)**	**1,503**	**(2,038)**	**1,394**

Notes:

(1) New Zealand dollar financial information has been translated into Australian dollars at the average exchange rate for the financial year, being 1.14 for FY2014 and 1.08 for FY2015.

(2) The cash flow information has been constructed using the indirect method (i.e. reconciling EBITDA to operating cash flows).

8.5 Management Discussion and Analysis on Historical Financial Information

The management discussion and analysis (**MD&A**) below relates to the Historical Statements of Comprehensive Income and should be read in conjunction with the description of the basis upon which the information has been prepared.

The MD&A provides a brief discussion of the main factors which affected Adherium (NZ) Limited's operating and financial performance between FY2014 and FY2015. The factors described below are a summary only and do not represent everything that affected Adherium (NZ) Limited's historical financial performance. The information in this section should also be read in conjunction with the risk factors set out in section 11 and other information contained in this Prospectus.

8.5.1 FY2014 to FY2015

Sales

Sales are generated from Smartinhaler™ device sales and support, subscriptions for data access, and also contract development services and support. Sales increased substantially from A$450,000 in FY2014 to A$2,907,000 in FY2015.

During FY2014 sales of A$389,000 were generated from sales, and related data subscriptions, of approximately 1,700 Smartinhaler™ devices to hospital and academic investigator led studies and pharmaceutical companies. The remaining sales of A$61,000 related to ongoing technical support for a historical contract development project.

During FY2015 Smartinhaler™ device sale volumes and related data subscriptions increased significantly with approximately 34,000 devices sold to hospital and academic investigator led studies, other healthcare customers, and pharmaceutical company customers. In addition, contract development support sales totalled A$21,000 in FY2015.

The increase in sales volumes during FY2015 related to the following factors:

- two new contracts with a major pharmaceutical company customer to supply Smartinhaler™ devices and related support services for two global clinical studies (which remain ongoing); and
- increased staff resources hired in late FY2014 to target the growing awareness amongst hospital and academic investigators of the benefits of Smartinhaler™ devices in monitoring asthma and COPD patients.

Gross profit

Adherium's gross profit represents sales less Costs of Sales. Costs of Sales represents the sum of direct manufacturing and inventory costs, distribution and other selling costs, and salaries and wages for manufacturing and procurement staff.

Gross profit increased from A$143,000 (gross profit margin of 31.7%) in FY2014 to A$1,536,000 (gross profit margin of 52.9%) in FY2015. The increase in gross profit and gross profit margin was a result of:

- the increase in sales volumes during FY2015 (refer above) which generated margin improvement through economies of scale; and
- commencing with a new Asia based contract manufacturer for bulk orders which achieved significant cost savings per device through volume procurement savings and assembly efficiencies. Production for lower quantity orders continued in New Zealand.

Grants income

Grants income is received by Adherium from the New Zealand Government for qualifying research and development activities. During FY2015 Adherium received approval for a three-year Growth Grant from Callaghan Innovation under which reimbursement for 20% of qualifying research and development activities is received.

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Operating expenses

Adherium's operating expenses comprise research and development costs, sales and marketing costs, and administrative expenses.

Research and development costs relate to new product and data services research and development costs, clinical study support, associated staff costs, as well as regulatory approval and intellectual property costs. Sales and marketing costs include attendance at industry conferences and customer meetings, in addition to media design and associated costs. Administrative costs relate to typical head office and overhead costs, including finance, human resources, insurance, legal and other general operating costs.

Operating expenses increased from A$2,394,000 in FY2014 to A$2,839,000 in FY2015 primarily reflecting the investment in personnel during this period increasing from an average of eight employees during FY2014 to 14 employees during FY2015.

EBITDA

Adherium generated negative EBITDA in both FY2014 and FY2015, improving from a loss of A$2,109,000 to A$1,100,000 respectively. This trend reflects a combination of the factors discussed above, but is primarily a function of the increase in gross profits during these periods.

Operating cash flows

Cash flow from operating activities increased from a net cash outflow of A$2,022,000 in FY2014 to a net cash inflow of A$23,000 in FY2015. This was largely due to the improvement in operating activities (as discussed above) and a A$1,244,000 prepayment by a customer relating to a Smartinhaler™ device order received prior to 31 March 2015.

This is recorded as Income in Advance in the Pro Forma Historical Statement of Financial Position as at 31 March 2015 and will be recognised as sales on delivery of the sales order.

Capital expenditure

Capital expenditure includes purchases of property, plant and equipment (including manufacturing equipment) and new product development expenditure to the extent it meets the requirements for capitalisation.

Capital expenditure of A$125,000 during FY2014 related to the purchase of property, plant and equipment, including A$97,000 spent on manufacturing equipment and tooling required to support volume production of componentry for the Smartinhaler™ devices. The remaining capital expenditure primarily related to equipment purchases relating to new staff.

Capital expenditure of A$83,000 during FY2015 also primarily related to manufacturing equipment, including the set-up of assembly stations and validation equipment at Adherium's Asia based contract manufacturer. In addition, product development capital expenditure totalled A$169,000 during FY2015 which was directly attributable to the design and development of new Smartinhaler™ devices.

8.6 Pro Forma Historical Statement of Financial Position

8.6.1 Overview

Set out in the table below are the adjustments that have been made to the statement of financial position of Adherium (NZ) Limited as at 31 March 2015 to present the pro forma statement of financial position of Adherium Limited. The adjustments include the impact of the change in capital structure that will be in place immediately following completion of the Offer, as if the Offer had occurred as at 31 March 2015. These adjustments include assumptions relating to matters that are known as at the date of the Prospectus.

Table 4: Pro Forma Historical Statement of Financial Position as at 31 March 2015

			Pro Forma Adjustments (A$)				
000s	Statutory (NZ$)	Statutory (A$)	Convertible notes[i]	Pre-Offer restructure[ii]	Offer proceeds[iii]	Offer costs[iv]	Pro Forma (A$)
Current Assets							
Cash and cash equivalents	3,591	3,468	–	–	35,000	(2,986)	35,482
Trade and other receivables	358	346	–	–	–	–	346
Inventories	1,003	969	–	–	–	–	969
Deferred capital raising costs	494	477	–	–	–	(477)	–
Total current assets	5,446	5,260	–	–	35,000	(3,463)	36,797
Non-current assets							
Property, plant and equipment	172	166	–	–	–	–	166
Intangible assets	197	190	–	–	–	–	190
Total non-current assets	369	356	–	–	–	–	356
Total assets	**5,815**	**5,616**	**–**	**–**	**35,000**	**(3,463)**	**37,153**
Current liabilities							
Trade and other payables	(1,376)	(1,329)	–	–	–	–	(1,329)
Income received in advance	(1,342)	(1,296)	–	–	–	–	(1,296)
Borrowings	(1,554)	(1,501)	1,501	–	–	–	–
Embedded conversion derivative	(490)	(473)	473	–	–	–	–
Total current liabilities	**(4,762)**	**(4,599)**	**1,974**	**–**	**–**	**–**	**(2,625)**
Net assets	**1,053**	**1,017**	**1,974**	**–**	**35,000**	**(3,463)**	**34,528**
Equity							
Share capital	6,539	6,315	1,974	26,711	35,000	(2,771)	67,229
Share option compensation reserve	519	501	–	(501)	–	–	–
Retained earnings	(6,005)	(5,799)	–	5,799	–	(692)	(692)
Merger reserve	–	–	–	(32,009)	–	–	(32,009)
Total equity	**1,053**	**1,017**	**1,974**	**–**	**35,000**	**(3,463)**	**34,528**

Note:

(1) New Zealand dollar pro forma financial information as at 31 March 2015 has been translated into Australian dollars at 1.04, being the spot rate as at 31 March 2015.

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8.6.2 Pro Forma Adjustments

Notes:

(i) – Convertible notes

Adherium (NZ) Limited issued convertible notes at a face value of NZ$2.0 million in January 2015 which bear no interest from the issue date until 31 August 2015. The components of the convertible notes are recorded on Adherium (NZ) Limited's Statement of Financial Position as at 31 March 2015 as Borrowings (representing the liability element) and Embedded Conversion Derivative (representing the conversion feature). The Convertible Notes will convert to ordinary shares on confirmation of admission to the official list of the ASX at the Offer Price discounted by 25%. A pro forma adjustment has therefore been processed to remove the existing carrying values of the convertible notes (i.e. the Borrowings and Embedded Conversion Derivative components) and reflect these as a contribution to equity on completion of the Offer. The pro forma adjustment does not take into account potential changes to the fair value of the convertible notes between 31 March 2015 and completion of the Offer (e.g. resulting from increased probability of the conversion feature occurring).

(ii) – Pre-Offer restructure

Adjustment to present the change in book value of contributed equity relating to the value of Shares immediately prior to completion of the Offer (A$35.0 million, based on an Offer Price of A$0.50 per Share) offset by the elimination of issued capital acquired as part of the restructure. The acquisition of Adherium (NZ) Limited has been treated as a group re-organisation for accounting purposes and no fair value adjustments have been made. Consequently, the difference between issued capital and the book value of net assets is recorded within Merger reserves.

(iii) and (iv) – Offer proceeds and Offer costs

The Offer is expected to raise a maximum of A$35.0 million before payment of Offer costs, which are expected to total approximately A$3.5 million. Of these costs, A$2.8 million is recorded against share capital and A$0.7 million is recorded against retained earnings based on the nature of the cost and whether it is considered directly attributable to the Offer.

8.6.3 Share options

Adherium (NZ) Limited has an existing share option plan in place and has granted 1,077,263 options as at 31 March 2015 at exercise prices of NZ$0.73 (622,186 options) and NZ$1.30 (455,077 options). This share option plan is intended to be replaced with the Adherium Limited share option scheme on completion of the Offer, which has been treated as a replacement of the grants previously made. On the basis there are no changes to the terms of the options and that the options are fully vested, the fair value at the date of the IPO of the grants previously made by Adherium (NZ) Limited (and which remain outstanding) is expected to be the same as the replacement awards under the Adherium Limited share option scheme such that no adjustment is required for accounting purposes.

8.7 Debt Facilities

Adherium Limited has not entered into any bank debt arrangements or other financing arrangements with third parties immediately following completion of the Offer.

8.8 Lease Commitments

Adherium Limited will have two premises lease commitments in place immediately following completion of the Offer, which both expire in December 2015 with no right of renewal.

The table below sets out the aggregate future non-cancellable minimum lease payments for premises committed to by Adherium Limited.

Table 4: Lease commitments as at 31 March 2015

Lease Commitments as at 31 March 2015	NZ$		A$	
000s	Statutory	Pro Forma	Statutory	Pro Forma
No later than one year	51	51	49	49
Later than one year and not later than five years	–	–	–	–
Later than five years	–	–	–	–
Total	**51**	**51**	**49**	**49**

Note:

(1) New Zealand dollar pro forma financial information as at 31 March 2015 has been translated into Australian dollars at 1.04, being the spot rate as at 31 March 2015.

8.9 Liquidity and Capital Resources

Following completion of the Offer, Adherium Limited's principal sources of funds to deliver its immediate and forecast business objectives will be a combination of the proceeds from the Offer and cash flows from operations.

8.10 Dividend Policy

The ability of Adherium Limited to pay any dividend in the future is dependent upon many factors including the outcomes of research and development and sales efforts. The Directors are therefore unable to give any assurance regarding the payment of dividends in the future, if at all.

8.11 Significant Accounting Policies

8.11.1 Basis of preparation and adoption of NZ IFRS

The financial information has been extracted from the financial statements of Adherium (NZ) Limited, which are prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). Those financial statements comply with the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for profit oriented entities. The financial statements also comply with International Financial Reporting Standards (IFRS) and IFRIC interpretations.

8.11.2 Going Concern

The Directors have continued to adopt the going concern assumption in the preparation of the financial information. Adherium Limited is reliant on the ability to raise further equity funding to support the ongoing operation of the business and invest in future growth. This condition indicates that a material uncertainty exists that may cast significant doubt as to whether Adherium Limited can continue to operate as a going concern, and therefore Adherium Limited may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial information does not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should Adherium Limited consider it is no longer appropriate to prepare its financial statements on a going concern basis.

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8.11.3 Historical cost convention

The financial information has been prepared under the historical cost convention as modified by certain policies below.

8.11.4 Critical accounting estimates

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Adherium Limited makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Deferral of capital raising costs
As at 31 March 2015, Adherium Limited has deferred as a current asset costs incurred in relation to a planned capital raising. These costs are an asset to Adherium Limited to the extent they are expected to directly result in new equity being raised for Adherium Limited in the near future. Although there is inherent uncertainty as to the success of the planned capital raising, after considering a range of possible outcomes, Adherium Limited believes that the capital raising is sufficiently likely to be successful such that it is reasonable that the costs are recognised as an asset at 31 March 2015.

(ii) Fair value of embedded derivatives within the convertible notes
The embedded derivatives within the convertible notes issued by Adherium Limited during the year are not traded in an active market (for example, over-the-counter derivatives). Judgement is therefore applied to determine the appropriate valuation methodology and to the underlying assumptions, based on market and Company-specific conditions. The valuation can be significantly affected by the assumptions used, including assessment of the probability of outcomes, interest and discount rates.

(iii) Capitalisation of development costs
Development projects where knowledge and understanding gained from research and practical experience are directed towards developing new products, processes or systems, are recognised as intangible assets in the statement of financial position when they meet the criteria for capitalisation, set out in section 8.11.7 below. The amount capitalised includes all directly attributable costs, such as those for materials and services as well as compensation to employees. Judgement is applied in assessing when the capitalisation criteria are met.

(iv) Impairment of non-current assets
Adherium Limited reviews annually whether any property, plant and equipment or product development costs have suffered any impairment in accordance with the accounting policy stated in section 8.11.12. In making this assessment, the extent of the likely future use of these assets is required to be estimated in determining if their value is impaired at the balance sheet date. Adherium Limited evaluates indicators of impairment, including expected future demand for devices, in relation to each type of asset at the balance sheet date.

(v) Recognition of deferred tax assets
As at 31 March 2015, Adherium Limited has not recognised as an asset material tax losses which could be offset against future taxable profits. These tax losses would only be recognised to the extent that it is expected that there will be future taxable profits and such losses will be available in the future (after shareholder continuity tests) to offset those future taxable profits. Adherium Limited has considered its future expected profitability and shareholder continuity and has concluded that sufficient certainty does not yet exist to recognise these tax losses as an asset.

8.11.5 Foreign currency translation

(i) Functional and presentation currency
For the convenience of prospective investors, both Australian dollar and New Zealand dollar financial information is included in this Prospectus. The Adherium (NZ) Limited financial statements are presented in New Zealand dollars, which is Adherium (NZ) Limited's functional currency and presentation currency.

Adherium Limited intends to present the financial reports of Adherium Limited in Australian dollars to ensure consistency with other Australian listed companies.

(ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

8.11.6 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and taxes. Adherium Limited recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of Adherium Limited's activities, as described below. Amounts received from customers in accordance with contractual sales terms before these revenue recognition criteria are met are deferred and recorded as Income Received in Advance until such time as the criteria for recognition as revenue are met.

(i) Sales of devices
Adherium Limited manufactures and sells a range of inhaled medication monitoring devices and related equipment. Sales of products are recognised when they have been delivered to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery does not occur until the products have been shipped to the specified location, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed or Adherium Limited has objective evidence that all criteria for acceptance have been satisfied. No element of financing is deemed present as the sales are made with a credit term of 30 to 60 days.

(ii) Sales of licences and subscriptions to software
Adherium Limited sells licences and subscriptions to its device customers to enable access to data collected by purchased devices. Revenue is recognised in the accounting period to which the licence or subscription relates.

(iii) Grants
Grants received for research and development are recognised in the Statement of Comprehensive Income when the requirements under the grant agreement have been met. Any grants for which the requirements under the grant agreement have not been completed are carried as liabilities until all the conditions have been fulfilled.

