

# 2024

## ANNUAL REPORT



**adherium** 

Adherium Limited ABN 24 605 352 510



# Adherium Limited is a digital health company providing solutions for improving patient treatment with remote monitoring and data solutions.

Adherium's Hailie® Smartinhaler® system is transforming management of chronic respiratory conditions, especially asthma and chronic obstructive pulmonary disease. Hailie® Smartinhaler® improves patient health through better adherence and self-management while enabling doctors to be paid for remote work and saving costs across health systems by avoiding hospital admissions. Adherium's clinically proven sensors, app and powerful data platform provide remote, real-time, personalised information to patients and clinicians. Adherium is increasing sales in US and other markets by pursuing partnerships with major hospital systems, medical groups and insurers.

For more information, visit [www.adherium.com](http://www.adherium.com).



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# Chairman's Report



“Adherium has significantly advanced its commercial strategy by concentrating on scalable partnerships and customer relationships, aiming to achieve cash flow positivity by growing its remote patient monitoring services in the United States.”



## Dear Shareholders,

On behalf of Adherium Ltd, I am delighted to present the Chairman Report for the year ending 30 June 2024.

This has been a pivotal year for Adherium, marked by significant commercial, regulatory, and operational achievements. We have launched partnerships with some of the largest and most well recognised healthcare provider organizations for asthma and COPD patients in the United States including Intermountain Health, Allergy Partners, SENTA and others. Combining these three organisations alone serve over 600,000 respiratory patients. With 25 million patients diagnosed with asthma in the US and another 26 million diagnosed with COPD, the addressable market for lifelong chronic respiratory disease is substantial and we are deeply motivated to revolutionise the treatment landscape.

Remote patient monitoring is now our core business and essential for managing the 8.5 million patients in the severe and difficult-to-treat category in the US, and our unwavering commitment to improving their quality of life is at the core of our immediate business plans. At the same time, we recognise that asthma is a significant health concern in Australia, affecting around 2.8 million people, which is approximately 10% of the population. Because of this, the Company has identified several opportunities that it is currently exploring here in Australia including with the Department of Health in Victoria. With our progress on commercial opportunities in the USA, increased product coverage, regulatory achievements and platform functionality, we are well placed to address what is the third leading cause of death globally in the Australian, USA and UK markets followed by the rest of the world.

During the last quarter and continuing today, we have made significant progress on our onboarding model and in terms of patients on the platform. Buoyed by our progress, customer support in terms of their own short and medium term forecast patient targets, and the pipeline of potential customers we are actively engaged with provides the Company with confidence that our commercialisation efforts are working and are being recognised.

### Transformational Progress and Strategic US Commercialisation Focus

Adherium has significantly advanced its commercial strategy by concentrating on scalable partnerships and customer relationships, aiming to achieve cash flow positivity by growing its remote patient monitoring services in the United States – the largest healthcare market in the world and the only market offering reimbursement for remote patient monitoring.

Previously, Adherium's core business market approach involved engaging with medical groups and remote monitoring companies, generating revenue through device sales and recurring data fees. Additionally, collaborations with hospital systems and insurers contributed income from devices, data services, and value-based risk-sharing agreements. Since July 2023, Adherium has undergone a strategic shift towards offering remote patient monitoring services directly through its platform – a notable change from its original focus on clinical trials to now providing these services in physicians' offices for asthma patients via a monthly subscription model. This transition has been meticulously planned and is being guided, every step of the way, by an expert and globally-connected team.

Adherium has been diligently developing its remote patient monitoring model to ensure its success. The initiative aims to assist patients in mastering proper inhaler techniques while ensuring adherence to their prescribed treatment regimens. Adherium established a new model with Senta and Allergy Partners, integrating their patient populations into our remote monitoring system – a novel approach not previously attempted.

As pioneers in this field, we are committed to refining our model until it is proven effective before scaling up operations. We have initiated campaigns targeting both patients and physicians; securing commitments from doctors to collaborate with Adherium is crucial for implementing our adherence and technique monitoring program successfully.

