

ASX Release: 30 April 2021

Appendix 4C

Quarterly cash flow report to 31 March 2021

All figures are stated in Australian dollars and are unaudited.

Adherium Limited (ASX: ADR), a leader in digital inhaled device adherence, remote monitoring, and data management solutions, presents its Appendix 4C cash flow report for the quarter ended 31 March 2021.

During the quarter Adherium received \$18 million of investment commitments in a capital raise against a target of \$15 million demonstrating confidence in Adherium's business plan and strategy. The first tranche of \$2,549,000 before costs was received following a share issue in March, and the balance of \$15,451,000 was approved today at an Extraordinary General Meeting with completion expected in the first week of May 2021. The bulk of the new investment is from existing shareholders and industry partners. In addition, shareholders approved amendment of the terms of the existing Secured Convertible Notes of \$3 million plus interest, to enable these to be converted to shares in conjunction with the completion of the \$18 million capital raise. Consequently, Adherium enters the latter half of 2021 free of debt.

During the quarter to 31 March 2021 Adherium has progressed its strategy of building out an ecosystem supporting the treatment of respiratory patients. Detailed discussions with third parties to add digitalised devices to the Hailie® platform, thereby expanding the range of information available to the treating physician, are advancing with the plan to commence adding these new devices to the Hailie® platform in the second half of CY2021.

As previously noted, Adherium has received unsolicited approaches from North American health systems and commercial carriers looking to evaluate the Hailie® solution as part of their coverage of patients with respiratory disease, reflecting the strengthening trend towards using digital devices and platforms to support the management of specific patient populations. The Company continues to progress these and other opportunities, and it is expected pilot programs with new partners will be initiated in Q3/4 of CY2021.

The commercial pilot programs with HGE Health and Monaghan continue, with the Company closely monitoring activities to ensure program objectives are achieved to support commercialisation in CY2021.

In the sensor program, the 510(k) submission for the Hailie® sensor for Symbicort® with the physiological measure has been finalised and was submitted to the U.S. Food and Drug Administration in early April. Development of physiological measures for other sensors in the portfolio is continuing.

In the software program, together with some minor enhancements to the Hailie® application and platform to support current clinical trials in which Adherium's sensors are key to collecting critical data, work has begun to define the "Zero Touch" feature which will allow patients to connect the sensor to the Hailie® application with minimal intervention. This feature will be especially valuable for the patients in older age groups who are often overrepresented in the severe and uncontrolled patient groups.

As previously outlined Adherium will establish an Australian based, software focused, development capability, recruitment for which is underway. This will support timely delivery of the development plan, reduce reliance on third-party developers and lower costs thereby leveraging the capital invested.

Cash Flow Commentary

Cash at the end of the quarter to 31 March 2021 was \$3,203,000.

Receipts from Customers for sensor sales, engineering services and clinical trial services increased to \$157,000 in the March 2021 quarter compared to \$21,000 for the preceding quarter, mainly related to clinical trial customer activity.

Payments for Research & Development activities were reduced to \$1,265,000 in the March 2021 quarter compared to \$1,674,000 in the preceding quarter. The lower payments reflect the management of cash ahead of the capital raising undertaken in the quarter. Research & Development activities are ongoing with our partner, Planet Innovation, with the scope of the program covering sensor development for both Asthma and COPD inhalers as well as software including the Hailie® platform.

Advertising and Marketing costs were \$32,000 in the March 2021 quarter compared to \$125,000 in the preceding quarter. Costs to set up the current pilots with our commercial partners were largely paid in the September 2020 and December 2020 quarters.

Staff costs were consistent quarter on quarter with \$1,014,000 paid in the quarter to 31 March 2021 compared with \$1,084,000 paid to 31 December 2021.

Administration and Corporate costs were \$492,000 in the March 2021 quarter compared to \$365,000 in the preceding quarter. This increase included payments for corporate insurances that were made in the quarter totalling \$160,000. For the March 2021 quarter the Board continued to defer payment of director fees pending the outcome of capital raising activities, and accordingly there were no payments to directors. Today shareholders approved payment of those deferred fees by way of share issue.