(iv) Interest income
Interest income is recognised on a time-proportion basis using the effective interest method.

8.11.7 Research and development

Research costs include direct and directly attributable overhead expenses for product invention and design. Research costs are expensed as incurred.

When a project reaches the stage where it is reasonably certain that future expenditure can be recovered through the process or products produced, development expenditure is recognised as a development asset within Intangible Assets when:

- a product or process is clearly defined and the costs attributable to the product or process can be identified separately and measured reliably;
- the technical feasibility of the product or process can be demonstrated;
- the existence of a market for the product or process can be demonstrated and Adherium Limited intends to produce and market the product or process; and
- adequate resources exist, or their availability can be reasonably demonstrated, to complete the project and market the product or process.

In such cases the asset is amortised from the commencement of commercial production of the product to which it relates on a straight-line basis over the years of expected benefit. Research and development costs are otherwise expensed as incurred.

8.11.8 Employee benefits

(i) Wages, salaries and annual leave
Liabilities for wages and salaries, bonuses and annual leave expected to be settled within 12 months of the reporting date are recognised in accrued liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Share-based payments
Adherium Limited operates an equity-settled share option plan and awards certain employees, directors and consultants share options, from time to time, on a discretionary basis. The fair value of the services received in exchange for the grant of the options is recognised as an expense with a corresponding increase in the share option compensation reserve over the vesting period. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options at grant date. At each balance

08. FINANCIAL INFORMATION

sheet date, Adherium Limited revises its estimates of the number of options that are expected to vest and become exercisable. It recognises the impact of the revision of original estimates, if any, in the Statement of Comprehensive Income, and a corresponding adjustment to equity over the remaining vesting period.

When the options are exercised, Adherium Limited issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital.

8.11.9 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

8.11.10 Income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where Adherium Limited generates taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial information. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

8.11.11 Goods and Services Tax (GST)

The Statement of Comprehensive Income has been prepared so that all components are stated exclusive of GST. All items in the balance sheet are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

8.11.12 Impairment of non-financial assets

Assets that are subject to amortisation and depreciation are reviewed whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. The carrying amount of an asset is considered impaired when its recoverable amount is less than its carrying value. In that event, a loss is recognised in the Statement of Comprehensive Income based on the amount by which the carrying amount exceeds the recoverable amount.

8.11.13 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

8.11.14 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment is established when there is objective evidence that Adherium Limited will not be able to collect all amounts due according to the original terms of receivables.

8.11.15 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

8.11.16 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and any impairment recognised. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Adherium Limited and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

Depreciation is determined principally using the diminishing value method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

Manufacturing tooling equipment	4 years
Computer equipment	2 years
Office furniture, fixtures and fittings	4 years

8.11.17 Intangible assets

(i) Intellectual property

Costs in relation to protection and maintenance of intellectual property are expensed as incurred unless the project has yet to be recognised as commenced, in which case the expense is deferred and recognised as contract work in progress until the revenues and costs associated with the project are recognised.

Acquired patents, trademarks and licences have finite useful lives and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost over the anticipated useful lives, which are aligned with the unexpired patent term or agreement over trademarks and licences.

(ii) Acquired software

Acquired software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (two years).

(iii) Product development

Directly attributable product development costs that are capitalised in accordance with the research and development policy (section 8.11.7 above) include the associated direct external costs and employee costs.

8.11.18 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

8.11.19 Convertible notes

The terms included in the convertible notes contract related to the conversion features, had they been a standalone contract, would have met the definition of a derivative. These are separated from the host contract because the terms are not considered closely related to the host and accounted for in the same way as a derivative and measured at fair value through profit or loss. The fair value of the embedded derivative is estimated based on market conditions prevalent at the issue date. The remainder of the proceeds are allocated to the loan instrument portion of the convertible note. Transaction costs are allocated to the liability and embedded derivative components in proportion to their initial carrying amounts.

The embedded derivative is subsequently re-measured to fair value at each reporting date and any movements in fair value are immediately recognised in the Statement of Comprehensive Income within "interest expense". Transaction costs associated with embedded derivatives are expensed to the Statement of Comprehensive Income when incurred.

The host loan instrument portion meets the definition of a financial liability and is subsequently carried at amortised cost with any difference between the proceeds (net of transaction costs) and the redemption value of the loan instrument being recognised in the Statement of Comprehensive Income in "interest expense" over the period of the borrowings, using the effective interest method until extinguished on conversion or maturity of the notes.

8.11.20 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are deferred until the issue of the shares or options, and then shown in equity as a deduction, net of tax, from the proceeds.

08. FINANCIAL INFORMATION

8.11.21 Financial assets

Financial assets recognised in the Statement of Financial Position include cash and cash equivalents, and trade and other receivables. Adherium Limited believes that the amounts reported for financial assets approximate fair value.

(i) Financial assets: Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Adherium Limited's loans and receivables comprise "trade and other receivables" and "cash and cash equivalents" in the Statement of Financial Position. Loans and receivables are measured at amortised cost using the effective interest method less impairment.

8.11.22 Dividend distribution

Dividend distribution to Adherium Limited's shareholders is recognised as a liability in the financial information in the period in which the dividends are approved by Adherium Limited's shareholders.

INVESTIGATING ACCOUNTANT'S REPORT

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The Directors
Adherium Limited
Level 12, 15 William Street
Melbourne VIC 3000

20 July 2015

Dear Directors

INVESTIGATING ACCOUNTANT'S REPORT

Introduction

BDO East Coast Partnership (BDO) has been engaged by Adherium Limited (Adherium or the Company) to prepare this Investigating Accountant's Report (Report) in relation to certain financial information of Adherium, for the initial public offering of shares in Adherium which will wholly own Adherium (NZ) Limited (formerly Nexus6 Limited) (Adherium (NZ)), for inclusion in a prospectus proposed to be issued on or about 20 July 2015 (Prospectus).

Unless stated otherwise in this Report, expressions defined in the Prospectus have the same meaning in this Report.

This Report has been prepared for inclusion in the Prospectus. We disclaim any assumption of responsibility for any reliance on this Report or on the financial information to which it relates for any purpose other than that for which it was prepared.

Scope

You have requested BDO to perform a limited assurance engagement in relation to the pro forma historical information described below and disclosed in the Prospectus.

The pro forma historical financial information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

Pro Forma Historical Financial Information

You have requested BDO to review the following pro forma historical financial information (the "Pro Forma Historical Financial Information") of Adherium included in the Prospectus:

- the pro forma historical Statement of Financial Position as at 31 March 2015.

The Pro Forma Historical Financial Information has been derived from the historical financial information of Adherium (NZ), after adjusting for the effects of pro forma adjustments described in section 8.6 of the Prospectus. The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in section 8.2 of the Prospectus, as if those event(s) or transaction(s) had occurred as at the date of the historical

financial information. Due to its nature, the Pro Forma Historical Financial Information does not represent the company's actual or prospective financial position, financial performance, and/or cash flows.

The Pro Forma Historical Financial Information has been compiled by Adherium to illustrate the impact of the event(s) or transaction(s) described in Section 8.6 of the Prospectus on Adherium's financial position as at 31 March 2015. As part of this process, information about Adherium's financial position, financial performance and cash flows has been extracted by Adherium from Adherium (NZ)'s financial statements for the year ended 31 March 2015.

The financial statements of Adherium (NZ) for the year ended 31 March 2015 were audited by PricewaterhouseCoopers in accordance with the International Standards on Auditing (New Zealand). PricewaterhouseCoopers issued an unqualified audit opinion on the financial reports relating to those financial statements, with an emphasis of matter paragraph regarding the fact there is a material uncertainty regarding the ability for Adherium (NZ) to continue as a going concern in the event further equity investment is not received.

Directors' Responsibility

The directors of Adherium are responsible for the preparation and presentation of the Pro Forma Historical Financial Information, including the selection and determination of pro forma adjustments made to the historical financial information and included in the Pro Forma Historical Financial Information. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of Pro Forma Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Our Responsibility

Our responsibility is to express limited assurance conclusions on the Pro Forma Historical Financial Information, based on our limited assurance engagement. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information.*

Our limited assurance procedures consisted of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited assurance engagement is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or limited assurance reports on any financial information used as a source of the financial information.

Conclusions

Pro Forma Historical Financial information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information as described in section 8.6 of the Prospectus, and comprising:

- the pro forma historical Statement of Financial Position of Adherium as at 31 March 2015;

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 8.2 of the Prospectus.

SUBSEQUENT EVENTS

Apart from the matters dealt with in this Report, and having regard to the scope of this Report and the information provided by the Directors, to the best of our knowledge and belief no material transaction or event outside of the ordinary business of Adherium not described in the Prospectus, has come to our attention that would require comment on, or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

INDEPENDENCE

BDO is a member of BDO International Ltd. BDO does not have any interest in the outcome of the proposed IPO other than in connection with the preparation of this Report and participation in due diligence procedures, for which professional fees will be received.

GENERAL ADVICE WARNING

This Report has been prepared, and included in the Prospectus, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to be a substitute for professional advice and potential investors should not make specific investment decisions in reliance on the information contained in this Report. Before acting or relying on any information, potential investors should consider whether it is appropriate for their objectives, financial situation or needs.

Without modifying our conclusions, we draw attention to the Prospectus, which describes the purpose of the financial information, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose.

BDO has consented to the inclusion of this Report in the Prospectus in the form and context in which it is included. At the date of this Report this consent has not been withdrawn. However, BDO has not authorised the issue of the Prospectus. Accordingly, BDO makes no representation regarding, and takes no responsibility for, any other statements or material in or omissions from the Prospectus.

Yours faithfully

Anne Lockwood

Partner

INTELLECTUAL PROPERTY REPORT

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FRANKEHYLAND

ABN 43 096 988 694

Intellectual Property Report: Adherium Limited

This report has been prepared at the request of the Directors of Adherium Limited and Adherium (NZ) Limited (formerly Nexus6 Limited, hereinafter Nexus6). It has been prepared for inclusion in a prospectus for lodgement at the Australian Securities and Investment Commission for the purpose of raising funds through the issue of securities and to seek listing on the Australian Stock Exchange Limited.

1. Executive Summary

Nexus6 has a variety of registered and pending intellectual property (IP) rights relevant to their business activities.

Section 2 outlines the general field of technology.

Sections 3 to 7 explain general aspects of the patent system, risks in the patent system and limitations on patent protection, with particular reference to Nexus6.

Section 8 outlines the existing patent portfolio.

Section 9 explains general aspects of the trade mark system and outlines the trade mark portfolio.

Section 10 outlines risk associated with trade marks, with particular reference to Nexus6.

Section 11 explains general aspects of the registered design system.

Section 12 provides an overview of the competitor IP landscape.

Section 13 provides a brief Curriculum Vitae of the Author; section 14 outlines the scope and limitations of the report; and section 15 is a statement of independence.

Appendices A to C are a set of tables outlining details of the patent, trade mark and design portfolio.

2. Technology Field

Nexus6 has developed products relating to the monitoring or medication usage, and in particular, to the usage of inhaler type medications. A variety of Nexus6 products have been developed in order to operate with the major inhaler delivered medications.

The Nexus6 products connect to, and in many cases surround, the inhaler device. They monitor the dose of medication and record data which is sent, typically wirelessly, to a remote location for monitoring and analysis. The data may include factors such as time and duration of dose, location, the identity of the medication, and other factors.

Important aspects of the technology relate to accurately sensing dose, retaining the inhaler in a functional way, so that operation can be accurately sensed; and the attachment to the inhaler.

3. Patent Protection

Patents are granted by national and regional intellectual property offices in accordance with the corresponding national laws. Granted patents provide a right to prevent use, sale, importation or other unauthorised exploitation of the invention. The protection is generally limited to actions in or relating to the countries in which protection is obtained, and enforcement is generally by litigation.

The scope of protection is defined by the terms of the claims. Patents are (in broad terms) infringed when another party takes all of the elements of one or more of the claims in the patent. Patents generally have a maximum term of 20 years, subject to the payment of renewal fees in all the relevant countries.

It is usual to draft patent applications with a broad initial scope of the claims, as different claim scopes are allowed in different countries. This approach also provides the best opportunity to maximise the scope of protection. Nearly all patent applications will encounter objections from the examiner in each country. The applicant will then respond, discussing the issues with the examiner and narrowing the scope of the claims, until the application is allowed and proceeds to grant. The Nexus6 patent applications have mostly not been granted, and are in the course of this process of examination and response. This is in my experience normal for a company at this stage of development in the medical devices space. However, as a consequence it is not possible to be certain as to the eventual scope of the patents that may be granted.

4. Requirements for Patentability

The requirements for patentability differ in detail from country to country. However, in general terms the main requirements are that the invention relate to patentable subject matter; that the invention is novel and have an inventive step (not be obvious); and that the patent contain an adequate disclosure of an implementation of the invention.

The inventions claimed by Nexus6, in our opinion, meet the tests for patentable subject matter in each country in which protection has been sought. We have not identified any issues in relation to the extent of disclosure in the patent specifications.

In order to be new, the invention must not have been disclosed in writing or otherwise in public, or offered for sale, before the priority date. The requirement of inventive step is, in general terms, that

the invention must go beyond what the skilled worker in the field would arrive at as a matter of course when attempting to address the same problem as the invention.

5. Procedure for Obtaining Patent Protection

Patents are granted on a national basis. International patent protection is based upon a system of well-established and widely adopted international conventions. The first application for a patent for an invention is called the basic application, and its filing date is known as the priority date. If patent applications in other countries are filed within a year from the priority date, then (in accordance with the Paris Convention, WTO Treaty and bilateral agreements) they retain the effective filing date of the priority date for the purpose of assessing novelty and inventive step.

There are three different types of patent application of relevance here. A provisional application acts as a filing to obtain a priority date. It does not proceed to grant; rather, a later application must be filed within a year of the priority date to claim the benefit of that filing. Provisional applications are not examined by the patent authorities.

A national filing is a regular patent application in a particular country or region. It will be examined in most cases by the local or regional patent authorities. Applications can be filed directly in the country or region, or using another convention called the Patent Patents Cooperation Treaty (PCT).

The PCT allows for a single application to be filed in a single patent office, designating all the member states, obtain a preliminary search and opinion, and delay filing into the national and regional intellectual property offices for a period of 30 months from the priority date. The PCT currently has 148 members, including all OECD member countries. At the end of this period, national filings must be made in the countries of interest.

The patent application is examined in each country (or in some cases regional offices), according to its national laws and procedures. These vary in process, timing and rigour.

6. Potential Limitations of Patent Protection

Certain limitations are inherent in the patent system. In all relevant countries it is possible to challenge the validity of a patent even after it has been granted by the intellectual property office. This may be possible by administrative processes at the relevant patent office, court procedures, or both. A successful challenge to validity will result in the patent being narrowed in scope, or completely revoked.

Patent offices do not guarantee the validity of patents granted. Because of the limited scope of material searchable by the patent office, compared to the potential to use any document or act before the priority date to attack validity, there is a risk that presently unknown material relevant to patentability will be discovered at a later time, with consequent risks to validity.

The scope of a granted patent may be significantly different to a pending application, and so it is not possible to advise with certainty in relation to infringement of a pending application. As such, our

comments in relation to pending application are based on the current status, the prior material raised by the examiner, and our opinion in relation to the likely outcome. There is significant uncertainty inherent in any such opinion.

Pending patent applications may never proceed to be granted patents. It is not generally possible to commence litigation based on a pending application, it is necessary to obtain a granted patent. However, damages in some instances and in some jurisdictions may be backdated for part of the period of pendency.

7. Proprietorship

It is a requirement for validity of patents in Australia and other countries that there be a clear chain of title from the inventor to the applicant or owner. Challenges to proprietorship can be a basis for revocation of patents. We are not aware of any issues in relation to the proprietorship of Nexus6 of the patents and patent applications listed in Schedule A.