Our program is designed not only to help asthma sufferers with proper inhaler technique but also to make sure they take their medications as prescribed. By ensuring regular use of inhalers under proper guidance of our respiratory therapists our goal is for them to experience fewer breathing difficulties and life-threatening exacerbations, supporting significantly improved quality of life.

### Strategic Partnerships and Major Milestones

We have continued to make strong progress in our commercial strategy, announcing several new partnerships and the commencement of patients being enrolled onto the Hailie® sensor platform.

#### Allergy Partners

Our collaboration with Allergy Partners, the largest allergy and asthma practice in the US with over 130 locations in over 20 US states, integrates the Hailie® platform into their care approach, enhancing asthma management for over 300,000 patients.



### SENTA Partners

We have established a strategic partnership with SENTA Partners, one of the largest specialty allergy and asthma group in the US. This collaboration will roll out the Hailie® platform across SENTA's extensive network, improving patient adherence and health outcomes.

### Intermountain Health

Our partnership with Intermountain Health has commenced with patients already enrolled and more patients being added each month. Positive data from this program will demonstrate how Hailie® devices can help hospital systems reduce their 30-day readmission rate and create a standard of care model for all hospital systems.

### NuvoAir Medical

A new agreement with NuvoAir Medical includes a minimum purchase of 1,000 Hailie® sensors, further expanding our reach in the US market.

### Valued Relationships Inc. (VRI), a Modivcare service

A strategic partnership with Valued Relationships Inc. (VRI), a Modivcare service, a leader in remote patient monitoring solutions. This collaboration will enhance our capabilities by providing comprehensive respiratory care and monitoring, leveraging VRI's extensive network and expertise.

### Rimidi

A new partnership with Rimidi was signed in April 2024 focusing on integrating Adherium's innovative Hailie® Smartinhalers® into Rimidi's comprehensive clinical management platform now used by health systems, capitated health plans and physician practices across 17 states in the US.

### Alliance Tech Medical

This agreement will look to sell our technology into large health systems around the country utilising their national network of sales representatives across the USA.

We have successfully integrated our solutions with each of these partners, onboarding numerous patients and ensuring our technologies are seamlessly woven into their operations. These partnerships represent a major step forward in our mission to transform the management of chronic respiratory diseases and drive better health outcomes.

## Recent Regulatory Advancements

Our regulatory footprint was expanded to drive market reach with US FDA clearance of Hailie® for two AstraZeneca Inhalers, Airsupra® and Breztri® in April 2024. Adherium is now a global leader in the

provision of digital health solutions, with 14 US FDA (510K) cleared inhalation sensors now on market. Clinical study activity continued during the year with AstraZeneca selecting Adherium's Smartinhaler® technology for its upcoming study. This agreement is supported by a \$1.1M contract with AstraZeneca.

## Financial Performance and Capital Raising

Adherium successfully completed a capital raising of \$8.37 million in funds from new and existing institutional, sophisticated and retail investors, and included cornerstone investments from existing shareholders Trudell Medical and BioScience Managers Translation Fund I. This funding is driving sales, marketing, business development, customer onboarding and strategic research and product development, ensuring we continue to scale and meet growing market demands.

## Leadership Changes and Future Outlook

Adherium started 2024 by appointing a new US-based CEO Dr. Paul Mastoridis following Rick Legleiter's decision to step down for personal reasons. Paul is a respected pharmaceutical veteran and global pioneer in the asthma and COPD markets and will contribute his expertise to bolster the Company's commercialisation and market penetration strategy for its lead product, the Hailie® Smartinhaler® system – with an immediate focus on the US building the path for successful patient onboarding and market validation. To further this, we have continued to bolster the senior management team in the USA and Australia.

