

11 November 2019

Adherium Limited
Collins Square, Tower 4
Level 18, 727 Collins Street
Melbourne VIC 3000 Australia

Ms C Tang
Senior Adviser
ASX Limited
Level 4, North Tower, Rialto
525 Collins Street
Melbourne VIC 3000

Level 11, 16 Kingston Street
Auckland 1010 New Zealand

Dear Ms Tang

ASX QUERY LETTER DATED 4 NOVEMBER 2019

Adherium Limited (ASX:ADR) in response to your letter of 4 November 2019 requesting information from the Company under Listing Rule 18.7 provides the following information:

1. *Does ADR expect that it will continue to have negative operating cash flows for the time being and, if not, why not?*

Adherium does expect that it will continue to have negative operating cash flows for the time being while it is in a growth phase and developing its customer channels.

2. *Has ADR taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?*

During the quarter to 30 September 2019 the company completed the financing under the previously announced secured debt note financing of \$1.8 million. Today an extension of this financing by an additional \$1.2 million through the issue of secured debt notes to a new investor was announced, taking total secured debt note funding to \$3 million. Pending shareholder approval at the upcoming AGM, these notes will become convertible to ordinary shares in the Company, including mandatory conversion on achievement of a capital raise of a minimum of \$2.5 million which the Company intends to undertake prior to 31 January 2020. The Company continues to assess its funding requirements in light of its business objectives, including the expectation of revenue. Achieving the business objectives will be dependent on continuing to gain new customers, successfully deploying the Company's adherence solution to existing customers, and careful expense management.

3. *Does ADR expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?*

As explained above the Company has sufficient resources and plans in place, including a management budget and actual performance is monitored closely against this and reviewed with the Directors. The Company expects to be able to continue its operations and to meet its business objectives for the foreseeable future.

4. *Please confirm that ADR is complying with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition under that rule that has not already*

been released to the market.

Adherium refers to the announcement today regarding the issue of further secured debt notes, and confirms that it is in compliance with Listing Rule 3.1 and that there is no other information that should be given to ASX about its financial condition under that rule that has not already been released to the market.

5. *Please confirm that ADR's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of ADR with delegated authority from the board to respond to ASX on disclosure matters.*

Adherium confirms that these responses have been approved in accordance with its Communications and Disclosure Policy developed under sections 6.4 and 6.5 of its Corporate Governance Policy (disclosed on its website investors.adherium.com).

Yours faithfully

A handwritten signature in black ink, appearing to read "Rob Turnbull".

Rob Turnbull

Joint Company Secretary



4 November 2019

Reference: ODIN10135

Mr Rob Turnbull
General Manager and Company Secretary
Adherium Limited

By email only

Dear Mr Turnbull

Adherium Limited ('ADR'): Appendix 4C Query

ASX refers to ADR's Appendix 4C quarterly report for the period ended 30 September 2019 lodged with the ASX Market Announcements Platform and released on 31 October 2019 (the 'Appendix 4C').

ASX notes that ADR has reported:

- negative net operating cash flows for the quarter of \$1,268,000;
- cash at the end of the quarter of \$1,201,000; and
- estimated cash outflows for the next quarter of \$1,875,000.

It is possible to conclude, based on the information in the Appendix 4C, that if ADR were to continue to expend cash at the rate indicated by the Appendix 4C, ADR may not have sufficient cash to continue funding its operations.

Request for Information

In view of that, ASX asks ADR to answer separately each of the following questions and provide the following confirmations in a format suitable for release to the market under Listing Rule 18.7A:

1. Does ADR expect that it will continue to have negative operating cash flows for the time being and, if not, why not?
2. Has ADR taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
3. Does ADR expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
4. Please confirm that ADR is complying with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition under that rule that has not already been released to the market.
5. Please confirm that ADR's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of ADR with delegated authority from the board to respond to ASX on disclosure matters.

Please also provide any other information that ADR considers may be relevant to ASX forming an opinion on whether ADR is complying with Listing Rule 12.2 that a listed entity's financial condition must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **9:30 AM AEDT Monday, 11 November 2019**.

If we do not have your response by then, ASX will have no choice but to consider suspending trading in ADR's securities under Listing Rule 17.3. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, ADR's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market. Your response should be sent to me by e-mail at ListingsComplianceMelbourne@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rule 3.1 and 3.1A

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Exceptions to this requirement are set out in Listing Rule 3.1A. In responding to this letter, you should have regard to ADR's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. It should be noted that ADR's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in ADR's securities under Listing Rule 17.1. If you wish to request a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

Enquiries

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely

Cheng Tang
Senior Adviser, Listings Compliance (Melbourne)