8. The Patent Portfolio

Nexus is the owner of a portfolio of patent applications, details of which are annexed as schedule A. A discussion of each patent family follows below.

In relation to the patent families that have been, or could be, filed outside New Zealand, we have reviewed the current scope in the light of the cited references, examiner's comments and prior art material provided by Nexus6. We have provided commentary on the current scope based on that material.

8.1. Programmable Ring Tones

This application was filed on 20 May 2005 and has proceeded to grant only in New Zealand. It is too late to file this application in other countries.

It is directed to a medicament inhaler including a reminder system. The reminder system comprises an audio output device (e.g. a speaker or buzzer) with different ring tones and a controller including a timer. The controller allows the ring tomes to be played in accordance with a set of rules, so that different ring tones are output at different times.

This patent is only in New Zealand (NZ), and we have accordingly not investigated its likely validity.

8.2. External Optical Dose Counter

This patent family includes a granted NZ patent and a pending US application. The basic application was filed on 5 February 2009. It is too late to file in other territories.

It is directed in general terms to a device for monitoring patient usage of a medicament inhaler, including an optical dose counter which passes optical signals from a transmitter to a receiver through

the inhaler, so that delivery of a dose alters the optical signal and the delivery is thereby detected by the monitor.

Objections have been raised against the US application, and based on the prior references raised by the examiner it is unlikely to proceed to grant with the present scope or protection. In the event that substantial limitations are made, there is some prospect that the application could proceed to grant in the US.

8.3. Service Orientated Compliance Monitor

This application was filed on 27 March 2009 and has proceeded to grant only in New Zealand. It is too late to file this application in other countries.

It relates to a medicament delivery device and a related data communications system, including data gathering means, data storage, and communication means for transmitting the data to a web service, wherein the web service is able to share the data with a computer program.

This patent is only in NZ, and we have accordingly not investigated its likely validity.

8.4. Communications Accessory for a Compliance Monitor

The basic application was filed on 1 April 2009, and a PCT application was subsequently filed. The patent has proceeded to grant in the US and NZ, and is pending at the European Patent Office (EPO).

In general terms, the patent is directed at a re-usable communications accessory for use to transmit compliance related data from an electronic medicament delivery device. The device as claimed in the granted US patent includes a housing that can be releasably fitted to the medicament delivery device, data collection means to collect data from the delivery device, and a wireless communicator.

A variety of prior references were cited by the PCT, US and NZ examiners. No search or examination by the EPO has yet been completed. Some prior references disclose an integrated monitor which transmits usage data wirelessly. The protection is specifically limited to a re-usable device separate from an electronic medicament delivery device. It is likely that claims of this scope are valid based on the cited references.

8.5. Loosely Coupled Compliance Monitor

The basic application was filed on 23 September 2011, and a PCT application was subsequently filed. National applications were filed in the US and at the EPO and are still pending. The US application has not been searched or examined. A search and opinion have issued from the EPO. The NZ patent has proceeded to grant.

In general terms, these patent applications are directed at a compliance monitor for monitoring patient usage of a medicament delivery device (e.g. inhaler), the monitor including a housing to enclose the delivery device and a dose counter. The housing is loosely coupled to the inhaler, i.e. it is able to move relative to the delivery device during delivery, and this movement actuates the dose counter. This is stated to provide advantages in reliability of dose recording.

The PCT examiner has raised substantial prior references against this application. The EPO has also raised significant rejections. It is possible that grant in the US or the EPO could be obtained with very substantial limitations to the scope.

8.6. Cap Detecting Compliance Monitor

The basic application was filed on 30 August 2013. A PCT application has been filed and is still in the international phase, and an international search has been conducted. National filings are due by 29 February 2016 and are possible in any PCT member.

This patent is generally directed at a compliance monitor for an inhaler, the inhaler including a cap, the monitor including a cap detection means for determining whether the cap is covering the mouthpiece, and/or determining that the cap is being removed or replaced, with respect to the mouthpiece. In the granted NZ patent, it also includes a limitation that the monitor includes a dose detector, so that the monitor can determine whether the cap is in place or removed when the dose is dispensed. This allows the determination of accidental or erroneous inhaler operation with the cap in place.

The PCT examiner has raised a significant prior reference against the broader PCT claims. There are reasonable prospects for the grant of amended claims directed to the collection of cap status data coupled with dose data and transmission of the combined date for monitoring, based on the references cited.

8.7. Rotational Compliance Monitor - SmartTurbo2

The basic application was filed on 3 March 2014, and has proceeded to grant in NZ. A PCT application was filed on 4 September 2014. National filings are not due until 3 September 2016. A PCT search and opinion have issued.

This invention relates to a compliance monitor, specifically for dry powder type inhalers. In general terms, the compliance monitor has a first portion for receiving or retaining the base part of the inhaler. A second portion releasably secures the monitor to the first portion, the fitting including a push fit. Dependant claims allow for dose detection and base rotation sensing.

An important features is that the base of the inhaler can still be rotated, and so used to dispense medication, after the monitor is attached to the base. The issue addressed is that such powder based inhalers typically operate by the user rotating the base to dispense the medication. Prior art devices have a screw fit, which may inadvertently dispense a dose of medication and require additional dexterity by the user to attach.

The PCT examiner has raised significant prior art in relation to the scope of the claims as presently drafted. Based on the references cited, there are reasonable prospects for the grant of amended claims including more structural detail.

8.8. Identification of medicament Delivery Devices

This is a provisional application filed 16 May 2014. An NZ national filing was filed on 5 December 2014, and a PCT application on 15 May 2015.

The patent application relates to compliance monitors that include recognition means for identifying medicament delivery devices, as well as optical sensors. In particular, it is directed at optical identification, rather than known approaches such as RFID.

A New Zealand Examination report has issued, raising in particular prior references relating to sensing of colour and similar features of medicament dispensing devices. Based on the references cited, there are reasonable prospects for the grant of amended claims directed at the specific optical sensing arrangements, and confirmation that the dispensing device is the correct prescribed device.

8.9. SmartTurbo3

This is a provisional application filed 15 September 2014. No official search or examination has occurred as yet.

This relates to a single unit compliance monitor for DPIs which can be releasably attached to the base of the medicament delivery device. The device is attached to the base of the inhaler using a push fit.

None of the prior material reviewed discloses the invention as claimed. In order to obtain protection internationally, it is likely that a limitation to the specific structural features will be required.

8.10. SmartTouch for Easi-Breathe®

This is a provisional application filed 9 January 2015. No official search or examination has occurred as yet.

The above patent application relates to compliance monitor devices which include a cap detection means for determining when the cap is on the mouthpiece or when it is removed from the mouthpiece of the inhaler. Based on the objections and prior art on the Cap Detecting Compliance Monitor family, referenced above, it is likely that any protection will be restricted in scope to specific structural and/or functional features.

8.11. SmartHandy

This is a provisional application filed 9 January 2015. No official search or examination has occurred as yet.

The above patent application relates to compliance monitor devices which include a cap detection means for determining when the cap is on the mouthpiece or when it is removed from the mouthpiece of the inhaler. It is addressing a similar issue to SmartTouch for Easi-Breathe®, but for HandiHaler® inhalers (Boehringer Ingelheim). Based on the objections and prior art on the Cap Detecting Compliance Monitor family, referenced above, it is likely that any protection will be restricted in scope to specific structural and/or functional features.

9. Trade Marks

Registered trade marks protect indications which serve to distinguish the goods or services of one competitor from those of others, and provide the owner with the exclusive right to use or authorise others to use the trade mark in relation to the goods and services for which it is registered.

Trade marks are of particular importance where the business strategy requires various parties in a trade channel to handle goods, as it allows the owner to control any unauthorised product.

Trade marks are granted generally on a national or regional basis. International filings are governed by international treaties, in a similar manner to patents, but with a six month priority period. The intellectual property offices in each country in most cases conduct searches and examination prior to registration. Application are typically pending for a period of 6 months to 2 years.

Appendix A includes a list of the registered trade marks and trade mark applications owned by Nexus6 Limited.

10. Trade Mark Risks

The products sold by Nexus6 typically include the name of the product for which it is intended on the outside, and have a colour matching the product. This provides advantages in safety and useability, in ensuring that the correct monitor is used with the appropriate inhaler product.

There is a risk that the inhaler product IP owners could object to the use of their colour and/or product name on the Nexus6 product. In most cases the product names would be registered trade marks and have a substantial reputation. The colours may also be registered trade marks in some jurisdictions.

Trade marks are subject to challenge by third parties in each jurisdiction before and after grant, using administrative and/or court based processes on various grounds.

Nexus6 has pursued trade mark protection for only some of their trade marks, and only in the US and NZ. There is a risk that other parties may obtain trade mark rights for the remaining territories and trade marks unless trade mark applications are filed.

11. Registered Designs

Registered designs provide a form of protection for the shape and appearance of industrially produced products. They provide the owner with the right to prevent the sale of any article in respect of which the design is registered, being an article to which the registered design or a design not substantially different from the registered design has been applied.

Registered designs are granted on a national or regional basis. International filings are governed by international treaties, in a similar manner to patents, but with a six month priority period.

Registered designs have been applied for only in the European Union and New Zealand. They relate to the shape of various specific compliance monitor products. Appendix C is a table of the registered designs and applications filed by Nexus6 Limited. The later filings could be filed internationally within six months of their filing dates.

12. Competitor Patent Landscape

Searches have been conducted to identify the patent and patent application families held by an group of competitors and other parties considered to be active or potentially active in seeking patent protection in technology closely related to the Nexus6 technologies. Approximately 70 families were identified.

These patent families were reviewed for relevance in relation to the Nexus6 product range. We note that no comprehensive subject matter based infringement searches, infringement opinions in any jurisdiction, or freedom to operate opinion have been provided. Other parties may have relevant IP rights which have not been located, and the identified parties may have rights, for example in the name of different entities, former names or inventor names, which the searches will not have located.

The intention of this aspect of the report is to provide a preliminary opinion as to the potential relevance of the patent portfolio of the selected competitors to current Nexus6 products.

The patent system provides a period of time 18 months from the earliest filing of that family, or basic application, during which patent applications remain secret and cannot be identified. With allowance for delays to entry into databases, patent applications with a basic application date (priority date) after July 1 2013 may not be reliably identified in these searches. In all cases, the search is dependant for its accuracy upon the relevant databases and search engines provided by third parties, which is not under our control and for which we are not responsible.

We consider that most of the patent families identified represent a low risk to the current activities of Nexus6. There has been an increase in activity in patent filings in this technology in recent years, indicating increasing interest in this area of technology. These patent applications tend to be directed at specific features, for example sensors and communications systems, which differ from the comparable features of Nexus6 products.

We have identified three granted patent families which represent a moderate degree of risk to current Nexus6 products. The principal risk is in the US. No complaints have been asserted. The effect of any of these patent families being asserted would likely be to require Nexus6 to enter into a license agreement, or to modify certain products for certain markets. Two of the patent families are relatively old and towards the end of their term.

13. Author's Curriculum Vitae

Peter Franke has been a registered Patent and Trade Mark Attorney in Australia since 1990. He holds the degrees of Bachelor of Science (Physics) and Bachelor of Laws from the University of Melbourne.

He is a founder and principal of Franke Hyland, which was established to provide sophisticated IP services and strategic advice for Australian technology developers. Peter's work is focussed in specific technology areas, particularly medical devices and software. He has acted for a variety of international and Australian medical device clients in developing international patent portfolios. He was a partner in a national firm from 1991 until 2009. He has extensive experience in a variety of facets of Intellectual Property work, including drafting patents, prosecution in major international jurisdictions, freedom to operate and validity opinions, oppositions, litigation support, and due diligence examinations.

14. Scope of opinion

The author has not made any independent investigation of the operation of the Nexus6 products, and has relied on information about the products provided by the company. No reviews of proprietorship of the IP have been conducted. No additional prior art searching has been conducted. Limited scope name searching has been conducted as outlined in the Competitor Patent Landscape section. This opinion does not encompass freedom to operate in any jurisdiction. In relation to documents that are still secret and hence not publically available, for example recently filed provisional applications, the author has relied upon the copies and data provided by Nexus6 Limited. The appendices are correct as at 30 June 2015.

15. Statement of Independence

The author was not involved with the drafting of the patent applications, has done no professional work for and has had no contact with Nexus6 Limited prior to the preparation of this report. This report is based upon information which has been independently obtained by Franke Hyland from the official records of IP registration bodies in Australia and internationally, other than as outlined above.

The author, the firm Franke Hyland, and the principals and staff of Franke Hyland do not have any financial or material interest in Nexus6 Limited. The payment of fees for the preparation of this independent report is not contingent upon the outcome of this prospectus.

Appendix A

Applicant / Owner: Nexus6 Limited

Invention	Patent Title	Country	Patent/Publication Number	Priority Date	Current Status
SmartHandy	Compliance Monitor for a Medicament Inhaler	New Zealand	NZ704348	09-Jan-15	Provisional application filed
SmartTouch for Easi-Breathe®	A Compliance Monitor for a Medicament Inhaler	New Zealand	NZ703739	09-Jan-15	Provisional application filed
SmartTurbo3	A Push-on Compliance Monitor for a Dry Powder Medicament Delivery Device	New Zealand	NZ700042	15-Sep-14	Provisional application filed
Identification of Medicament Delivery Devices	A Detection System	New Zealand	NZ625105	16-May-14	Provisional application filed
Identification of Medicament Delivery Devices	Devices and methods for identification of medicament delivery devices	New Zealand	NZ702707	16-May-14	Examination report issued
SmartTurbo2 - Rotational Compliance Monitor	A Compliance Monitor for a Dry Powder Medicament Delivery Device	International	PCT/NZ2014/000189	03-Mar-14	International Search Report/ Opinion issued

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Invention	Patent Title	Country	Patent/Publication Number	Priority Date	Current Status
SmartTurbo2 - Rotational Compliance Monitor	A Compliance Monitor for a Dry Powder Medicament Delivery Device	New Zealand	NZ622000	03-Mar-14	Granted 1 August 2014
Cap Detecting Compliance Monitor	A Compliance Monitor for a Medicament Inhaler	International	PCT/NZ2014/000184	30-Aug-13	International Search Report /Opinion issued
Cap Detecting Compliance Monitor	A Compliance Monitor for a Medicament Inhaler	New Zealand	NZ614928	30-Aug-13	Granted 4 Jun 2014
Loosely Coupled Compliance Monitor	A Compliance Monitor	International	PCT/NZ2012/000168; WO/2013/043063	23-Sep-11	Superseded
Loosely Coupled Compliance Monitor	A Compliance Monitor	New Zealand	NZ595367	23-Sep-11	Granted 5 Jun 2012
Loosely Coupled Compliance Monitor	Compliance Monitor	USA	US 14/129257	23-Sep-11	Awaiting Examination
Loosely Coupled Compliance Monitor	A Compliance Monitor	Europe	EP12833109.7/EP2758111	23-Sep-11	EPO Search and Opinion issued

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Invention	Patent Title	Country	Patent/Publication Number	Priority Date	Current Status
Communications Accessory for a Compliance Monitor	Improvements in or Relating to Medicament Delivery Systems	International	PCT/NZ2010/000052 WO2010114392	01-Apr-09	Superseded
Communications Accessory for a Compliance Monitor	Improvements in or Relating to Medicament Delivery Systems	New Zealand	NZ575943	01-Apr-09	Granted 12 Nov 2009
Communications Accessory for a Compliance Monitor	Medicament Delivery Devices	USA	US 8,424,517	01-Apr-09	Issued 23 April 2013
Communications Accessory for a Compliance Monitor	Improvements in or Relating to Medicament Delivery Systems	Europe	EP10759089.5/EP2414978	01-Apr-09	Awaiting EPO Search/Exam
Service Orientated Compliance Monitoring System	Improvements in or Relating to Medicament Delivery Systems	New Zealand	NZ575836	27-Mar-09	Granted 10 Dec 2009
External Optical Dose Counter	Releasable Monitor with Optical dose counter for a medicament inhaler	USA	US2014/0000598; US 13/705813	05-Feb-09	Examination Report issued
External Optical Dose Counter	Improvements in or relating to Medicament Inhalers	New Zealand	NZ574666	05-Feb-09	Granted 13 August 2009

