

TARGET MARKET DETERMINATION

Made By: Adherium Limited ACN 605 352 510 (ASX code: ADR) (**Company** or **Adherium**)

Product: Unlisted options to acquire fully paid ordinary shares in the capital of the Company (**Shares**) pursuant to a prospectus dated 17 November 2022 (**Options**)

Effective Date: 17 November 2022

1. About this Document

This target market determination (**TMD**) seeks to offer investors with an understanding of the class of investors for which this Product has been designed, having regard to the objectives, financial situation and needs of the target market.

This document is not a full summary of the Product's terms and conditions and is not intended to provide financial advice. Investors are recommended when making a decision about this Product to read in full the Prospectus dated 17 November 2022 (**Prospectus**) issued by the Company which outlines the relevant terms and conditions under the Product.

Pursuant to the Prospectus, the Company is offering one (1) unlisted Option (exercisable at \$0.01 each and an expiry date of 31 March 2024) at no additional cost for every two (2) Shares subscribed and issued (at an issue price of \$0.005 per new Share) under the Prospectus in the nature of a share purchase plan (**SPP**) offer (**SPP Offer**) and any shortfall offer under that SPP (**Shortfall Offer**) also pursuant to the Prospectus.

All Options will rank equally with all other unlisted options to purchase Shares in the Company.

The Company has a target raise of an aggregate of \$1 million (before costs) from the issue of the SPP Offer and Shortfall Offer (collectively **Offers**), with a maximum number of Shares to be issued under the Offers of 200,000,000 Shares and 100,000,000 Options. The Shortfall Offer has an aggregate limit equal to the amount by which aggregate subscriptions under the SPP Offer fall below that target raise of \$1 million.

Eligible Shareholders are entitled to subscribe for a minimum of \$5,000 and up to \$20,000 worth of New Shares per Eligible Shareholder (in parcel sizes of \$5,000, \$10,000, \$15,000 or \$20,000). Investors under the Shortfall Offer must also subscribe for a minimum of \$5,000, but their subscriptions are only limited (by way of scale back by the Company) in aggregate to the shortfall under the SPP.

The Offers will be made under, or accompanied by, a copy of the Prospectus. Any recipient of this TMD are recommended to consult their professional adviser if they have any questions regarding the contents of the Prospectus.

Any recipient of this TMD who wishes to apply to be issued Options under the Offers will need to complete either the Share Purchase Plan Application Form or the Shortfall Offer Application Form (as the case may be) that will accompany the Prospectus. There is no cooling off period in respect of the issue of the Options.

This TMD is not a disclosure document for the purposes of the *Corporations Act 2001 (Cth)*, and therefore has not been lodged, and does not require lodgement, with the Australian Securities and Investments Commission (**ASIC**) nor does it contain a full summary of the terms and conditions of the Options. This TMD does not take into account your current financial position or circumstances nor what you intend for the future.

The Company is not licensed to provide financial product advice in relation to the Options nor the Offers.

A copy of the Prospectus is available on the Company's website and on the ASX announcements platform in respect of the Company's announcements.

2. Target Market

The information below summarises the overall class of investors that fall within the target market for the Options, based on the product key attributes and the objectives, financial situation and needs that they have been designed to meet.

Factor	Target Market
Investment Objective	<p>The Company expects that an investment in Options will be suitable to investors who wish to gain exposure to equities in a small/mid-cap biotechnology company listed on the Australian Securities Exchange (ASX), being the Shares that underlie the Options.</p> <p>The Options will not be listed on the ASX and so no profit can be made from trading the Options on the ASX market.</p> <p>The Options are likely to be for investors seeking to profit from an appreciation in the market price of Shares in Adherium and who are accustomed to participating in speculative investments in the biotechnology sector - but investors should first consider the Prospectus, including the risk factors relating to an investment in securities of the Company.</p> <p>The Options are not designed for investors who</p> <ul style="list-style-type: none"> • require an income stream from their investment in the Options; and/or • cannot bear the consequences of potential losses of their entire investment in the Options without material impact on their standard of living.
Investment Timeframe	<p>The target market of investors will take a short to medium term outlook on their investment. As the Options will not be listed on the ASX, investors with a short-term outlook for their investment will look to see if the ASX price of the listed ADR Shares is more than the exercise price of the Options to make a gain.</p> <p>The Options will need to be exercised before 31 March 2024 for there to be any possibility of benefit from the Options. Investors with a medium-term outlook (but not longer than 31 March 2024) will benefit from an ability to exercise the Options prior to their expiry date and increase their shareholding and exposure to the potential upside in the Company's Shares into the future.</p> <p>Given the need to pay the exercise price in order to acquire Shares, Investors in the target market are in a financial position that is sufficient for them to invest their funds over a (approximately) 15 month time horizon should they wish to exercise their Options.</p>