Subsequent Event

On the evening of 29 April 2021 Respiri Limited announced an unsolicited conditional off-market takeover offer for Adherium shares. The Adherium Board is reviewing this offer and considering its response. At this time, Adherium shareholders are advised to TAKE NO ACTION in respect of the offer until the Adherium Board makes a formal recommendation to shareholders.

This ASX announcement was approved and authorised for release by the Board of Adherium.

About Adherium (ASX: ADR)

Adherium is a provider of digital health solutions and a global leader in connected respiratory medical devices, with more than 170,000 sold globally. The Company develops, manufactures and supplies a broad range of connected medical devices for respiratory medications for patients, pharmaceutical companies, healthcare providers and contract research organisations. Adherium's Hailie® solution is designed to help patients achieve better adherence and provide visibility to parents and caregivers. It does this by tracking medication use and reminding the user with helpful nudges when it is time to take doses, and by providing access to usage history to better understand patterns in their asthma and COPD.

Adherium has a series of new asthma and COPD sensors in development which, with their existing capabilities, will also enable the capture of physiological measures enabling access to CPT reimbursement for remote patient monitoring in the US.

These tools ultimately enable patients, with their physicians, to more effectively manage their Asthma and COPD and at the same time as potentially deliver significant healthcare cost savings to payors and providers.

Learn more at adherium.com.

Enquiries:

Rudi Michelson
Monsoon Communications
+61 3 9620 3333
+61 (0)411 402 737
rudim@monsoon.com.au

Mike Motion
CEO
Adherium
+44 7917 688801
investors@adherium.com

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Adherium Limited

ABN

24 605 352 510

Quarter ended ("current quarter")

31 March 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	157	648
1.2 Payments for		
(a) research and development	(1,265)	(3,818)
(b) product manufacturing and operating costs	(16)	(648)
(c) advertising and marketing	(32)	(330)
(d) leased assets	-	-
(e) staff costs	(1,014)	(3,002)
(f) administration and corporate costs	(492)	(1,315)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	13
1.5 Interest and other costs of finance paid	(6)	(6)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(2,666)	(8,458)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(13)	(16)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) 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	(13)	(16)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	2,549	4,421
3.2	Proceeds from issue of convertible debt securities	-	3,000
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(120)	(313)
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	2,429	7,108

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,460	4,584
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,666)	(8,458)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(13)	(16)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,429	7,108
4.5	Effect of movement in exchange rates on cash held	(7)	(15)
4.6	Cash and cash equivalents at end of period	3,203	3,203

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	514	72
5.2	Call deposits	2,689	3,388
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)	3,203	3,460

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	-
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	3,000	3,000
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	3,000	3,000
7.5 Unused financing facilities available at quarter end		-
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
<p>The Company issued secured convertible notes to a sophisticated and professional investor in the quarter to 31 December 2020. The secured convertible notes bear interest at 9% p.a. and the principal and accrued interest matures 25 October 2022. Shareholders voted at an EGM on 30 April 2021 to modify the terms of the secured convertible notes, enabling conversion of the notes to ordinary shares on completion of the capital raise in early May 2021.</p>		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(2,666)
8.2 Cash and cash equivalents at quarter end (item 4.6)	3,203
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	3,203
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	1.20
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: Yes	
8.6.2 Has the entity 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?	
Answer: Adherium held an EGM on 30 April 2021 at which Shareholders approved a capital raise that will fund the Company's operations. The second tranche of this capital raise of \$15.5 million will be completed in the first week of May 2021.	

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Yes, on the basis of receiving further funding from existing shareholders and new entities pursuant to the capital raise approved by Shareholders at an EGM on 30 April 2021.

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

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.

Date: 30 April 2021

Authorised by: The Adherium Board of Directors
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.