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Invention	Patent Title	Country	Patent/Publication Number	Priority Date	Current Status
Programmable Ring Tones	A Reminder System for a Medicament Inhaler	New Zealand	NZ540250	20-May-05	Granted 14 August 2008

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Appendix B

Trade Marks

Owner: Nexus6 Limited

Trade Mark	Country	Date of Application	Registration Number	Status
smartinhaler	New Zealand	16-Mar-04	709642	Registered
SmartTrack	New Zealand	26-Mar-09	804268	Registered
SmartDisk	New Zealand	26-Mar-09	804270	Registered
SmartTurbo	New Zealand	26-Mar-09	804272	Registered
SmartDisk	US	24-Sep-09	3872180	Registered
SmartTrack	US	24-Sep-09	3878642	Registered
SmartTurbo	US	24-Sep-09	3882234	Registered

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Appendix C

Designs

Owner: Nexus6 Limited

Product	Registered Design name	Country	Date of Application	Registration Number	Status
External Optical Dose Counter	A Housing for a Medicament Inhaler	New Zealand	19-Feb-09	411922	Registered & Next Renewal 19 Feb 2019; Final Expiry Date 19 Feb 2024
External Optical Dose Counter	A Housing for a Medicament Inhaler	New Zealand	20-Mar-09	412058	Registered & Next Renewal 20 March 2019; Final Expiry Date 20 March 2024
SmartTouch for Easi-Breathe®	A Compliance Monitor for a Medicament Inhaler	New Zealand	09-Jan-15	419719	Registered; Foreign application to be filed by 9 July 2015
SmartHandy	A Compliance Monitor for a Medicament Inhaler	New Zealand	02-Feb-15	419829	Registered; Foreign application to be filed by 2 Aug 2015

Product	Registered Design name	Country	Date of Application	Registration Number	Status
SmartTurbo1.6	A Compliance Monitor for a Medicament Inhaler	EU	03-Mar-15	002645259	Registered.
SmartTurbo2	A Compliance Monitor for a Medicament Inhaler	EU	03-Mar-15	002645259	Registered.
SmartTurbo3	A Compliance Monitor for a Medicament Inhaler	EU	03-Mar-15	002645259	Foreign applications to be filed by 3 Sep 2015
SmartTouch for Symbicort®	A Compliance Monitor for a Medicament Inhaler	NZ	04-Jun-15	420306	Filed
SmartTouch for Symbicort®	A Compliance Monitor for a Medicament Inhaler	NZ	04-Jun-15	420307	Filed

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RISK FACTORS

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11. RISK FACTORS

This section identifies some of the major risks associated with an investment in the Company. All Applicants should read the whole of this Prospectus in order to fully appreciate such matters and the manner in which the Company intends to operate before any decision is made to subscribe for Shares.

Speculative nature of investment

Any potential investor should be aware that subscribing for Shares involves various risks. The Shares to be issued pursuant to the Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares. The success of the Company is largely dependent on the outcome of its future sales of its products. An investment in Shares of the Company should therefore be considered very speculative.

Business risks associated with the Company

Future Revenues: Up to 31 March 2015, Adherium (NZ) Limited had incurred losses in aggregate of NZ$6 million. While the Company has in the past entered into various supply contracts for its products – those contracts generally have been for a limited run or order (for example related to a particular trial) and do NOT guarantee the Company will receive further product orders. Further the Company has not as yet achieved significant market penetration for its products.

For this reason the Board does NOT envisage in the immediate future that the Company will generate sufficient revenue to be profitable or be in a position to declare any dividends. The financial prospects of the Company are dependent on a number of factors, including without limitation successfully completing further product development (including in proposed new application areas), gaining regulatory approvals, the degree of market acceptance or take-up of its products and the amount of competition encountered from competitive or alternative products developed by third parties. There is no guarantee that the Company's development work will result in commercial sales or that the Company will achieve material market penetration.

In the light of these factors and having regard to ASIC Regulatory Guide 170, the Directors consider at this stage the Company is unable to provide potential investors with reliable revenue, profit or cash flow projections or forecasts. An investment in medical devices is a long-term investment, with long development time frames and NO dividends should be expected in the short term.

Sales Execution Risk: The Company intends to expand its Smartinhaler™ product range to ensure it can attract the broadest possible range of customers. However the Company's growth is dependent upon successfully securing substantial commercial orders from multinational pharmaceutical companies. Such orders and supply agreements can take long periods of time to negotiate and as such the Expenditure Program as outlined may not result in the level of revenue expected by the Company. If the Company fails to secure such orders, the Company's business, value of its technology and resulting value of its Shares may be materially harmed.

Competition: The pharmaceutical, medical device and digital health industries are highly competitive and include companies with significantly greater financial, technical, human, research and development, and marketing resources than the Company. There are companies that compete with the Company's efforts to develop, validate and commercialise its product. The Company's competitors may discover and develop products in advance of the Company and/or products that are more effective than those developed by the Company.

In addition, other third parties that are not currently marketing competing products and are therefore not included in the list of direct competitors but which have filed patent applications, or obtained patents, in the asthma medication adherence monitoring field may proceed to manufacture and market their products.

As a consequence, the Company's current and future technologies and products may become obsolete or uncompetitive, resulting in adverse effects on revenue, margins and profitability.

In section 10, there is an overview of the competitive field relevant to Adherium's current Smartinhaler™ product range. Adherium's external patent attorney in his report has identified three granted patent families that represent a moderate degree of risk to current Adherium products. The principal risk is in the US final injunction remedy as a matter of right – rather it is a matter of discretion for the court in all the circumstances. No patent infringement claims have been asserted against Adherium despite six years of product sales. The effect of any of these patent families being asserted would likely be to require Adherium (NZ) to enter into a license agreement, or to modify certain products for certain markets. Two of the patent families are relatively old and towards the end of their terms.

Reliance on Key Personnel: The Company currently employs a number of key management and engineering personnel, and the Company's future depends on retaining and attracting suitably qualified personnel. The Company has included in its employment with key personnel provisions aimed at providing incentives and assisting in the recruitment and retention of such personnel. Despite these measures, however, there is no guarantee that the Company will be able to attract and retain suitably qualified personnel, and a failure to do so could materially and adversely affect the business, operating results and financial prospects.

Sufficiency of Funding: The funding proposal set forth in this Prospectus is based on the Company's best estimation of cash flow projections and estimated expenditures for a 24 month period. The Company has limited financial resources and will need to raise additional funds from time to time to finance the complete development and commercialisation of its products and its other longer-term objectives. The Company's product development activities may never generate sufficient revenues to achieve profitability. The Company's ability to raise additional funds will be subject to, among other things, factors beyond the control of the Company and its Directors, including cyclical factors affecting the economy and share markets generally. The Directors can give no assurance that future funds can be raised by the Company on favourable terms, if at all.

Innovative Technological Development: Medical device research and product development involve scientific and technical uncertainty and long lead times. There is no certainty as to whether any particular event or project will occur within a set period or by a certain date. Inherent risks in medical device R&D include:

- uncertainty of the outcome of research results using the Company's products;
- difficulties and/or delays in product development programs;
- uncertainty around whether a product can be developed and produced at an acceptable cost; and
- general uncertainty related to the development of an innovative medical device.

Notwithstanding that development of the Company's existing product range has already been conducted, this development work may need to be reviewed and repeated. If the Company's product is ultimately proven to be unsafe or ineffective, the Company's business and resulting value may be materially harmed.

Regulatory Requirements Risk: Medical device products are regulated by government agencies and must be approved prior to commercial sales. Complex government health regulations increase uncertainty and are subject to change at any time. As such the risk exists that the Company's new products may not satisfy the stringent requirements for approval and/or the approval process may take longer than expected. Delays may be experienced in obtaining necessary approvals for new devices or in new territories for existing devices, and/or the regulatory agencies may require additional information or clinical evidence and these may add to the development cost and delay of the medical devices entering the marketplace or being able to be sold in commercial volumes. This may adversely affect the Company's competitive position and the financial value of the medical devices to the Company.

Expenditure Program: Adherium has not entered into contracts for a number of the material items covered by the Expenditure Program, nor does it have binding quotations in relation to such items. Rather the Directors have determined that following the successful close of the Offer, Adherium will be well positioned to negotiate the exact terms for such contracts.

It is possible that actual expenditure may be more than estimated by the Company in its anticipated Expenditure Program. This could, depending on the difference in actual costs, require the Company to seek to raise additional funding. If adequate funds are not available, the Company's business operations could be negatively affected and the advance of the Company's commercialisation efforts hampered.

The Directors and management have relevant industry experience and have prepared the anticipated Expenditure Program based partly on discussions with or indicative quotes obtained from potential suppliers of those services and their own experience of the likely costs for those expenditure items. While the Directors are confident Adherium will be able to source suitable suppliers, there is a risk that Adherium may not be able to source those suppliers at the estimated expenditure in the Expenditure Program in section 6.9.

Product Liability: As with all new products, even after the granting of regulatory approval, there is no assurance that unforeseen adverse events or manufacturing defects will not arise. Adverse events could expose the Company to product liability claims or litigation, resulting in the removal of the regulatory approval for the relevant products and/or monetary damages being awarded against the Company. In such event, the Company's liability may exceed the Company's insurance coverage.

11. RISK FACTORS

Manufacturing/Production Risks: The manufacturing of medical devices is very complex and associated with uncertainties in relation to issues such as the price of manufacture and manufacturing capacity for large scale manufacturing. Should difficulties or delays occur in the manufacturing of the Company's products (by the Company itself or in respect of volume manufacturing by third party contract manufacturers), the timing of the product development and/or commercialisation as outlined in the Prospectus may be affected and may have an adverse impact on the financial performance of the Company. If, for some reason, any products do not meet suitability or quality assurance standards, the Company will ensure the material is re-manufactured, which may result in increased costs and may delay sales and/or delivery of customer orders. If for any reason the Company is required to change any of its third party contract manufacturers, this could also result in increased costs and may delay sales.

Dependence on Service Providers: The Company intends to operate a significant amount of its key activities through a series of contractual relationships with licensees, independent contractors and suppliers. All of the Company's contracts carry a risk that the third parties do not adequately or fully comply with its or their respective contractual rights and obligations. Such failure can lead to termination and/or significant damage to the Company's product development efforts.

Currency Risk: Revenue and expenditures will predominately be received or incurred in overseas jurisdictions and will be subject to the risk of fluctuations in foreign exchange markets. Accordingly, payment or receipts will be made in those foreign countries' currencies, and may exceed the budgeted expenditure if there are adverse currency fluctuations against the Australian dollar. The Company has no plans at this stage to hedge its foreign currency payments.

The Company's Intellectual Property

Trade Secrets: The Company relies on its trade secrets, which include information relating to the manufacture, development and administration of its products. The protective measures that the Company employs may not provide adequate protection for its trade secrets. This could erode the Company's competitive advantage and materially harm its business. The Company cannot be certain that others will not independently develop the same or similar technologies on their own or gain access to trade secrets or disclose such technology, or that the Company will be able to meaningfully protect its trade secrets and unpatented know-how and keep them secret.

Patent Rights: There is no guarantee that the Company's intellectual property comprises all of the rights that the Company may require to freely commercialise its product candidates. The Company's existing intellectual property rights include its copyright in source code used in its digital health technologies, its know-how in the development of digital health products and data arising from the use of its digital health products (such as the Smartinhaler™).

The Company has also lodged various patent applications (as detailed in section 10) relating to various components of its current Smartinhaler™ technology platform. Those applications have mostly not been granted, and are in the course of this process of examination and response. It is important to note that patent applications are commonly drafted with a very broad ambit of claims – as different claim scopes are often allowed in different jurisdictions. This approach is important initially so as not to unduly limit the potential coverage of the relevant patent application. An initial rejection by a patent examiner of such broad ambit claims is also commonly received (for example in the US more than 85% of patent applications have an initial rejection) and then the applicant in conjunction with discussions with the patent examiner narrows the claims for that particular jurisdiction to achieve allowance of the more narrow claims and subsequent patent grant.

As outlined in section 10, to date Adherium has, in respect of some of its patent applications, received objections from the relevant examiner based on prior references. Adherium has provided or will provide responses to those objections and is able to propose a narrower basis of claim. However no assurance is given that the Company's patent applications will all result in granted patents.

Even though some of the Company's patent applications have already been successful (resulting in granted patents) investors should note that (i) the granting of a patent in one country does not mean the patent application will be granted in other countries and (ii) a competitor may at any time challenge granted patents and a court may find that the granted patent is invalid or unenforceable or revoked.

Infringement of Third Party Intellectual Property: Section 10 of this Prospectus contains an overview of the competitive landscape (from a published patent perspective) relevant to Adherium's current Smartinhaler™ product range. Adherium's external patent attorney in his report has identified three granted patent families that represent a moderate

degree of risk to current Adherium products. If a third party accuses the Company of infringing its intellectual property rights or if a third party commences litigation against the Company for the infringement of patent or other intellectual property rights, the Company may incur significant costs in defending such action, whether or not it ultimately prevails. Typically, patent litigation in the medical device industry is expensive. Costs that the Company incurs in defending third party infringement actions would also include diversion of management's and technical personnel's time. In addition, parties making claims against the Company may (depending on the country) be able to obtain injunctive or other equitable relief that could prevent the Company from further developing discoveries or commercialising its products. In the event of a successful claim of infringement against the Company, it may be required to pay damages and obtain one or more licenses from the prevailing third party. If it is not able to obtain these licenses at a reasonable cost, if at all, it could encounter delays in product introductions and loss of substantial resources while it attempts to develop alternative products. Defence of any lawsuit or failure to obtain any of these licenses could prevent the Company or its partners from commercialising available products and could cause it to incur substantial expenditure.

No Independent Valuation

No independent valuation has been undertaken of Adherium (or Adherium (NZ) Limited) for the purposes of the listing. Valuations of early stage companies before full commercialisation of their products use can be imprecise. The Directors do not believe that an independent valuation would be meaningful given the likely qualifications and limitations in such valuations and the difficulties and high cost of determining the likely commercial success of the Company, its technologies and products given the rapidly changing environment, ongoing commercial negotiations and future product development activities of the Company.

Market for Shares

Prior to the Offer there has been no public market for the Shares. No assurance can be given that an active market will develop in the Shares or that the Shares will trade at or above the Offer Price after the Shares have been listed on the Official List and after Official Quotation.

Stock Market Volatility

Regardless of the performance of the Company, the day to day performance of the share market and general share market conditions may affect the Company and the price at which its shares trade on a share market, such as the ASX. The share market has in the past and may in the future be affected by a number of matters including:

- economic conditions, in general terms and in particular to the industry that a business operates in;
- interest rates;
- market confidence;
- supply and demand for money;
- currency exchange rates;
- general economic outlook; and
- changes in government policy.

Prospective Information

No assurance as to future profitability or dividends can be given as they are dependent on successful product development, future earnings and the working capital requirements of the Company.

There can be no guarantee that the assumptions on which the financial forecasts and development strategies of the Board, or those upon which the Company bases its decisions to proceed, will ultimately prove to be valid or accurate. The forecasts and development strategies depend on various factors many of which are outside the control of the Company.

Changes in interest rates, exchange rates, government budgetary measures, relevant taxation and other legal regimes and government policies may adversely affect the Company.

