

## Appendix 4C

### Quarterly cash flow report to 30 September 2019

*All figures are stated in Australian dollars and are unaudited.*

Adherium Limited (ASX:ADR), a digital health company that improves medication adherence and patient outcomes, presents its Appendix 4C cash flow report for the quarter ended 30 September 2019.

There was a net increase of cash in the quarter from \$763,000 at 30 June 2019 to \$1,201,000 at 30 September 2019 following the completion of the previously announced secured debt note financing of \$1.8 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 \$2.5 million prior to 31 January 2020.

Receipts from sales to customers for the quarter totalled \$765,000 compared with \$1,343,000 in the quarter to 30 June 2019. The decrease quarter on quarter related to the June quarter being higher due to clearing a production back log from the March quarter and shipping those sensors in the June quarter. In addition, receipts on product design and engineering services were higher in the June quarter due to the timing of milestone related billings.

Payments for research and development were \$748,000 in the September quarter compared with \$938,000 in the previous quarter. These related to refinements of the Company's Hailie™ mobile apps and cloud platform, as well as further customer specific feature development and customisation, and investigation of integrations with country specific health platforms. These investigations were related to sales and marketing initiatives seeking reimbursement of the Hailie™ solution from country healthcare systems, and also discussions with disease management organisations already supplying to those systems. Sales and marketing costs reflected this at \$268,000 in the September quarter compared with \$206,000 in the previous quarter. Staff costs further reduced to in the three months to 30 September, from \$687,000 for the June quarter to \$526,000. This predominantly related to the completion of severance payments related to the December 2018 reorganisation.

As noted in the cash flow report, cash outflows in the December 2019 quarter are estimated to amount to \$1,875,000, and receipts from customers and other sources of income will further reduce the net cash use in the coming quarter. As set out in the Notice of Annual General Meeting, the Company will be seeking shareholder approval of conversion features in any additional issue of secured debt notes should the total level of financing be extended beyond \$1.8m.

#### **About Adherium**

Adherium is a provider of digital health solutions and a global leader in connected respiratory medical devices, with over 170,000 sold globally. The Company develops, manufactures and supplies patients, pharmaceutical companies, healthcare providers and contract research organizations with the broadest range of connected medical devices for respiratory medications. The devices and accompanying technology address sub-optimal medication use and strive to improve health outcomes in chronic disease. Adherium operates globally from bases in the USA and Australasia. Learn more at [adherium.com](http://adherium.com) and [hailie.com](http://hailie.com).

#### **Enquiries**

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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")**

30 September 2019

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	765	765
1.2 Payments for		
(a) research and development	(748)	(748)
(b) product manufacturing and operating costs	(296)	(296)
(c) advertising and marketing	(268)	(268)
(d) leased assets	-	-
(e) staff costs	(526)	(526)
(f) administration and corporate costs	(196)	(196)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes refunded (paid)	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,268)</b>	<b>(1,268)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(52)	(52)
(b) businesses (see item 10)	-	-
(c) investments	-	-

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
(d) intellectual property	-	-
(e) other non-current assets	-	-
<b>2.2 Proceeds from disposal of:</b>		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
<b>2.3 Cash flows from loans to other entities</b>	-	-
<b>2.4 Dividends received (see note 3)</b>	-	-
<b>2.5 Other (provide details if material)</b>		
- Cash deposits (maturities <3 months)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(52)</b>	<b>(52)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	-	-
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	-	-
3.5 Proceeds from borrowings	1,800	1,800
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)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>1,800</b>	<b>1,800</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of quarter/year to date	763	763
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,268)	(1,268)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(52)	(52)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	1,800	1,800

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	(42)	(42)
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>1,201</b>	<b>1,201</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	116	145
5.2	Call deposits	1,085	618
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,201</b>	<b>763</b>

**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

<b>Current quarter \$A'000</b>
38
-

- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

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

<b>Current quarter \$A'000</b>
-
-

- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Not applicable

<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
8.1 Loan facilities	1,800	1,800
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.		

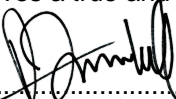
The Company issued secured debt notes to sophisticated and professional investors in the quarter, including to related parties One Funds Management Ltd as trustee for the Asia Pacific Healthcare Fund II and Summatix Pty Ltd. The secured debt notes bear interest at 9% p.a. and are pending shareholder approval at the 2019 AGM of conversion features into ordinary shares of the Company.

<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Research and development	460
9.2 Product manufacturing and operating costs	407
9.3 Advertising and marketing	183
9.4 Leased assets	-
9.5 Staff costs	497
9.6 Administration and corporate costs	328
9.7 Other (provide details if material)	-
<b>9.8 Total estimated cash outflows</b>	<b>1,875</b>

<b>10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	<b>Acquisitions</b>	<b>Disposals</b>
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: 31 October 2019 .....

(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.