	Any decision to exercise the Options is likely to be based on the trading price of the Shares and an investment in the Options or the resulting Shares should be regarded as highly speculative.
Investment Metrics	<p>As eligibility for investment is restricted to existing Shareholders for the SPP Offer, and investors and existing Shareholders for the Shortfall Offer, it is expected that the target market of investors will be able to withstand potential fluctuations in the value of their investment, especially as the Options are being issued for no additional consideration.</p> <p>An exercise price is required to be paid to acquire Shares on exercise of Options. As such, the capacity to realise the underlying value of the Options would require that they be exercised on or before the expiry date - presumably where the trading price of the underlying Shares is above the exercise price for the Options.</p> <p>Investors in the target market will need to be in a financial position to have sufficient available funds so as to facilitate an exercise of the Options prior to the expiry date. Prior to the expiry date, investors' ability to liquidate the Options may be limited by a material lack of liquidity or any market for trading the Options and the price of the Shares. The Options (and the resulting Shares) offer no guaranteed income or capital protection.</p>
Risk of Investment	<p>The Company considers that an investment in the Options is highly speculative, such that an investment in the Company is not appropriate for an investor who would not be able to bear a loss of some or all of the investment.</p> <p>Investors should also have a sufficient level of financial literacy and resources (either alone or in conjunction with an appropriate adviser) to understand and appreciate the risks of investing in Options as an asset class generally and the more specific risks of investing in an Australian listed biotechnology company.</p> <p>There is a substantial risk that the Options may become:</p> <ul style="list-style-type: none"> • lower in value in the event that the Company's Share price does not appreciate; and • worthless if the Company's Share price on the expiry date is less than the exercise price of Options

3. Distribution Conditions

The SPP Offer is being made to shareholders resident in Australia or New Zealand on the record date (**Record Date**) of 7.00pm on 16 November 2022 (**Eligible Shareholders**) and the Shortfall Offer is being made to Eligible Shareholders and other investors who are not Eligible Shareholders. The Prospectus includes these jurisdictional conditions on eligibility.

Application will not be made for quotation of the Options, so there will be no trading of the Options on the ASX market. Options will first be issued to existing Shareholders (as at the Record Date) who subscribe for Shares (and accompanying Options) under the SPP Offer. If the aggregate subscriptions under the SPP Offer are less than the target raise of \$1 million (i.e. there is a 'Shortfall'), then the Company may accept offers under the Shortfall Offer from eligible Shareholders and other investors (who are not already Shareholders). The

Board has reserved the right to place Shares (and accompanying Options) under the Shortfall Offer until 21 January 2023.

A maximum of up to approximately 100,000,000 unlisted Options will be issued under the Offers. This number is subject to possible scaling back of subscriptions and rounding.

The product can only be distributed by making an application for Options pursuant to the applicable Application Form accompanying the Prospectus. The Company has emphasised that an investment in the Options, and in the Shares underlying the Options, is speculative in nature and not suitable for investors for whom such an investment is inappropriate. The Company considers that these distribution conditions will ensure that persons who invest in Options fall within the target market in circumstances where personal advice is not being provided to those persons by the Company.

4. Review Triggers

The Options are being offered for a limited offer period set out in the Prospectus, after the conclusion of which the Options will no longer be available for investment by way of issue nor will there be a liquid secondary market for trading in the Options.

It follows that the TMD will only apply in the period between the commencement of the offer of the Options and the issue of the Options shortly after the close of the Offers (**Offer Period**).

To allow the Company to determine whether circumstances exist that indicate this TMD is no longer appropriate to the Options and should be reviewed, the following review triggers apply for the Offer Period:

- (a) a new offer of Options that requires preparation of a disclosure document is made after completion of the Offer Period;
- (b) any event or circumstance that would materially change a factor taken into account in making this TMD;
- (c) the existence of a significant dealing of the Options that is not consistent with this TMD;
- (d) ASIC raises concerns with the Company regarding the adequacy of the design or distribution of the Options or this TMD; and
- (e) material changes to the regulatory environment that applies to an investment in the Options

5. Review Period

If a review trigger occurs during the Offer Period, the Company will undertake a review of the TMD in light of the review trigger as soon as reasonably practicable and, in any case, within five business days of the review trigger occurring.

The Company will otherwise complete a review of the TMD immediately prior to the issue of Options under each of the Offers.

As the Shortfall Offer may extend beyond the period of one month, the Company will undertake a monthly review of the TMD until the Offer Period expires.

6. Information Reporting

The reporting requirements of all distributors is detailed in the table below:

Reporting Requirement	Period for reporting to the Company by the distributor	Information to be provided
Whether the distributor received complaints about the Options.	<ul style="list-style-type: none"> For such time as the Offer Period remains open, within 10 business days after the end of each quarter. Within 10 business days after the end of the Offer Period. 	<ul style="list-style-type: none"> The number of complaints received. A summary of the nature of each complaint or a copy of each complaint.
A significant dealing of the Options that is not consistent with this TMD	As soon as reasonably practicable after the significant dealing occurs, but in any event no later than 10 business days after the significant dealing occurs.	<ul style="list-style-type: none"> Details of the significant dealing. Reasons why the distributor considers that the significant dealing is not consistent with this TMD, <p>upon the basis that as the Options are unlisted, the Company will not be in a position to determine whether “significant dealings” occur in an “on market” environment. In addition, it has no capacity to identify the objectives, financial situation and needs of any investors who acquire the unlisted Options.</p>
A significant dealing of the Options that is not consistent with this TMD	Within 10 business days after the end of the close of the offer of Options in accordance with the Prospectus.	A summary of the steps taken by the distributor to ensure that its conduct was consistent with this TMD.

7. Contact Details

Contact details in respect of this TMD for the Company are:

Mr Rob Turnbull
 Joint Company Secretary
 Email: CompanySec@adherium.com