The Directors expect that the proceeds of the Offer will provide sufficient capital resources to enable the Company to achieve its current business objectives. The Directors can give no assurance, however, that such objectives can be met without future financing or, if future financing is necessary, that it can be obtained on favourable terms.

11. RISK FACTORS

Concluding Comment

The above list of risk factors ought not to be taken as an exhaustive one of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Shares offered under this Prospectus.

Therefore, the Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares. Investment in the Company must be regarded as highly speculative and neither the Company nor any of its Directors or any other party associated with the preparation of this Prospectus guarantees that any specific objectives of the Company will be achieved or that any particular performance of the Company or of the Shares, including those offered by this Prospectus, will be achieved.

TAXATION

12

12. TAXATION

The following taxation summary provides a general overview of the Australian tax implications to Australian resident and non-resident investors who acquire and hold the Shares under the offer contained in this Prospectus. This summary is based on the tax laws of Australia as at the date of this Prospectus.

The Australian tax laws are complex and the following is not intended to be a complete statement of the possible implications for investors. It is your responsibility to be satisfied as to the particular taxation treatment that applies to your investment. You should seek independent professional advice with respect to the tax consequences applicable to your individual circumstances before investing.

The following discussion assumes you hold the Shares on capital account. A different treatment may apply if you hold the Shares on revenue account, for example if you are a share trader.

Australian Investors

Capital gains tax

Australian income tax laws contain a capital gains tax (**CGT**) regime. Shareholders who hold Shares on capital account will be subject to the CGT regime on disposal of those Shares. For CGT purposes, you acquire your Shares on the date the Shares are issued or allotted to you. The cost base and reduced cost base of Shares acquired is generally the amount you pay to acquire the Shares plus any incidental costs of acquisition and disposal of the Shares.

Gains on the disposal of Shares held on capital account will be subject to the CGT provisions. A capital gain will arise where the capital proceeds received exceed the cost base of the Shares. Conversely, a capital loss arises where the capital proceeds received on disposal are less than the reduced cost base of the Shares.

Capital losses made in the same or prior years can typically be offset against any capital gains made in the current year. Any remaining net capital gain is included in assessable income and taxed. Where a net capital loss is incurred it may be carried forward indefinitely subject to the loss recoupment rules and offset against future capital gains.

Individuals and trusts in certain circumstances may be entitled to a 50% discount on capital gains derived where they have held the Shares as a CGT asset for 12 months or more before their disposal (excluding the day of acquisition and the day of disposal).

Complying superannuation funds are entitled to a discount on capital gains of 33.3% where the 12 month requirement is satisfied.

Any discount would apply only after capital losses are first applied against the capital gain.

Companies are not entitled to the discount.

Taxation of dividends

Australian resident individuals and complying superannuation funds

Dividends paid to Australian resident individuals or complying superannuation funds are included as assessable income in the income year they are paid along with "franking credits" (if any) attached to the dividend.

A tax offset equal to the franking credits received is also available provided the investor is a "qualified person". In general terms, to be a qualified person, two tests must be satisfied being the "holding period rule" and the "related payments rule". These rules will, in broad terms, be satisfied where the investor has held the Shares at risk for at least 45 continuous days (excluding the dates of acquisition and disposal).

Where the tax offset exceeds the tax payable on the investor's taxable income, the investor should be entitled to a refund of the excess.

Australian resident trusts

Where dividends are paid to Australian resident trusts, the ultimate beneficiaries of the dividends (where they are Australian residents) will generally be entitled to a tax offset based on their share of the franking credit attached to the dividend.

The tax treatment of the dividend will depend on the type of beneficiary receiving the distribution, for example whether the beneficiary is an individual, a corporate entity or a trustee. Where it is the trust itself that is subject to tax on the dividend, then it may be entitled to offset the tax payable against the franking credit.

The benefit of the franking credit will be lost where the trust has a net loss or does not have any net income. However if the trust has at least $1 of net income, the franking credits will be able to be passed on to those beneficiaries who are presently entitled to income of the trust.

The trustee of a non-fixed trust may be required to make a family trust election in order to enable beneficiaries to utilise the franking credits.

Australian resident companies
Dividends paid to a company are included as assessable income in the income year they are paid along with franking credits attached to the dividend. A tax offset equal to the franking credits received is available. Where the tax offset exceeds the tax payable on the investor's taxable income, the company is not entitled to a refund. Instead excess franking credits may be converted into a tax loss.

Investors who are not Australian Residents for Tax Purposes

Capital gains tax
Generally, the Australian CGT regime will not impose tax on non-resident investors. The CGT regime will only apply if the company's assets consist predominantly of taxable Australian real property and the investor, together with associates, holds 10% or more of the shares in the company.

Taxation of dividends
Dividends paid to non-resident shareholders are subject to dividend withholding tax at the rate of 30%. Dividends paid to non-resident shareholders are not subject to dividend withholding tax provided that the dividend is fully franked. Where dividends are not fully franked then dividend withholding tax will apply to the unfranked portion of any dividend paid. Where the investor is a resident in a country with which Australia has a double tax agreement then the rate of dividend withholding tax may be substantially reduced.

Comments applicable to both resident and non-resident shareholders

Stamp duty
No stamp duty is payable on the issue of Shares under this Prospectus. Generally, under current stamp duty legislation, no stamp duty would be payable on subsequent transfers of the Shares as long as the Shares remain quoted on the ASX.

ADDITIONAL INFORMATION

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13.1 COMPANY INFORMATION

The Company was incorporated on 7 April 2015 under the Corporations Act 2001 as a public company limited by shares. The Company will be taxed as a public company and its statutory accounts will be made up to 30 June annually. In May 2015 the Company entered into an agreement to purchase Adherium (NZ) Limited (formerly Nexus6 Limited) which is to complete on Adherium raising the Minimum Subscription amount under this Prospectus and obtaining conditional approval from the ASX for admission to the ASX Official List (**Share Swap Agreement**).

13.2 SHARE CAPITAL STRUCTURE

Following the completion of the Offer the shareholding structure in Adherium will be as follows:

Category	Number of Shares (at Minimum Subscription)	% ownership interest (at Minimum Subscription)	Number of Shares (at Maximum Subscription)	% ownership interest (at Maximum Subscription)
Existing Shareholders	70,000,000	63.6%	70,000,000	50.0%
New Shares offered under this Prospectus	40,000,000	36.4%	70,000,000	50.0%
Total	110,000,000	100%	140,000,000	100%

In addition Adherium will also immediately prior to Listing grant various options as detailed in sections 8 and 13.7.

13.3 COMPANY CONSTITUTION

Rights attaching to Shares: The Shares offered under this Prospectus are fully paid ordinary shares in the capital of Adherium. A summary of the more significant rights attaching to the Shares is set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of Adherium members.

- **Ranking** – The Shares will be ordinary shares and will rank equally in all respects with the ordinary shares in Adherium on issue prior to the date of this Prospectus.
- **Reports and notices** – Members are entitled to receive all notices, reports, accounts and other documents required to be furnished to members under the Constitution of Adherium and the Corporations Act.
- **General meetings** – Subject to any preferential or special rights attaching to any shares that may be issued by Adherium in the future, members are entitled to be present in person, or by proxy, attorney or representative to speak and to vote at general meetings of Adherium. Members may requisition general meetings in accordance with the Corporations Act and the Constitution of Adherium.
- **Voting** – At a general meeting of Adherium every ordinary member present in person, or by proxy, attorney or representative shall on a show of hands have one vote and upon a poll every member present in person or by proxy, attorney or representative has one vote for every share held.
- **Reduction of capital** – Subject to the Corporations Act and ASX Listing Rules, Adherium may resolve to reduce its share capital by any lawful manner as the Directors or members may approve.
- **Winding up** – Members will be entitled in a winding up to share in any surplus assets of Adherium in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.
- **Transfer of Shares** – Shares in Adherium may be transferred in any form authorised by the Corporations Act or approved by the Directors and in the manner prescribed by the Constitution of Adherium, the Corporations Act, the ASX Listing Rules or the ASX Settlement and Operating Rules. The Directors may, subject to the ASX Listing Rules and the ASX Settlement and Operating Rules, request an ASX approved clearing and settlement facility to apply a holding lock to prevent any transfer of shares. The Directors may refuse to register a paper based transfer of a share in particular circumstances.

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- **Issue of further Shares** – The Directors control the allotment, issue, grant of options in respect of and disposal of shares. Subject to restrictions on the allotment of shares and grant of options to Directors or their associates and the Corporations Act, the Directors may allot, grant options or otherwise dispose of shares on such terms and conditions as they see fit.
- **Takeover approval provisions** – Any proportional takeover scheme must be approved by those members holding shares included in the class of shares in respect of which the offer to acquire those shares was first made. The registration of the transfer of any shares following the acceptance of an offer made under a scheme is prohibited until that scheme is approved by the relevant members.
- **Application of ASX Listing Rules** – On admission to the Official List of the ASX then, despite anything in the Constitution of Adherium, if the ASX Listing Rules prohibit an act being done, the act must not be done. Nothing in the Constitution prevents an act being done that the ASX Listing Rules require to be done. If the ASX Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be). If the ASX Listing Rules require a Constitution to contain a provision or not to contain a provision, the Constitution is deemed to contain that provision or not to contain that provision (as the case may be). If a provision of the Constitution is or becomes inconsistent with the ASX Listing Rules, the Constitution is deemed not to contain that provision to the extent of that inconsistency.

13.4 CHESS

The Company will apply to be admitted to participate in CHESS, in accordance with the ASX Listing Rules and the ASX Settlement and Operating Rules. On admission to CHESS, the Company will operate an electronic issuer-sponsored sub-register and an electronic CHESS sub-register. The two sub-registers together will make up the Company's principal register of Shares.

The Company will not issue certificates to Shareholders. Shareholders who elect to hold Shares on the issuer-sponsored sub-register will be provided with a holding statement (similar to a bank account statement), which sets out the number of Shares allotted to the Shareholder under this Prospectus. For Shareholders who elect to hold the Shares on the CHESS sub-register, the Company will issue an advice that sets out the number of Shares allotted to the Shareholder under this Prospectus. At the end of the month of allotment, CHESS (acting on behalf of the Company) will provide Shareholders with a holding statement that confirms the number of Shares (as the case may be) held.

A holding statement (whether issued by CHESS or the Company) will also provide details of a Shareholder's Holder Identification Number in the case of a holding on the CHESS sub-register or Shareholder Reference Number in the case of a holding in the issuer-sponsored sub-register. Following distribution of these initial holding statements to all Shareholders, a holding statement will also be provided to each Shareholder at the end of any subsequent month during which the balance of that Shareholder's holding of Shares changes.

13.5 RESTRICTED SECURITIES AND ESCROW ARRANGEMENTS

As part of its mandate with the Lead Manager, the Company has entered into Restriction Agreements restricting dealing for 12 months after Listing in respect of those Existing Shares held by those shareholders which hold shares which after Listing constitute 2% or more of the then issued share capital of the Company.

In addition the ASX may, as a condition of granting the Company's application for Official Quotation of its Shares, classify certain of its Existing Shares as restricted securities. Any such classification will restrict the transfer of effective ownership or control of any restricted securities without the written consent of the ASX and for such period as the ASX may determine. The terms of any such restriction or escrow arrangements will be determined by the ASX in accordance with the ASX Listing Rules. Details of any such restriction or escrow arrangements will be disclosed prior to commencement of Official Quotation of the Company's Shares.

13.6 INDEX TO MATERIAL CONTRACTS

The following contracts are considered by the Directors to be material for the purposes of this Prospectus or may be relevant to a potential investor and have been divided into the following categories:

- Section 13.6.1 – material contracts relating to other operational agreements with the Company; and
- Section 13.7 – other operational agreements.

13.6.1 Other material agreements relevant to the capital raising

AstraZeneca Agreements

Adherium (NZ) Limited has entered into a Master Supply and Development Agreement with AstraZeneca AB (**AstraZeneca**) and a Quality Assurance Agreement with AstraZeneca UK Limited. Pursuant to the Master Supply and Development Agreement, Adherium (NZ) Limited and AstraZeneca have also entered into a Supply Product Schedule and Development Product Schedule, setting out the details of products that Adherium (NZ) Limited agrees to supply (subject to the receipt of a Purchase Order) to, and develop for, AstraZeneca.

At the same time, the Company has entered into a parent company guarantee and indemnity with AstraZeneca under which the Company has guaranteed and indemnified AstraZeneca in respect of the obligations of and performance by Adherium (NZ) Limited under the agreements with AstraZeneca referred to above.

While the Company has previously conducted development work for AstraZeneca and also supplied Adherium devices to AstraZeneca for use in clinical trials, all further development work and supply of Adherium goods and services to AstraZeneca is to be on the terms of the above documents.

Investors should also note that AstraZeneca has agreed to subscribe for shares in the Company as detailed in section 4.

An overview of key terms of the above AstraZeneca documents relevant to an investment in shares of the Company is included below.

(a) AstraZeneca Master Supply and Development Agreement

The Master Supply and Development Agreement is governed by the laws of England and Wales and outlines the terms on which Adherium (NZ) Limited has agreed to supply AstraZeneca with certain products (being the Adherium devices tailored to AstraZeneca's Turbuhaler) (**Adherium Product**). The parties also have the ability by agreement to add further products to be covered by the terms of the Master Supply and Development Agreement through the addition of new Product Supply Schedules.

There is NO minimum take or pay obligation on AstraZeneca under the Master Supply and Development Agreement; and no assurance can be given that AstraZeneca will purchase any Adherium Product under the Master Supply and Development Agreement nor can the Company provide any guidance as to what volumes of product may be purchased by AstraZeneca under the Master Supply and Development Agreement.

The Master Supply and Development Agreement is for a 10 year period (with a rolling term of 12 months thereafter if not terminated on six months' notice), but subject to the exclusivity provisions outlined below, the supply of the Adherium Product by Adherium (NZ) Limited to AstraZeneca is on a non-exclusive basis. AstraZeneca has the right at its sole discretion to engage other suppliers in relation to products which are similar to the Adherium Product and Adherium (NZ) Limited has the right (subject to the exclusivity provisions outlined below) at its sole discretion to supply any of its products to any third parties.

Under the Master Supply and Development Agreement, Adherium (NZ) Limited is to carry out development activities and manufacture/supply the Adherium Product to AstraZeneca in compliance with the obligations detailed in the Master Supply and Development Agreement, the AstraZeneca Quality Assurance Agreement and the applicable product schedules.

All intellectual property rights of Adherium (NZ) Limited (including all background intellectual property rights and improvements to the Adherium device other than those which relate solely to AstraZeneca's drug product or device) remain vested in and the property of Adherium (NZ) Limited. AstraZeneca is granted a royalty free, non-exclusive licence for the Adherium Product (with a right to sub-license to AstraZeneca's affiliates) to the extent necessary for the distribution of the Adherium Product.

AstraZeneca retains ownership of its intellectual property (including brand names, drug composition etc) and any invention (by Adherium (NZ) Limited or AstraZeneca that relates solely to AstraZeneca's drug product or device) remains the exclusive property of AstraZeneca.

Adherium (NZ) Limited (and also the Company under the Parent Company Guarantee) have agreed that:

- For a maximum period of 24 months from first regulatory approval of the relevant Adherium product incorporating certain inventions developed under the Development Product Schedule, Adherium (NZ) Limited will only supply such inventions to, or use

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such inventions in connection with the inhalation devices of, AstraZeneca; and

- For a maximum period of 10 years Adherium (NZ) Limited will only supply the Adherium Product and other products for use in connection or in conjunction with any combination of the chemicals Budesonide and Formoterol (the active ingredients in AstraZeneca's product Symbicort) or three years when either chemical is used except in –
  - Clinical trials or validation trials (where Adherium (NZ) Limited first notifies AstraZeneca); or
  - Online sale or supply of individual units limited to two units of product per order.