## Conclusion

The past year has been transformational for Adherium, marked by significant commercial, regulatory, and operational achievements. We thank our dedicated team, partners, and valued shareholders for their continued support. The coming year is full of opportunities, and we look forward to sharing our progress as we continue to pioneer innovative solutions for respiratory care.

Together, we are creating a world where every breath counts.

**Lou Panaccio**  
Non-Executive Chairman



# Director's Report

## 2024 at a Glance

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### Revenue

\$841k

### Cash

\$6.197m

### Commercial

First patients enrolled at Allergy Partners, SENTA Partners and Intermountain Health

Commercial developments with SENTA Partners, NuvoAir Medical, Rimidi, Alliance Tech Medical and Valued Relationships Inc. (VRI), a Modivcare service



# Directors' Report

The Directors present their report on the consolidated entity (**the Group**), consisting of Adherium Limited (**the Company or Adherium**) and the entities it controlled at the end of, or during, the year ended 30 June 2024, together with the independent auditor's report thereon.

## Directors

The Directors of the Company at any time during the year and until the date of this report are:

**Mr Lou Panaccio, BEc, CA, MAICD.** Age 67.

Independent Non-Executive Chair

*Appointed as a Director 25 February 2022 and Chairman 29 April 2022.*

Mr Panaccio is currently on the boards of ASX and NASDAQ listed Avita Therapeutics Inc. (Non-executive Chairman from July 2014), ASX50 company Sonic Healthcare Limited, one of the world's largest medical diagnostics companies (Non-executive Director from June 2015), and ASX-listed Rhythm Biosciences Limited (Non-executive Director from August 2017).

He is also a Non-executive Director of Unison Housing Limited and Non-executive Chairman of Magellan Stem Cells Pty Ltd.

Mr Panaccio was the Chief Executive Officer and Executive Director of Melbourne Pathology for ten years to 2001, the Chief Executive Officer of Monash IVF until 2009 and the Executive Chairman of Health Networks Australia until 2017. He was also a Non-executive Director of ASX-listed Genera Biosystems Limited from November 2010 until 28 June 2019 (Chairman from July 2011 until 28 June 2019).

Mr Panaccio holds a Bachelor of Economics from Monash University and is a Member of the Australian Institute of Company Directors.

**Mr George Baran, MBA.** Age 64.

Non-Executive Director

*Appointed as a Director on 13 May 2021.*

Mr Baran has over 35 years of experience in the medical device industry and serves as Executive Chair of the Trudell Medical Limited Board of Directors as well as being a significant shareholder. In addition to his role at Trudell, Mr Baran is an active investor in and Director of several medical device and e-health/connected care companies including Sensory Technologies, Mozzaz Corporation, and Sky Medical Technology Inc.

Mr Baran has been responsible for the marketing of new drug delivery technologies to medical opinion leaders and major pharmaceutical companies. This has included collaboration with business and clinical partners in the design and co-ordination of clinical studies. He has also been granted several US and international patents for medical devices for drug delivery and minimally invasive surgery.

Mr Baran holds an MBA from the Richard Ivey School of Business, Western University, London (ON) where he currently serves on the Advisory Board of the Lawrence National Centre for Policy and Management. Mr Baran has not held any other Australian public company directorships in the last three years.

**Mr Jeremy Curnock Cook, MA.** Age 75.

Independent Non-Executive Director

*Appointed as a Director on incorporation of Adherium Limited on 17 April 2015.*

Mr Curnock Cook was previously interim CEO of Adherium Limited in 2019 and is an active investor in the Australian life science sector. He was formerly head of the life science private equity team at Rothschild Asset Management in the UK. At Rothschild, Mr Curnock Cook was responsible for the launch of the first dedicated biotechnology fund for the Australian market. Over his 40-year career, Mr Curnock Cook has specialised in creating value in emerging biotech enterprises, through active participation with management. He has served on over 40 boards in various roles, including chair of private and public biotechnology companies listed on NASDAQ, AMEX, LSE, TSX and ASX. Mr Curnock Cook received his MA in Natural Sciences from Trinity College in Dublin, Ireland. He is currently Managing Director of BioScience Managers (manager of a major shareholder in Adherium), and sits on the board of Avita Medical, Rex Bionics Pty Ltd, Humanetix Ltd, Marine Department Ltd, Cambridge Respiratory Innovations Ltd, and Sea Dragon Ltd. He has held no other Australian public company directorships in the last three years.

