

Appendix 4C

Quarterly cash flow report to 31 December 2020

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 December 2020.

During the quarter to 31 December 2020 Adherium continued to execute its revised strategy and initiated discussions to explore potential future funding arrangements including new partners. Adherium's two US commercial channel partners continue to make progress in rolling out the Hailie® program despite challenges related to hospital and patient access due to the impact of the US COVID-19 situation.

Good progress was made in relation to identifying new industry partners with a number of positive initial engagements across a range of sectors including CDMOs, integrated digital health systems and medical device companies. Securing new partners who can bring capital, complementary assets and/or capabilities to the relationship will be a catalyst for the efficient delivery of Adherium's core Hailie® sensor technology and software platform, allowing US physicians to access reimbursement, meeting the respiratory leadership opportunity that exists today and driving a step change in the growth rate of Adherium.

During the quarter Adherium received a number of unsolicited approaches from US health systems and commercial carriers looking to evaluate the Hailie® solution as part of their coverage of patients with respiratory disease. Discussions are progressing with the goal of establishing the framework needed to support and initiate pilot programs with their patient populations in Q3/4 of FY2021.

In the disease management setting with HGE Health, portal and application upgrades were implemented to facilitate the operationalisation of recruitment, enrolment and ongoing monitoring ahead of commercialisation in the first half of CY2021.

In the specialist sales channel, Monaghan Medical Corp. have commenced recruitment with the first patients now enrolled onto the Hailie® program. Patients enrolled in the program are providing data needed to establish the operational principles required to scale the business. Given the rising cases of COVID-19 with subsequently limited access to sites, training and support has been offered virtually and although recruitment has been slower than expected, recruitment is expected to continue at a steady pace in early 2021.

Within the software and sensor development programs, a significant step was taken in centralising the Hailie® portal to a single platform on Microsoft Azure. This enabled the migration of three active clinical trials to its highly scalable and robust, secure cloud architecture. As a result, there is increased scope for improved functionality, capacity and new capabilities to be integrated for clinical reporting, user interface and performance improvements. In addition, two updates to the Android and iOS Apps for both clinical and non-clinical patients were deployed delivering performance, stability and functionality improvements. System architecture to allow the addition of third-party devices to the Hailie® platform allowing the future capture of additional clinical data supporting, remote monitoring and access to reimbursement for physicians in the US. Adherium has also initiated a number of R&D activities designed to further enhance the user experience.

In the sensor program, progress was made in defining the specification and parameters for capturing physiological measures, ensuring sensors will deliver the data required for physicians to access the reimbursement codes for remote patient monitoring in the US. In addition, prior to the December period end, the new Hailie® for HandiHaler® sensor was released to the market and it is anticipated the new Hailie® for Symbicort® pMDI sensor incorporating physiological measures will be released in H1 CY2021. More devices upgraded to incorporate physiological measures will be released later in 2021, ensuring the Adherium portfolio covers the majority of Asthma and COPD inhalers in the market. This increased coverage allows doctors to prescribe the best possible combination of medications to their patients whilst gaining access to the data generated on the Hailie® platform.

Adherium sensors continue to be recognised as being at the forefront of smart-inhaler technology and will be featured on the Australian Television show, Australia by Design on 20 February 2021 <https://www.australiabydesign.com.au/project/smart-inhaler/>.

Adherium today also announces Mr. Bryan Mogridge's retirement from the Adherium Board as he manages an increasing workload in the coming year. Bryan is one of the original investors in the Adherium business and has made a substantial contribution to its development with his practical and pertinent advice reflecting his vast professional experience. He was appointed as a director in mid-2015 and will retire effective today, 29 January 2021. The Board would like to take this opportunity to thank Bryan for his valuable service and contribution to Adherium.

Cash Flow Commentary

Cash at the end of the quarter to 31 December 2020 was \$3,460,000.

Receipts from customers for sensor sales, engineering services and clinical trial services were \$21,000 in the December quarter compared to \$470,000 for the preceding quarter. The decrease reflected slowdown in activity due to COVID-19 impacts on clinical trials and commercial pilots. Several clinical trials stopped recruitment of patients or were placed on hold during the period to enable healthcare resources to cope with increasing COVID-19 patient numbers.

Payments for Research & Development activities were \$1,674,000 in the December quarter compared to \$879,000 in the preceding quarter. The increase reflects the momentum in the Research & Development program undertaken with our partner, Planet Innovation. The scope of the program covers sensor development (for both Asthma and COPD inhalers) as well as software including the Hailie® platform.

Advertising and Marketing costs were \$125,000 in the December quarter compared to \$173,000 in the preceding quarter. Costs to set up the pilots with our commercial partners were largely paid in the September quarter.

Staff costs were \$1,084,000 in the December quarter compared to \$904,000 in the preceding quarter. This is largely due to a full quarter of the costs of the new hires made in R&D, regulatory and finance during the previous quarter, some of these replacing roles previously recorded as contractors.

Administration and Corporate costs were \$365,000 in the December quarter compared to \$458,000 in the preceding quarter. Director fees paid, ordinarily included in Administration and Corporate costs, were \$3,000, being tax withholding payments for September quarter fees. For the December quarter the Board put payments on hold pending the outcome of strategic industry partner discussions.

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. The first of these sensors are targeted for launch in the US in H1 calendar 2021.

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")

31 December 2020

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	21	491
1.2 Payments for		
(a) research and development	(1,674)	(2,553)
(b) product manufacturing and operating costs	(138)	(632)
(c) advertising and marketing	(125)	(298)
(d) leased assets	-	-
(e) staff costs	(1,084)	(1,988)
(f) administration and corporate costs	(365)	(823)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	5	11
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes received (paid)	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(3,360)	(5,792)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	(3)
(d) investments	-	-

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Quarterly report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
(e) intellectual property	-	-
(f) other non-current assets	-	-
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	-	(3)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	1,872
3.2 Proceeds from issue of convertible debt securities	3,000	3,000
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(108)	(193)
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	2,892	4,679

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	3,933	4,584
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(3,360)	(5,792)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	(3)

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Quarterly report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,892	4,679
4.5	Effect of movement in exchange rates on cash held	(5)	(8)
4.6	Cash and cash equivalents at end of quarter	3,460	3,460

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	72	273
5.2	Call deposits	3,388	3,660
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)	3,460	3,933

6. Payments to related parties of the entity and their and their associates

- 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

Current quarter \$A'000
3
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Payment of tax withholdings on quarter 1 director fees.

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and explanation for, such payments

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Quarterly report for entities subject to Listing Rule 4.7B

7. Financing facilities available <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>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
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.

The Company issued secured convertible notes to a sophisticated and professional investor in the quarter. The secured debt notes bear interest at 9% p.a. and the principal and accrued interest matures 25 October 2022.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / used in operating activities (Item 1.9)	(3,360)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	3,460
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	3,460
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	1.03

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

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?

Yes

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?

Adherium is actively engaged in finalising funding from existing shareholders and new entities.

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

Yes, on the basis of receiving further funding from existing shareholders and new entities.

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: 29 January 2021
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Authorised by: The Board of Directors
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(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 flow 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.