Where the Master Supply and Development Agreement is terminated by Adherium (NZ) Limited on six months' notice due to lack of purchases of the Adherium Product by AstraZeneca, or the Master Supply and Development Agreement is otherwise terminated, the exclusivity provisions referred to above also terminate. Where AstraZeneca terminates the Master Supply and Development Agreement for any reason (including breach by Adherium (NZ) Limited) the exclusivity provisions are limited to 18 months from termination.

AstraZeneca also has the right to terminate the Master Supply and Development Agreement on four months' notice if there is a change in control of Adherium (NZ) Limited (or the Company) and AstraZeneca acting reasonably has concerns the acquirer is unlikely to satisfy AstraZeneca's ethical standards.

A joint steering committee is to be established pursuant to the Master Supply and Development Agreement which is to be responsible for high level relationship direction and making decisions (Steering Committee). Each party has the right to nominate three members of the Steering Committee, with the Chair appointed by AstraZeneca but with the Chair having limited casting vote entitlements.

The Master Supply and Development Agreement includes obligations on Adherium (NZ) Limited to deliver the Adherium Product in accordance with the Quality Supply Agreement (outlined below) and in compliance with the relevant Product Schedule.

In addition the Master Supply and Development Agreement includes detailed provisions relating to the inspection/acceptance testing of Adherium Products for non-compliance and also product recalls. Decisions regarding a product recall are to be made by the Steering Committee unless the recall is pursuant to an order or request by a regulatory authority or required to comply with applicable laws. Where the product recall is the fault of Adherium (NZ) Limited, the recall costs are the responsibility of Adherium (NZ) Limited; and Adherium (NZ) Limited must reimburse AstraZeneca for all amounts paid by AstraZeneca in respect of the recalled product. Likewise where the product recall is the fault of AstraZeneca, the recall costs are the responsibility of AstraZeneca and there is no reimbursement obligation on Adherium (NZ) Limited. Where neither party is in default, recall costs are shared 50%/50%.

There are also detailed provisions (including indemnities between the parties) regarding any liability arising from breach of intellectual property rights or death/personal injury (PI Claim) involving the final products sold by AstraZeneca incorporating the Adherium Product. Where the PI claim is caused solely by AstraZeneca's inhaler or drug, AstraZeneca indemnifies Adherium (NZ) Limited and shall bear the cost of any losses incurred. Where the PI claim is caused solely by the Adherium Product, Adherium (NZ) Limited indemnifies AstraZeneca and shall bear the cost of any losses incurred.

The data derived from the use of the AstraZeneca product incorporating the Adherium Product will constitute confidential information of AstraZeneca but Adherium (NZ) Limited will have a right to use that data for internal purposes, to analyse the data and to provide reports/recommendations based on the data.

The parties have agreed in the Master Supply and Development Agreement provisions for ethical standards, product/waste disposal, occupational health and safety of employees, storage of records, process for seeking regulatory approvals, maintenance of regulatory approvals, setting targets for performance and other minimum standards.

(b) AstraZeneca Product Supply Schedule
The Master Supply and Development Agreement allows for the addition of Product Supply Schedules for each Adherium Product agreed to be supplied by Adherium (NZ) Limited to AstraZeneca.

Apart from description/specifications for each Adherium Product, the Product Supply Schedule also specifies such matters such as functionality, warranties, territory, individual unit pricing and labelling/developer licence terms together with the agreed end user licence.

(c) AstraZeneca Development Schedule
The Development Schedule outlines the initial development program to be undertaken by Adherium (NZ) Limited (and its permitted contractors) for AstraZeneca together with agreed rates for this development work.

The development program includes proposed work packages (containing estimated timelines, budgets, deliverables and milestones). It is expected that the development program, along with the design and specification, will evolve as the development progresses.

Adherium (NZ) Limited has undertaken to use reasonable endeavours to comply with the development program. A separate statement of work to be undertaken is to be entered into for each work package and the parties are to act reasonably, in good faith and in a timely manner to ensure that each and every such statement of work is agreed and executed in good time so that the development work is not unduly delayed.

Adherium (NZ) Limited is required to carry out the development work under a statement of work to an ISO 13485 standard as required for the manufacture and development of medical devices and in compliance with all relevant applicable laws and regulations.

(d) AstraZeneca Quality Assurance Agreement
The AstraZeneca Quality Assurance Agreement documents the arrangements between the parties concerning the quality of Adherium products supplied to AstraZeneca. The AstraZeneca Quality Assurance Agreement is governed by the laws of England and Wales and remains in force until terminated by either party upon not less than six months' written notice, provided that such termination notice cannot be served during the shelf-life of any Adherium Product delivered to AstraZeneca (**Term**).

Under the Quality Assurance Agreement Adherium (NZ) Limited shall be responsible for:

- Registrations and Licences: register with all necessary Regulatory Authorities in accordance with applicable laws and regulations and obtain and maintain all licences, authorisations and approvals required in the country of manufacture of the Adherium Product or as notified.
- GMP: ensure that all activities, including the activities of Adherium's approved contractors, are carried out in compliance with the GMPs and all applicable laws and regulations.
- Compliance and Guidance: Adherium (NZ) Limited is to ensure that the supply of the Adherium Product is in compliance with agreed safety standards, which shall be updated from time to time by the Parties including the following:
  - In respect of Medical Devices: EU and US FDA specified quality system regulations and ISO 13485 for Medical devices.
  - Applicable for all material types: ISO 9001 or ISO 13485 – an established quality system that has been revised and approved by an accredited certification body.

Adherium (NZ) Limited has undertaken not to use, in any capacity connected with the supply of the Adherium Products, the services of any publicly known offender of good manufacturing practices or any safety, health and environmental regulations. Adherium (NZ) Limited is also required to supply all Adherium Products in manufacturing lots (maintaining traceability) and pack, label and ensure that storage and transportation arrangements are compliant with the requirements of the relevant specifications.

Adherium (NZ) Limited is to ensure that a certificate of conformance accompanies all Adherium Product supplied and to provide AstraZeneca with any additional documentation relevant to the Adherium Product quality as reasonably requested in writing by AstraZeneca.

AstraZeneca may carry out quality and compliance systems audits as it reasonably requires. AstraZeneca shall also have the right from time to time to carry out quality and compliance systems audits.

(e) Parent Company Guarantee and Indemnity regarding AstraZeneca
Adherium (**Guarantor**) has guaranteed and indemnified AstraZeneca (**Guarantee**) for the due, punctual and complete performance and observance by Adherium (NZ) Limited of all acts, liabilities and obligations to be performed or observed by Adherium (NZ) Limited under or pursuant to the Master Supply and Development Agreement.

The rights of AstraZeneca and the obligations of the Guarantor under the Guarantee shall not be prejudiced or affected by any modification or variation of the provisions of the Master Supply and Development Agreement, or by the administration, receivership, insolvency, liquidation, dissolution, reconstruction, amalgamation or incapacity of Adherium (NZ) Limited or by any other thing which might otherwise wholly or partially discharge the Guarantor from its obligations under the Guarantee and Indemnity.

Except in relation to any costs incurred in enforcing the Guarantee, the liability of the Guarantor in any action or proceeding by AstraZeneca under the Guarantee are no greater than the liability which it would have had if it had been a party to the Contracts with AstraZeneca.

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If the Guarantor defaults in payment when due of any sum under the Guarantee, the amount outstanding shall also incur interest until the date of actual payment at that annual rate which is 2% above the base rate of Lloyds Bank plc during such period.

Each Affiliate of AstraZeneca which enters into any supply product schedule with Adherium (NZ) Limited under the Master Supply and Development Agreement can (as a third party right) enforce the Guarantee on the terms of the Master Supply and Development Agreement and the other provisions of the Guarantee. AstraZeneca shall always have the right, without the consent of the Guarantor or Adherium (NZ) Limited, to perform any of its obligations or exercise any of its rights under this Guarantee through any of its Affiliates.

In addition to the provisions relating to the guarantee and indemnity above, in the Guarantee the Guarantor and Adherium (NZ) Limited jointly and severally undertake to AstraZeneca (for itself, and where applicable each Affiliate of AstraZeneca) that each of the Guarantor and Adherium (NZ) Limited (and each of their respective Affiliates) will comply with the exclusivity provisions set out in the Master Supply and Development Agreement and any other exclusivity provisions that may be agreed between Adherium NZ and AstraZeneca or its Affiliates in any additional Contracts that may from time to time be included in the Guarantee.

13.7 OPERATIONAL AGREEMENTS

Agreements: Staff and Consultants

The Company has entered into agreements with staff and consultants, containing confidentiality clauses. The terms of those agreements with regards to confidentiality are standard in that they impose restrictions on the disclosure of confidential information and restrictions on the use of confidential information, except for the purposes for which it has been disclosed. The agreements are subject to the usual exclusions in relation to information that was in the public domain when disclosed, that comes into the public domain after disclosure, other than as a result of the recipient's breach of the agreement or was in the recipient's possession when disclosed. Some agreements contain other exclusions relating to disclosure required by law to the extent required to be so disclosed.

Directors' and officers' deeds of indemnity, insurance and access

The Company has entered into a deed of indemnity, insurance and access with each of its Directors and officers. The key features of this deed may be summarised as follows:

- to the extent permitted by law, the Company:
  - (a) indemnifies each of the Directors/officer against any liability (excluding liability for legal costs) incurred as a Director/officer or former Director/officer of the Company;
  - (b) indemnifies the Director/officer against any reasonable legal costs incurred as a result of the Director/officer defending an action for any liability incurred;
  - (c) releases the Director/officer from any present, future or contingent claims that arise directly or indirectly from the indemnified's position acts or omissions as an officer or former officer of the Company;
- the Company must, where possible, maintain appropriate insurance cover in favour of the indemnified during the term of appointment for at least a period of seven years after the indemnified ceases to be a Director/officer of the Company on terms that are reasonably prudent to the Company;
- the indemnified, during his or her appointment and for a period of ten years after ceasing to be a Director/officer of the Company, may inspect any books and records of the Company in certain circumstances and for particular purposes; and
- the indemnified is entitled to retain any Board documents, including minutes of Board meetings or committees. These documents will become the property of the indemnified at the time they are supplied. Notes of Board meetings or other communications made by the Director will remain the property of the Director.

Employee incentive equity plans

The Company has adopted three employee incentive equity plans to foster an ownership culture within the Company and to motivate employees (including Directors) to achieve performance targets of the Company and/or their respective business units:

- **An employee share option plan:** under which existing options in Adherium (NZ) Limited will be exchanged for new options in the Company (**Adherium ESOP**);

- **A New Zealand employee share purchase plan:** to be made available to the Company's employees resident in New Zealand (**Adherium NZ ESP**); and
- **An Australian employee share purchase plan:** to be made available to the Company's employees not resident in New Zealand (**Adherium AU ESP**).

The Adherium ESOP was adopted as part of the restructure of the Adherium group of companies for the purposes of the capital raising under this Prospectus. Other than to implement the roll-over of existing options in Adherium (NZ) Limited into Adherium (under the Adherium ESOP), no issue of any other options under the Adherium ESOP is contemplated. Excluding the new options issued in exchange for the existing options in Adherium (NZ) Limited under the Adherium ESOP, the aggregate number of Shares which may be issued pursuant to the Adherium employee incentive equity plans shall not at any time exceed 10% of the total number of issued Shares.

A brief summary of key features of each plan is provided below.

Existing Employee Share Option Plan (Adherium ESOP)

This ESOP shall be administered by the Directors pursuant to which options over Shares in Adherium under the ESOP will be offered to existing holders of existing options under the old Adherium (NZ) Limited Share Option Scheme. The exercise price, exercise period and other terms will be determined by the Board to reflect (so far as practical and subject to the ASX Listing Rules) existing entitlements held by option holders under the old Adherium (NZ) Limited Share Option Scheme. Treatment of the existing option entitlements which are the subject of the Adherium ESOP are noted in the Investigating Accountants Report in section 9.

Shares issued on exercise of options under the Adherium ESOP will be of the same class and will rank equally with other Shares issued in the Company as at that date. An employee or Director may not sell, encumber or otherwise deal with options issued under the Adherium ESOP or any legal or beneficial interest in such options unless and until the option has vested in the employee or Director or as otherwise permitted by the Adherium ESOP.

Adherium ESOP options to be issued by Adherium (to terminate options previously issued under the old Adherium (NZ) Limited Share Option Scheme):

Number of Options	Exercise price A$	Expiry Date Range
5,389,313	0.075268*	31 March 2016 – 31 March 2020
4,115,069	0.134039*	31 March 2020 – 31 March 2022
9,504,382		

* The Company has applied to the ASX for a waiver from ASX Listing Rule 1.1 (Condition 11) to the extent necessary to permit the Company to have unquoted options on issue with exercise prices of less than $0.20 each.

New Zealand Executive Share Plan (Adherium NZ ESP)

The Company has adopted an executive share plan for eligible employees and Directors in New Zealand. Employees and Directors will be invited, at the discretion of the Board, to participate in the Adherium NZ ESP by acquiring the beneficial interest in an allocation of Shares (**NZ ESP Shares**). A loan will be advanced by Adherium (NZ) Limited to fund the purchase of that beneficial interest (**NZ Loan**).

The legal title to the NZ ESP Shares will be held by a trustee on behalf of the employees pending the satisfaction of certain vesting conditions. While the legal title to the NZ ESP Shares is held by the trustee, employees and Directors will be able to exercise voting rights attaching to the NZ ESP Shares. However, employees will have no right to call for the legal interest in the NZ ESP Shares until vesting conditions are met. Any dividends paid on the NZ ESP Shares prior to the satisfaction of the vesting conditions will be applied to pay down the NZ Loan.

If and when the vesting conditions have been met, then either:

- the employee will repay the outstanding balance of the NZ Loan, which repayment may be funded (in part) by a bonus to be paid by Adherium (NZ) Limited and the trustee will transfer the legal title to the NZ ESP Shares to the employee; or
- the employee may decide to forfeit the NZ ESP Shares, in which case they will transfer the beneficial interest in the NZ ESP Shares to the trustee for an amount equal to the outstanding balance of the NZ Loan, in consideration of the trustee taking over the employee's liability for the outstanding balance of the NZ Loan.

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If the vesting conditions are not met, then:

- The employee will forfeit the Adherium NZ ESP Shares and the NZ Loan will be taken over by the trustee (as outlined above).

There will be no interest payable by the employee on the NZ Loan. The NZ Loan is made on a limited recourse basis and will only become repayable as described above. Shares allotted and issued under the Adherium NZ ESP will rank equally in all respects with other Shares from the date of allotment and issue, subject to satisfaction of any applicable disposal restrictions.

Australian Executive Share Plan (Adherium AU ESP)

Selected senior management of the Company and the Directors are eligible to participate in the Adherium AU ESP at the absolute discretion of the Board. Shares allotted and issued under the Adherium AU ESP must rank equally in all respects with other Shares from the date of allotment and issue, subject to satisfaction of any applicable disposal restrictions.

The Company may offer with an invitation to participate in the Adherium AU ESP, an interest free limited recourse loan to assist in funding the issue price in respect of the relevant Shares.

The issue price of Shares issued and to be issued under the Adherium AU ESP is to be determined from time to time by the Board, subject to any variation under rules of the Adherium AU ESP, to reflect the then market value of the relevant Shares as at the time of allotment.

Corporate Advisory services – Bell Potter Securities Limited's Mandate Letter

Bell Potter Securities Limited has been appointed as Lead Manager under the Offer, pursuant to a mandate letter between the Lead Manager and Adherium (**Mandate Letter**). The Offer has not been underwritten by the Lead Manager. Under the Mandate Letter, the Lead Manager has agreed to act as broker and manage the Offer.