As noted, Mr Curnock Cook has an association with significant shareholders through his capacity as Managing Director of BioScience Managers Pty Ltd. The board of directors is of the opinion that this does not compromise the independence of Mr Curnock Cook as, to the best of the Board's knowledge and based on advice received, he is not involved in decision making by the shareholders, and also does not control BioScience Managers Pty Ltd.

**Dr William Hunter, MD.** Age 61.

Independent Non-Executive Director

*Appointed as a Director on 17 December 2015.*

Dr Hunter has extensive experience in commercialising medical device technologies. He co-founded Angiotech Pharmaceuticals in 1992 and assumed the position of CEO in 1997 when Angiotech was a venture-stage, private, pre-clinical company with less than 50 employees. He led Angiotech through its IPO and listing on the Toronto Stock Exchange and NASDAQ. Dr Hunter has over 200 patents and patent applications to his name and products in which he was an inventor or co-inventor, including the TAXUS Drug-Eluting Coronary Stent, the Zilver PTX Peripheral Drug-Eluting Stent, the Quill barbed wound closure device and the Persona IQ "smart" knee replacement. Combined, these products have generated revenues of over \$12 billion and have helped the lives of over 50 million patients globally. He is currently the Founder, President and CEO of Canary Medical Inc. which develops and commercializes implantable sensors and data informatics for medical devices. He was formerly the CEO Corveo Pharma Corp (NASDAQ: CORV).

Dr Hunter is Chairman of Tensive, a woman's health medical device company and an Industry Expert Advisor for BioScience Managers (manager of a major shareholder in Adherium). He has previously served as a director of Epirus Biopharmaceuticals (NASDAQ: EPRS), Aspriva (NASDAQ: ASPV), Anormed (NASDAQ: ANOR), and Zalicus (NASDAQ: ZLCS).

Dr Hunter completed his BSc from McGill University and a MSC and MD from the University of British Columbia. Dr Hunter served as a practising physician in British Columbia for five years. Dr Hunter held no other Australian public company directorships in the last three years.

**Mr Bruce McHarrie, B.Com, FCA, GAICD.** Age 66.

Independent Non-Executive Director

*Appointed as a Director on 20 July 2015.*

Mr McHarrie is a company director and adviser in the health and life sciences sectors with over 30 years' experience. He was formerly with Telethon Kids Institute in Perth, Western Australia, for 15 years, where his roles included Chief Financial Officer, Director of Operations and Director of Strategic Projects. Prior to joining Telethon Kids, Mr McHarrie was a Senior Manager at Deloitte in London before moving to Rothschild Asset Management as Assistant Director of the Bioscience Unit, a life sciences private equity group investing in early-stage biotechnology and healthcare companies. Outside his role at Adherium, he is currently an advisor to BioScience Managers (manager of a major shareholder in Adherium). Mr McHarrie is a Fellow of the Institute of Chartered Accountants Australia and New Zealand. He holds a Bachelor of Commerce from the University of Western Australia and is a graduate member of the Australian Institute of Company Directors. Mr McHarrie was previously a director at AusCann Group Holdings Ltd and Pharmamark Nutrition Pty Ltd. He has held no other Australian public company directorships in the last three years.

As noted, as an advisor to BioScience Managers, Mr McHarrie has an association with a significant shareholder of the Company. The board of directors is of the opinion that this does not compromise Mr McHarrie's independence as to the best of the board's knowledge he is not involved in decision making by BioScience Managers and the value of the advisory services provided is not material.

