

ASX Release: 30 July 2021

Appendix 4C

Quarterly Cash Flow Report to 30 June 2021

All figures are stated in Australian dollars and are unaudited.

Adherium Limited (ASX: ADR, Adherium), a leader in digital inhaled device adherence, remote monitoring, and data management solutions, presents its Appendix 4C cash flow report for the quarter ended 30 June 2021.

During the quarter Adherium completed a capital raise of \$18 million. The first tranche of \$2,549,000 before costs was received following a share issue in March, and the balance of \$15,451,000 before costs was received following shareholder approval at the Extraordinary General Meeting held on 30 April 2021. As previously noted, shareholders also 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. Adherium enters the latter half of 2021 free of debt.

On 13 May 2021, the Adherium Board was pleased to announce the appointment of Mr George Baran as a non-executive director replacing Mr Bryan Mogridge who retired from the Board in January. In addition, Mr Rick Legleiter was appointed Chief Executive Officer following the resignation of Mr Mike Motion.

Shareholders will also be aware of the unsolicited, conditional, off market, all share offer by Respi Limited for the shares of Adherium. The Adherium Board immediately advised Adherium shareholders to take no action and issued Adherium's Target's Statement detailing the Board's recommendation to reject the Respi offer. The offer lapsed on 16 July 2021 with Respi Limited having received acceptances of 0.13% of Adherium shares. While this shareholder rejected offer from Respi Limited consumed a substantial amount of Board and management time, and additional external cost of approximately \$135,000, the diversion did not dissuade Adherium's determination of delivering on its strategy to progress the further development and commercialisation of the Hailie® solution.

The multi-billion dollar respiratory disease market in North America and Europe are the prime centres offering the best prospects of significant returns for investors. As such moving forward in FY22 Adherium will advance its engagement with current partners and new partner prospects with a focus first and foremost on the United States and the United Kingdom as those markets are now beginning to open from the pandemic. The goal in these markets is for Remote Patient Monitoring (RPM) pilot sites for proof-of-concept and commercial demonstrations. Such pilot sites are especially valuable as our next generation product development with physiological measures advance through the design, testing, regulatory clearance, and manufacturing stages. The pilots are Adherium's platform to create the value proposition and meet reimbursement criteria to address and access these big markets. Adherium's existing pilot programs with Monaghan Medical Corporation (a Trudell Medical Limited company) and HGE Health (a Vapotherm company) continue at reduced scale and notwithstanding navigating difficult COVID-related provider and hospital access restriction delays and complications.

Adherium's Research and Development program recorded good progress against timelines in the following areas:

- Build out of the ecosystem through adding digitalised Adherium and third-party respiratory devices and information which will increase relevant data available to treating physicians, including the continued evaluation of candidate devices. The first third-party device is expected to be integrated before calendar year end.
- Successful pilot of the "Zero Touch" feature which will allow patients to connect the sensor to the Hailie® application with improved Bluetooth connectivity and minimal interaction. As noted, this feature will be especially valuable for the patients in older age groups who are often overrepresented in the severe and uncontrolled disease patient groups.
- Building physiological measures into the new GSK, Ellipta® and Proair® sensors with UD FDA 510(k) submission estimated for late 2021/early 2022.
- Extending Adherium's ecosystem integration layer through the release of its second generation interface API.
- Expanding our capability to deliver the Adherium technology roadmap with additional development resources.

Cash Flow Commentary

Cash at the end of the quarter to 30 June 2021 was \$15,178,000.

Receipts from customers for sensor sales, engineering services and clinical trial services were \$134,000 in the June quarter compared to \$157,000 for the preceding quarter. The decrease related to customer clinical trial activity which is not always consistent quarter to quarter.

Payments for Research and Development activities were \$591,000 in the June quarter compared to \$1,265,000 in the preceding quarter. The lower payments reflect the continued management of cash ahead of the capital raising completed in the quarter. Research and 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 \$55,000 in the June quarter compared to \$32,000 in the preceding quarter. These costs represent increased marketing activity in the United Kingdom, targeting Asthma industry groups and the NHS.

Staff payments increased quarter on quarter with \$1,534,000 paid in the June quarter compared with \$1,014,000 paid to 31 March 2021. The increase reflected the planned recruitment of Australian domiciled Research and Development personnel, payment of deferred salaries, and relocation allowance.

Administration and Corporate costs were \$705,000 in the June quarter compared to \$492,000 in the preceding quarter. The increase included related party payments to Mr James Ward-Lilly of deferred consulting fees of \$192,000 and deferred Directors fees of \$25,000. The Board has agreed Directors fees for the June quarter will, as has been the case in the preceding two quarters, be paid in shares and for which shareholder approval will be sought at a future date.

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.

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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")

30 June 2021

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (12 months) \$A'000 |
|---|------------------------------------|---|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | 134 | 782 |
| 1.2 Payments for | | |
| (a) research and development | (591) | (4,409) |
| (b) product manufacturing and operating costs | (72) | (720) |
| (c) advertising and marketing | (55) | (385) |
| (d) leased assets | - | - |
| (e) staff costs | (1,534) | (4,536) |
| (f) administration and corporate costs | (705) | (2,020) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | 10 | 23 |
| 1.5 Interest and other costs of finance paid | (2) | (8) |
| 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 | (2,815) | (11,273) |
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire or for: | | |
| (a) entities | - | - |
| (b) businesses | - | - |
| (c) property, plant and equipment | (13) | (29) |
| (d) investments | - | - |
| (e) intellectual property | - | - |
| (f) other non-current assets | - | - |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (12 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) | (29) |

| | | | |
|-------------|---|---------------|---------------|
| 3. | Cash flows from financing activities | | |
| 3.1 | Proceeds from issues of equity securities (excluding convertible debt securities) | 15,451 | 19,872 |
| 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 | (655) | (968) |
| 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 | 14,796 | 21,904 |

| | | | |
|-----------|--|---------|----------|
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of period | 3,203 | 4,584 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (2,815) | (11,273) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | (13) | (29) |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (12 months) \$A'000 |
|---|--|------------------------------------|---|
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | 14,796 | 21,904 |
| 4.5 | Effect of movement in exchange rates on cash held | 7 | (8) |
| 4.6 | Cash and cash equivalents at end of period | 15,178 | 15,178 |

| 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 | 162 | 514 |
| 5.2 | Call deposits | 15,016 | 2,689 |
| 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) | 15,178 | 3,203 |

| 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 | 217 |
| 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> | | |

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

| 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 | - | - |
| 7.2 Credit standby arrangements | - | - |
| 7.3 Other (please specify) | - | - |
| 7.4 Total financing facilities | - | - |
| 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. | | |
| Nil | | |

| 8. Estimated cash available for future operating activities | \$A'000 |
|--|----------------|
| 8.1 Net cash from / (used in) operating activities (item 1.9) | (2,815) |
| 8.2 Cash and cash equivalents at quarter end (item 4.6) | 15,178 |
| 8.3 Unused finance facilities available at quarter end (item 7.5) | - |
| 8.4 Total available funding (item 8.2 + item 8.3) | 15,178 |
| 8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1) | 5.4 |
| <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? | |
| N/A | |
| 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? | |
| N/A | |
| 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? | |
| N/A | |
| <i>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.</i> | |

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 July 2021

The Adherium Board of Directors
 Authorised by:
 (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.