(a) Fees/options to Lead Manager
Adherium must pay the Lead Manager management and selling fees totalling 6% of the total gross proceeds raised under the Offer. After Listing, the Lead Manager and Adherium are to enter into a separate corporate advisory agreement on the following terms (among others):

- 18 month term, after which Adherium may terminate on written notice; and
- The Lead Manager has first right of refusal to act as sole lead manager on capital raisings for Adherium during the term of the advisory agreement, (**Corporate Advisory Agreement**).

Within ten business days of entering the Corporate Advisory Agreement, Adherium will issue the Lead Manager with options in Adherium equal to 1% of the outstanding fully-paid shares in Adherium, exercisable at a 33% premium to the Offer price at any time between one and three years from the date of the Corporate Advisory Agreement.

Adherium has agreed to reimburse the Lead Manager for all reasonable out-of-pocket expenses incurred by the Lead Manager in connection with the Mandate Letter and the Offer, including legal fees (up to $20,000 unless prior written approval is obtained), marketing and communication costs and travel and accommodation expenses.

(b) Representations, warranties and undertakings
The Mandate Letter contains certain standard representations, warranties and undertakings by Adherium to the Lead Manager. The representations and warranties given by Adherium relate to matters such as the terms of issue of the Shares, compliance with applicable laws and the ASX Listing Rules, content of the Prospectus, financial information, the due diligence process for the Offer, the conduct of Adherium, no breach of law or action taken against Adherium in relation to the Offer, that Adherium has not engaged in misleading or deceptive conduct in connection with the Offer, power and authorisations, material contracts, insurance and solvency.

(c) Indemnity
Adherium has agreed to indemnify the Lead Manager and certain affiliated persons against all claims and liabilities incurred in connection with the Offer. This indemnity is subject to certain exceptions, including fraud, wilful misconduct and gross negligence. The indemnity does not extend to liability for any indirect or consequential loss or damage, and the maximum contribution to losses in an aggregate amount is the fees paid or payable to the Lead Manager under the Mandate Letter.

(d) Termination
The Mandate includes customary termination provisions whether in certain circumstances either the Lead Manager or the Company have a right to terminate the mandate.

Corporate Governance

The Directors are responsible for the strategic direction of the Company, the identification and implementation of corporate policies and goals, and monitoring of the business and affairs of the Company on behalf of its members.

The Company is cognisant of the Principles of Good Corporate Governance and Best Practice Recommendations as published by the ASX Corporate Governance Council and acknowledges that the eight principles set out therein are fundamental to good corporate governance. The Board will comply with ASX Listing Rule 4.10 which requires the Company to provide a statement in its annual return disclosing the extent to which those best practice recommendations are followed in any reporting period and to identify any recommendations not followed and provide reasons for their not being followed.

The Board believes that the structure of the Company, its management and business practices provide a basis of governance which meets the essential corporate governance principles articulated by the ASX in that publication.

One of the key objectives of the Board is to ensure timely, transparent and accurate communication with all members and compliance with all regulatory requirements. To this effect the Board has established a number of Committees.

The Board has formally adopted a Corporate Governance Policy for the Company which is available on the Company's website. Under this Policy, the Board will establish:

- an Audit and Risk Committee whose primary function will be to give additional assurance regarding the quality and reliability of financial information used by the Board and financial information provided by the Company pursuant to its statutory reporting requirements; and
- a Nomination and Remuneration Committee to review the composition of the Board to ensure that the Board has an appropriate mix of expertise and experience and to assess and review the performance of the directors of the Company. Additionally, the Nomination and Remuneration Committee is responsible for reviewing and reporting to the Board on matters concerning executives' and Directors' remuneration.

Directors' Share Qualifications, Remuneration and Interests

Except as disclosed in the Prospectus, no Director or proposed Director of the Company, or firm in which a Director or proposed Director is a partner, has any interest, nor has had any interest for registration, or has received or is entitled to receive any sum for services rendered by either him or the firm to induce him to become or qualify him as a Director, or otherwise in connection with the promotion or formation of the Company or in the property proposed to be acquired by the Company in connection with its promotion or formation.

Shareholding Qualifications and Remuneration

The Directors are not required under the Constitution of the Company to hold any Shares in order to qualify as Directors.

The Constitution provides the Directors are entitled to remuneration for their services as Directors as determined by the Company in general meeting. A Director may be paid fees or other amounts as the Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. A Director may also be reimbursed for any disbursements or any other out of pocket expenses incurred as a result of the directorship or any special duties.

13. ADDITIONAL INFORMATION

Directors' interests in securities

Set out below are details of the interests of the Directors in the Shares and other securities of the Company immediately prior to lodgement of the Prospectus with the ASIC for registration. Interests include those held directly and indirectly.

Name	Position	Annual Remuneration	Shares directly held	Options directly held
Garth Sutherland*	Group Chief Executive Officer/Executive Director	NZ$280,000 plus 30% STI plus 30% LTI	10,101,933	1,212,666
Dr Doug Wilson**	Non-Executive Chairman	$80,000	–	1,039,428
Jeremy Curnock Cook***	Non-Executive Director	$40,000	–	–
John Mills	Non-Executive Director	$40,000	–	–
Bruce McHarrie	Non-Executive Director	$40,000	–	–
Bryan Mogridge	Non-Executive Director	$40,000	1,394,289	–

Other interests of Directors

* Garth Sutherland is employed as Group Chief Executive Officer on an employment agreement that may be terminated (i) immediately for cause; or (ii) at any time by either party on three months' written notice plus, where the termination is by the Company without cause, Garth is to be paid an additional six months' severance payment. Under his employment agreement Garth has agreed to a 12 months restraint from the date of termination.

** Dr Doug Wilson also receives compensation at a daily rate from time to time where he performs duties outside the scope of his role as Non-Executive Chairman.

*** Jeremy Curnock Cook is also a director of BioScience Managers Pty Ltd which is the manager of the Asia Pacific Healthcare Fund II which via its trustee One Funds Management Limited holds Shares in Adherium Limited as detailed in section 4(G).

13.8 INTERESTS AND CONSENTS OF EXPERTS

Except as disclosed in this Prospectus:

- No expert, or firm in which any expert is a partner, has any interest that existed when a copy of the Prospectus was lodged with the ASIC for registration, nor had any such interest within two years before lodgement of the Prospectus for registration, in the promotion of the Company or has received or is entitled to receive any sum for services rendered by the expert or the firm in connection with the promotion or formation of the Company, or in any property proposed to be acquired by the Company in connection with the promotion or formation.
- No amounts have been paid or agreed to be paid to any expert, or any firm in which any expert is a partner, for services rendered in connection with the promotion or formation of the Company.

BDO East Coast Partnership (BDO)

In accordance with the terms of their engagement, BDO has prepared its Investigating Accountant's Report which forms part of this Prospectus, and will be paid $72,000 (including disbursements, plus GST) for services provided in connection with this Offer and may receive further payments in accordance with its normal time based charges.

K&L Gates

In accordance with the terms of their engagement, K&L Gates as Australian Legal Advisors for the Company will be paid $183,000 for services provided in connection with this Offer and may receive further payments in accordance with its normal time based charges.

Simpson Grierson

In accordance with the terms of its engagement, Simpson Grierson as New Zealand Legal Advisers for the Company will be paid NZ$208,692.59 for services provided in connection with this Offer and may receive further payments in accordance with its normal time based charges.

FrankeHyland

In accordance with the terms of its engagement, FrankeHyland as Patent Attorneys for the Company will be paid $64,276 for the provision of its Patent Attorney Report (which forms part of this Prospectus) and may receive further payments in accordance with its normal time based charges.

Bell Potter Securities Limited

In accordance with the terms of its Mandate Letter (as described in section 13.7 above), Bell Potter Securities Limited as Lead Manager will be paid aggregate fees of 6% (plus GST) of the total Offer proceeds. The Company has also agreed to reimburse the Lead Manager for reasonable costs and expenses incurred in relation to the Offer. In addition, within 20 days of Listing, the Company is to enter into a Corporate Advisory Agreement with Bell Potter Securities Limited, pursuant to which the Company is to grant to Bell Potter Securities Limited the unlisted options as detailed in section 13.7.

BDO

BDO has given and not withdrawn its written consent to being named as Investigating Accountant for Adherium in this Prospectus in the form and context in which it is named and the issue of this Prospectus with its Investigating Accountant's Report dated 20 July 2015 in the form and context in which it is included and to all references to that report in this Prospectus in the form and context in which those references are included.

BDO has only participated in the preparation of this Prospectus to the extent of preparing its Investigating Accountant's Report. BDO was not involved in the preparation of any other part of this Prospectus and did not authorise or cause the issue of any other part of the Prospectus.

Except as provided above BDO does not make, or purport to make, any statement in this Prospectus and is not aware of any statement in this Prospectus which purports to be based on a statement made by it and makes no representation, expressed or implied, regarding, and takes no responsibility for, any statement in or omissions from this Prospectus.

PricewaterhouseCoopers (PwC)

PwC has given and not withdrawn its written consent to being named as Auditor for Adherium in this Prospectus in the form and context in which it is named.

PwC was not involved in the preparation of any part of this Prospectus and did not authorise or cause the issue of any other part of this Prospectus.

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

K&L Gates

K&L Gates has given and not withdrawn its written consent to be named herein as Australian legal advisers to Adherium in the form and context in which it is so named. K&L Gates does not make, or purport to make, any statement in this Prospectus and is not aware of any statement in this Prospectus which purports to be based on a statement made by it and makes no representation, expressed or implied, regarding, and takes no responsibility for, any statements in or omissions from this Prospectus.

Simpson Grierson

Simpson Grierson has given and not withdrawn its written consent to be named herein as New Zealand Legal Advisers to Adherium in the form and context in which it is so named. Simpson Grierson does not make, or purport to make, any statement in this Prospectus and is not aware of any statement in this Prospectus which purports to be based on a statement made by it and makes no representation, expressed or implied, regarding, and takes no responsibility for, any statements in or omissions from this Prospectus.

FrankeHyland

FrankeHyland has given and not withdrawn its written consent to be named herein as Patent Attorneys to Adherium in the form and context in which it is so named. Other than the expert report contained in

13. ADDITIONAL INFORMATION

section 10, FrankeHyland does not make, or purport to make, any statement in this Prospectus and is not aware of any statement in this Prospectus which purports to be based on a statement made by it and makes no representation, expressed or implied, regarding, and takes no responsibility for, any statements in or omissions from this Prospectus.

Computershare Investor Services Pty Limited – Share Registry

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

Bell Potter Securities Limited

Bell Potter Securities Limited has given and has not withdrawn its written consent to be named herein as Lead Manager to the Offer in the form and context in which it is so named. Bell Potter Securities Limited was not involved in the preparation of any part of this Prospectus and did not authorise or cause the issue of this Prospectus. Bell Potter Securities Limited makes no express or implied representation or warranty in relation to Adherium Limited, this Prospectus or the Offer and does not make any statement in this Prospectus, nor is any statement in it based on any statement made by Bell Potter Securities Limited. To the maximum extent permitted by law, Bell Potter Securities Limited expressly disclaims and takes no responsibility for any material in, or omission from, this Prospectus other than the reference to its name.

13.9 COSTS OF THE OFFER

If the Offer proceeds, the total estimated costs of the Offer, including legal fees incurred, registration fees, fees for other advisers, prospectus design, printing and advertising expenses and other miscellaneous expenses, will be approximately $2,500,000 if the minimum funds are raised under the Offer. The costs of the Offer will be approximately $3,500,000 if the maximum funds are raised under the Offer.

13.10 LEGAL PROCEEDINGS

There is no litigation of a material nature or threatened which may significantly affect the Company or its activities.

13.11 AUTHORISATION

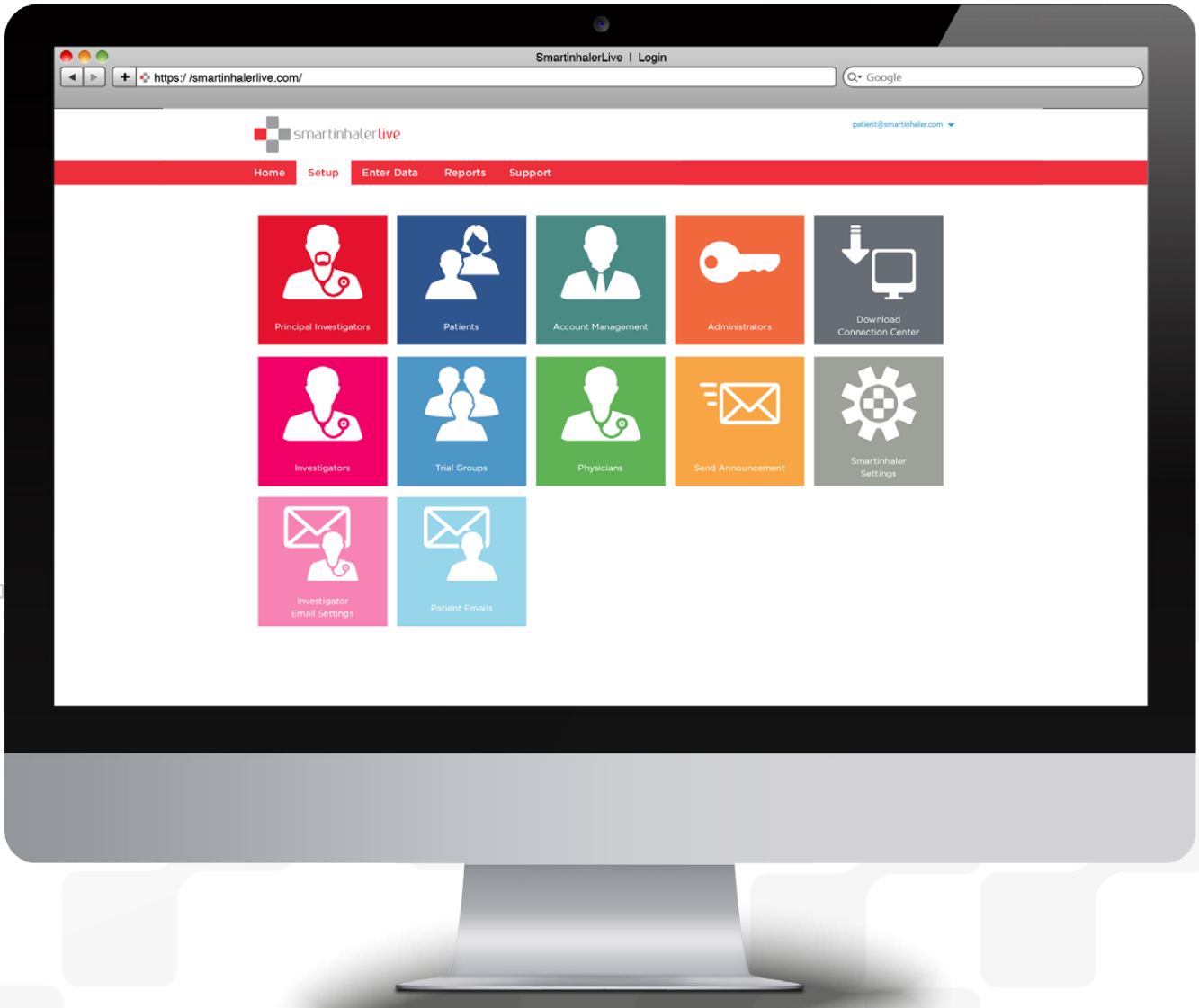
This Prospectus is issued by the authority of the Board of the Company.

