

Appendix 4C

Quarterly cash flow report to 31 December 2016

30 January 2017: Adherium Limited (ASX:ADR), a global leader in digital health technologies that address sub-optimal medication use in chronic disease, presents its Appendix 4C cash flow report for the quarter and six months ended 31 December 2016.

Receipts from customers for the quarter to December 31st 2016 were \$1.3 million, largely from our major commercial partner AstraZeneca, in relation to:

- the Australian commercial pilot programme involving over 130 respiratory clinicians and several channels to distribute the Smartinhaler™ asthma management solution to consumers.
- the BreatheMate COPD study across nine US sites using Adherium's SmartTouch™ for Symbicort® with supporting services provided by Adherium. An FDA 510(k) application is currently under review with approval expected by Q2 CY 2017; and
- completion of milestones with the Medical Research Institute of New Zealand for two international studies being run with Adherium's Smartinhaler™ platform.

Cash at December 31st 2016 was \$29.5 million, compared with \$31.8 million at September 30th 2016, a net use of cash of \$2.3 million for the quarter, predominantly in continuing to develop features in our proprietary software platform SmartinhalerLive™, including data analytics capability, and in expansion of our international team.

Other highlights in the period to December 31st 2016 include:

- selection of Adherium's Smartinhaler™ solution by some of Europe's most prestigious clinical opinion leaders for the myAirCoach programme to establish whether home monitoring and mobile health (mHealth) systems can be used to predict asthma control and the onset of asthma exacerbations.
- publication of the independent STAAR study results in the prestigious journal Thorax¹, showing unequivocal evidence that Adherium's Smartinhaler™ platform dramatically impacts adherence monitoring and improves clinical outcomes in children with asthma, leading to a five-fold reduction in asthma-related hospitalisations in patients using Adherium's Smartinhaler™;
- appointment of Mr Thomas Lynch as Adherium's new Chairman; and
- grant by the US Patent and Trademark Office (USPTO) of a key patent covering medication adherence monitoring devices that include an optical dose counter, further strengthening the Company's growing intellectual property portfolio;

Since the quarter end Adherium has provided a Company update in conjunction with presentations it made during the 35th J.P. Morgan Healthcare Conference 2017 in San Francisco, which were well received by US investors and industry representatives.

The Company's Smartinhaler™ platform also received significant validation this month through the publication of a Medtech Innovation Briefing (MIB) on Adherium's Smartinhaler™ technology platform by the UK's National Institute for Health and Care Excellence (NICE). The briefing recognises the important role that Adherium's Smartinhaler can play in improving adherence to asthma medication. NICE is an independent organisation providing national guidance to the UK's NHS, and in the MIB recognised that

Smartinhaler™ technology is proven in clinical studies to reduce hospitalisations, and is more effective than current practice in improving asthma medication adherence.

Following the publication of this MIB by NICE, the Company anticipates increased adoption of its Smartinhaler™ technology within the NHS hospital network.

The NICE Medtech Innovation Briefing can be found at <https://www.nice.org.uk/guidance/published>

¹ Published online: Thorax doi:10.1136/thoraxjnl-2015-208171

ABOUT ADHERIUM

Adherium (ASX:ADR) is an Australian Securities Exchange listed company which develops, manufactures and supplies digital health technologies which address sub-optimal medication use and improve health outcomes in chronic disease. Adherium operates globally from bases in the USA, Europe and Australasia.

Adherium is a provider of digital health solutions to patients, pharmaceutical companies, healthcare providers and contract research organizations. The Company's proprietary Smartinhaler™ platform has been independently proven to improve medication adherence and health outcomes for patients with chronic respiratory disease. Adherium has the broadest range of "smart" medication sensors for respiratory medications globally.

The Smartinhaler™ platform has so far been used in more than 65 projects (clinical, device validation or other) and has been referenced in 56 peer reviewed journal articles. Clinical outcomes data has proven that the Smartinhaler™ platform can improve adherence by up to 59% in adults and 180% in children and reduce severe episodes by 60% in adults, leading to improved quality-of-life and demonstrating a substantial gain over current best practice treatment. The Company has received FDA 510(k) notifications for clearance to market and CE Marks for its devices and software, which allows it to sell these devices into international markets.

www.adherium.com www.smartinhaler.com

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Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Adherium Limited

ABN

24 605 352 510

Quarter ended ("current quarter")

31 December 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,283	1,607
1.2 Payments for		
(a) research and development	(399)	(726)
(b) product manufacturing and operating costs	(423)	(873)
(c) advertising and marketing	(379)	(620)
(d) leased assets	-	-
(e) staff costs	(1,676)	(3,019)
(f) administration and corporate costs	(818)	(1,640)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	248	330
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	(1)	(7)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(2,165)	(4,948)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(144)	(229)
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
(d) intellectual property	-	-
(e) other non-current assets	(27)	(30)
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(171)	(259)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	8,023
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	(511)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	-	7,512

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	31,824	27,211
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(2,165)	(4,948)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(171)	(259)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	7,512

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	35	7
4.6	Cash and cash equivalents at end of quarter	29,523	29,523

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	79	100
5.2	Call deposits	29,444	31,724
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	29,523	31,824

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
(62)
-

Payment of directors' fees.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000
-
-

Not applicable

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

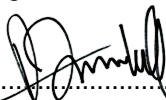
Not applicable

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	711
9.2 Product manufacturing and operating costs	656
9.3 Advertising and marketing	609
9.4 Leased assets	-
9.5 Staff costs	2,389
9.6 Administration and corporate costs	972
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	5,337

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	Not applicable	Not applicable
10.2 Place of incorporation or registration		
10.3 Consideration for acquisition or disposal		
10.4 Total net assets		
10.5 Nature of business		

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:  Date: 30 January 2017

(Director/Company secretary)

Print name: R M Turnbull

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.