Dated: 3 August 2015

Dr Doug Wilson
Non-Executive Chairman
Adherium Limited

GLOSSARY

14



14. GLOSSARY

In this Prospectus, unless the context otherwise requires:

$ or A$	means Australian dollars.
AEST	means Australian Eastern Standard Time.
Applicant	means a person who makes an application for Shares.
Application	means an application for Shares under this Prospectus made by an Applicant on an Application Form.
Application Form	means the form accompanying or attached to this Prospectus by which an Applicant may apply for Shares.
ASIC	means the Australian Securities and Investments Commission.
ASX	means the ASX Limited ACN 008 624 691.
ASX Listing Rules	means the official listing rules of the ASX.
ASX Settlement and Operating Rules	means the rules established under the Corporations Act for settlement of transactions of securities of a company for which Clearing House Electronic Sub-Register System (CHESS) approval has been given.
AstraZeneca	means AstraZeneca AB.
Board	means the board of directors of the Company.
Business Day	means a day that is not a Saturday or Sunday or a public holiday in Victoria.
CFDA	means the China Food and Drug Administration.
CHESS	means the clearing house electronic sub-register system.
Closing Date	means the date on which the Offer closes.
Company	means Adherium Limited ACN 605 352 510 and on listing its wholly owned subsidiary Adherium (NZ) Limited (formerly known as Nexus6 Limited).
Constitution	means the constitution of the Company.
Corporations Act	means the *Corporations Act 2001* (Cth).
COPD	means chronic obstructive pulmonary disease.
CRO	means Contract Research Organisation.
Directors	means the directors of the Company from time to time.
EMC	means Electromagnetic Compatibility.
Existing Shares	means the issued Shares immediately prior to the allotment of Shares under the Offer.
Expenditure Program	means the anticipated expenditures to be incurred by the Company and funded by the Offer under this Prospectus as detailed in section 6.9.
Exposure Period	means the period of seven days (or 14 days if extended by ASIC) after the lodgement of the Prospectus with ASIC during which the Company may not accept Applications.
FDA	means the U.S. Food and Drug Administration.
FDA 510(k)	means a premarket submission made to the FDA to legally market a device. The submission must demonstrate that the device to be marketed is at least as safe as it is effective.

Listing or Listed	means the admission of the Shares to quotation on the ASX in accordance with the ASX Listing Rules.
Listing Date	means the date Listing occurs.
NZ$	means New Zealand dollars.
Offer	means the offer as detailed under this Prospectus.
Offer Price	means $0.50 per Share.
Official List	means the official list of ASX.
Official Quotation	means official quotation of the Shares on the Official List.
Opening Date	means the date the Offer opens as described in section 2.
Prospectus	means this replacement document dated 3 August 2015, which replaces the document dated 20 July 2015.
Registrar	means Computershare Investor Services Pty Limited.
Share	means a share in the issued capital of the Company.
Shareholder	means a person who holds Shares.
TGA	means Therapeutic Goods Administration.

NOTES

Section 5

1. Adherence to Long Term Therapies: Evidence for Action World Health Organisation (2003) p7 para 1; Haynes RB Interventions for helping patients to follow prescriptions for medications Cochrane Database of Systematic Reviews 2001, Issue 1; Sackett D et al. Patient compliance with antihypertensive regimens. Patient Counselling & Health Education, 1978, 11:18-21.
2. Advancing the Responsible Use of Medicines: Applying Levers for Change (2012) IMS Health page 16
3. Avoidable Costs in U.S. Healthcare: The $200 Billion Opportunity from Using Medicines More Responsibly (June 2013) IMS Health pages 1 and 3
4. http://www.statista.com/statistics/258142/drug-doses-us-patients-take-as-prescribed-by-condition/
5. Reid D et al.Management and treatment perceptions among young adults with asthma in Melbourne: the Australian experience from the European Community Respiratory Health Survey. Respirology, 2000, 5:281-287.
6. http://www.aihw.gov.au/chronic-respiratory-conditions/
7. Adherence To Long-Term Therapies: Evidence for action (2003) World Health organisation p13; Reid D et al. Management and treatment perceptions among young adults with asthma in Melbourne: the Australian experience from the European Community Respiratory Health Survey. Respirology, 2000, 5:281–287.; Pearson MH, Bucknall CE. Measuring clinical outcomes in asthma. London, Royal College of Physicians, 1999.
8. http://www.statista.com/statistics/258142/drug-doses-us-patients-take-as-prescribed-by-condition/
9. http://www.statista.com/statistics/312329/worldwide-respiratory-therapy-market-by-condition/
10. http://www.statista.com/statistics/242519/top-asthma-specialities-by-dispensed-scripts-in-the-us-2011-2012/
11. http://www.statista.com/statistics/242519/top-asthma-specialities-by-dispensed-scripts-in-the-us-2011-2012/
12. Foster JM, Usherwood T, Smith L , Sawyer SM, Xuan W, Rand CS, Reddel HK, Inhaler reminders improve adherence with controller treatment in primary care patients with asthma. Journal of Allergy and Clinical Immunology. 2014, Volume 134 , Issue 6 , 1260 - 1268.e3; Chan AHY, Stewart AWS, Harrison J, Camargo C, Black PN, Mitchell EA. The effect of an inhaler with ringtones on asthma control and school attendance in children. Lancet Respir Med. January 21 2015. http://dx.doi.org/10.1016/S2213-2600(15)00008-9

Section 6

13. Burgess SW, Wilson SS, Cooper DM, Sly PD, Davadason SG. In vitro evaluation of an asthma dosing device: The smart-inhaler. Resp Med. 2006;100(5):841-845; Patel M, Pilcher J, Chan A, Perrin K, Black P, Beasley R. Six-month in vitro validation of a metered-dose inhaler electronic monitoring device: Implications for asthma clinical trial use. J Allergy Clin Immunol. 2012;130(6):1420-1422; Foster JM, Smith L, Usherwood T, Sawyer SM, Rand CS, Reddel HK. The reliability and patient acceptability of the SmartTrack device: A new electronic monitor and reminder device for metered dose inhalers. J Asthma. 2012;49(6):657-662; Pilcher J, Shirtcliffe P, Patel M, Cripps T, Weatherall M, Beasley R. Three month validation of a turbuhaler electronic monitoring device: implications for asthma clinical trial use. Confidential Pending Publication; Gradinarsky L, Lööf T. Inhalation adherence monitoring using Smart electronic add-on device. International Conference on Software Testing 2014, November 03-05, Athens, Greece. DOI 10.4018/icst.mobihealth.2014.257364
14. Chan AHY, Stewart AWS, Harrison J, Camargo C, Black PN, Mitchell EA. The effect of an inhaler with ringtones on asthma control and school attendance in children. Lancet Respir Med. January 21 2015. http://dx.doi.org/10.1016/S2213-2600(15)00008-9
15. Chan AHY, Stewart AWS, Harrison J, Camargo C, Black PN, Mitchell EA. The effect of an inhaler with ringtones on asthma control and school attendance in children. Lancet Respir Med. January 21 2015. http://dx.doi.org/10.1016/S2213-2600(15)00008-9
16. Chan AHY, Stewart AWS, Harrison J, Camargo C, Black PN, Mitchell EA. The effect of an inhaler with ringtones on asthma control and school attendance in children. Lancet Respir Med. January 21 2015. http://dx.doi.org/10.1016/S2213-2600(15)00008-9
17. Foster JM, Usherwood T, Smith L, Sawyer SM, Xuan W, Rand CS, Reddel HK, Inhaler reminders improve adherence with controller treatment in primary care patients with asthma. Journal of Allergy and Clinical Immunology. 2014, Volume 134 , Issue 6 , 1260 – 1268.e3
18. Foster JM, Usherwood T, Smith L , Sawyer SM, Xuan W, Rand CS, Reddel HK, Inhaler reminders improve adherence with controller treatment in primary care patients with asthma. Journal of Allergy and Clinical Immunology. 2014, Volume 134 , Issue 6 , 1260 - 1268.e3
19. Pharmaceutical Research and Manufacturers of America [2011], Appendix Table 5, p. 45. Expenditure on Phase 1 trials was $3.753 billion, Phase 2 $7.124 billion, Phase 3 $16.300 billion, and Phase 4 5.303 billion.
20. http://www.phrma.org/sites/default/files/pdf/2013innovationinthebiopharmaceuticalpipeline-analysisgroupfinal.pdf page 9.

PUBLIC OFFER APPLICATION FORM

This Application Form is important. If you are in doubt as to how to deal with it, please contact your stockbroker or professional adviser without delay. You should read the entire replacement Prospectus dated 3 August 2015 (the Replacement Prospectus) carefully before completing this Application Form. To meet the requirements of the Corporations Act, this Application Form must not be distributed unless included in, or accompanied by, the Replacement Prospectus.

ADHERIUM LIMITED
ACN 605 352 510

A **I/we apply for**

Number of Shares at $0.50 per Share.
Applications must be for a minimum of 4,000 Shares ($2,000) and thereafter in multiples of 400 Shares ($200).

B **I/we lodge full Application Monies**

A$.

C **Individual/Joint applications - refer to naming standards overleaf for correct forms of registrable title(s)**

Title or Company Name Given Name(s) Surname

Joint Applicant 2 or Account Designation

Joint Applicant 3 or Account Designation

D **Enter the postal address - include State and Postcode**

Unit Street Number Street Name or PO Box/Other information

City/Suburb/Town State Postcode

Country

E **Enter your contact details**

Contact Name Telephone Number - Business Hours

+

F **CHESS Participant**

Holder Identification Number (HIN)

X

Please note that if you supply a CHESS HIN but the name and address details on your form do not correspond exactly with the registration details held at CHESS, your application will be deemed to be made without the CHESS HIN, and any Shares issued as a result of the Offer will be held on the Issuer Sponsored subregister.

G **Payment details - Please note that funds are unable to be directly debited from your bank account**

Drawer	Cheque Number	BSB Number	Account Number	Amount of cheque
				A$

Make your cheque, money order or bank draft payable to "Adherium Limited"

By submitting this Application Form:

- I/we declare that this application is complete and lodged according to the Replacement Prospectus, and any relevant supplementary Prospectus, and the declarations/statements on the reverse of this Application Form,
- I/we declare that all details and statements made by me/us (including the declaration on the reverse of this Application Form) are complete and accurate, and
- I/we agree to be bound by the Constitution of Adherium Limited

See overleaf for completion guidelines ➔

How to complete this form

A **Shares Applied For**
Enter the number of Shares you wish to apply for. Applications for Shares must be for a minimum of 4,000 Shares and thereafter in multiples of 400 Shares and payment must be made in full at the issue price of $0.50 per Share.

B **Application Monies**
Enter the amount of Application Monies. To calculate the amount, multiply the number of Shares by the issue price of $0.50 per Share. The minimum amount of Application Monies is $2,000 and thereafter in multiples of $200. Applications for less than the minimum amount may be rejected.

C **Applicant Name(s)**
Enter the full name you wish to appear on the register of Shares and statement of shareholding. This must be either your own name or the name of a company. Up to 3 joint Applicants may register. You should refer to the table below for the correct forms of registrable title. Applications using the wrong form of names may be rejected. Clearing House Electronic Subregister System (CHESS) particpants should complete their name identically to that presently registered in the CHESS system.

D **Postal Address**
Enter your postal address for all correspondence. All communications to you from the Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

E **Contact Details**
Enter your contact details. These are not compulsory but will assist us if we need to contact you regarding this application.

F **CHESS**
The Company participates in CHESS. If you are a CHESS participant (or are sponsored by a CHESS participant) and you wish to hold Shares allotted to you under this Application on the CHESS Subregister, enter your CHESS HIN. Otherwise, leave this section blank and on allotment, you will be sponsored by the Company and allocated a Securityholder Reference Number (SRN).

G **Payment**
Make your cheque, money order or bank draft payble to **"Adherium Limited"** in Australian currency and cross it **'Not Negotiable'**.
Complete the cheque details in the boxes provided. The total amount must agree with the amount shown in box B. **Please note that funds are unable to be directly debited from your bank account.**
Cheques will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques returned unpaid may not be re-presented and may result in your Application being rejected.
Paperclip (do not staple) your cheque(s) to the Application Form. Cash will not be accepted. No receipt for payment will be forwarded to Applicants.

Before completing the Application Form the Applicant(s) should read the Replacement Prospectus to which this Application relates. By lodging the Application Form, the Applicant agrees that this Application for Shares in Adherium Limited is upon and subject to the terms of the Replacement Prospectus and the Constitution of Adherium Limited, agrees to take any number of Shares that may be allotted to the Applicant(s) pursuant to the Replacement Prospectus and declares that all details and statements made are complete and accurate. It is not necessary to sign the Application Form.

Lodgement of Application

Application Forms must be received by Adherium Limited by no later than 5:00pm AEST on Friday 14 August 2015. You should allow sufficient time for this to occur. Return the Application Form with cheque(s) attached to:
Adherium Limited
C/- Computershare Investor Services Pty Limited
GPO Box 52 Melbourne Victoria 3001
Neither Computershare Investor Services Pty Limited (CIS) nor Adherium Limited accepts any responsibility if you lodge the Application Form at any other address or by any other means. If you have any enquiries concerning your application, please contact Adherium Limited on 1300 392 068 (within Australia) or +61 3 9415 4035 (outside Australia).

Privacy Statement

Personal information is collected on this form by CIS for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. In addition, Adherium Limited may authorise us on their behalf to send you marketing material or include such material in a corporate communication. You may elect not to receive marketing material by contacting CIS using the details provided on the front of this form or emailing privacy@computershare.com.au. We may be required to collect your personal information under the Corporations Act 2001 (Cth) and ASX Settlement Operating Rules. We may disclose your personal information to our related bodies corporate and to other individuals or companies who assist us in supplying our services or who perform functions on our behalf or to third parties upon direction by Adherium Limited where related to their administration of your securityholding, or where you have otherwise agreed we may disclose it. Some of these recipients may be located outside Australia, including in the following countries: Canada, India, New Zealand, the Philippines, the United Kingdom and the United States of America. For further details, including how to access and correct your personal information, and information on our privacy complaints handling procedure, please contact our Privacy Officer at privacy@computershare.com.au or see our Privacy Policy at http://www.computershare.com/au.

Correct forms of registrable title(s)

Note that ONLY legal entities are allowed to hold securities. Application Forms must be in the name(s) of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and the surname is required for each natural person. Application Forms cannot be completed by persons less than 18 years of age. Examples of the correct form of registrable title are set out below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual: Use given names in full, not initials	Mr John Alfred Smith	JA Smith
Company: use the company's full title, not abbreviations	ABC Pty Ltd	ABC P/L or ABC Co
Joint Holdings: use full and complete names	Mr Peter Robert Williams & Ms Louise Susan Williams	Peter Robert & Louise S Williams
Trusts: use the trustee(s) personal name(s)	Mrs Susan Jane Smith <Sue Smith Family A/C>	Sue Smith Family Trust
Deceased Estates: use the executor(s) personal name(s)	Ms Jane Mary Smith & Mr Frank William Smith <Est John Smith A/C>	Estate of late John Smith or John Smith Deceased
Minor (a person under the age of 18): use the name of a responsible adult with an appropriate designation	Mr John Alfred Smith <Peter Smith A/C>	Master Peter Smith
Partnerships: use the partners personal names	Mr John Robert Smith & Mr Michael John Smith <John Smith and Son A/C>	John Smith and Son
Long Names	Mr John William Alexander Robertson-Smith	Mr John W A Robertson-Smith
Clubs/Unincorporated Bodies/Business Names: use office bearer(s) personal name(s)	Mr Michael Peter Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds: use the name of the trustee of the fund	Jane Smith Pty Ltd <Super Fund A/C>	Jane Smith Pty Ltd Superannuation Fund

CORPORATE DIRECTORY

Directors

Dr John Douglas (Doug) Wilson
Non-Executive Chairman

Mr Garth Sutherland
Group Chief Executive Officer

Mr Jeremy Curnock Cook
Non-Executive Director

Professor John Mills
Independent Non-Executive Director

Mr Bryan Mogridge
Independent Non-Executive Director

Mr Bruce McHarrie
Independent Non-Executive Director

Company Secretary

Ms Bronwyn Le Grice

Registered Office

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Share Registry

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Auditors

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