## Company Secretary

**Ms Emily Austin** Age 38.

Company Secretary

*Appointed 20 May 2024.*

Emily is an experienced Company Secretary and Corporate Governance Advisor to a portfolio of companies including ASX & NSX listed, incorporated overseas and within Australia, Unlisted Public and Private companies, Not for Profits and Charities in range of industries including Technology, Education, Health, Funds and Insurance, Finance and Treasury and oil, gas and mining. Emily is a member of the Governance Institute of Australia and is currently advancing her studies in Masters of Business Law.



## Directors' Meetings

The number of meetings of Directors (including meetings of committees of directors) held during the period and the number of meetings attended by each Director was as follows:

	Directors' Meetings		Audit & Risk Committee Meetings		Nomination & Remuneration Committee Meetings	
	Meetings eligible to attend	Meetings attended	Meetings eligible to attend	Meetings attended	Meetings eligible to attend <sup>#</sup>	Meetings attended
Lou Panaccio	6	6	6	6	1	1
George Baran	6	6	-	-	-	-
Jeremy Curnock Cook	6	6	-	-	1	1
William Hunter	6	6	-	-	-	-
Bruce McHarrie	6	6	6	6	-	-

<sup>#</sup> Nomination & Remuneration Committee business was largely dealt with at Board meetings during this period.

## Committees of the Board

The Company has established the following committees of the board, with membership in the year to 30 June 2024 as noted:

Committee	Membership
Audit & Risk	Bruce McHarrie (Chair), Non-Executive Director Lou Panaccio, Non-Executive Director
Nomination & Remuneration	Jeremy Curnock Cook (Chair), Non-Executive Director Lou Panaccio, Non-Executive Director

The committees' Charters are contained in the Corporate Governance Policy which is available on the Company's website.

## Principal Activities

During the year, the principal continuing activity of the Group was the development, manufacture and supply of its Hailie® Smartinhaler® digital health technologies which address sub-optimal medication use, support reimbursement for remote patient monitoring, and improve health outcomes in chronic disease.

## Results and Dividends

The net loss after tax of the Group for the year ended 30 June 2024 was \$10,224,173.

No dividends were paid, declared or recommended during the year ended 30 June 2024.

# Review of Operations

During the 12 months to 30 June 2024, Adherium Limited achieved significant milestones in expanding its Hailie® sensor platform, advancing U.S. commercialisation, and strengthening key strategic partnerships. Building on regulatory approvals, the company has capitalised on opportunities in the remote patient monitoring market, marking substantial progress toward its goal of becoming a leader in respiratory digital health.

The progress in executing our strategy in the 2024 financial year has seen significant developments which are building towards the future success of Adherium.

## Strategic Partnerships

- Valued Relationships Inc. (VRI): Adherium entered a landmark partnership with VRI, a Modivcare service, integrating the Hailie® Smartinhaler® into VRI's member care protocols. This partnership supports personalised respiratory care for over 155,000 members in the U.S.
- Rimidi Partnership: In collaboration with Rimidi, Adherium's Hailie® technology was integrated into Rimidi's clinical management platform, enhancing workflow optimisation and patient outcomes for chronic disease management.
- Alliance Tech Medical Partnership: This strategic distribution agreement expands Adherium's market presence across the U.S. through Alliance Tech Medical's national network.
- NuvoAir Medical: Adherium signed a new agreement with NuvoAir Medical, including a minimum purchase of 1,000 Hailie® sensors, further expanding its reach.

## Commercialisation Milestones and Progress Update

- Intermountain Health: The first patients were enrolled in this landmark study to examine the benefit of e-health systems to improve patient outcomes and lower health care costs. The study, which involves 2,500 patients, has already resulted in the payment and delivery of 4,000 Hailie® sensors. To June 2024, there were nearly 100 patients on the Hailie® platform across three sites. A fourth site will be launched in September 2024 and a fifth site in November 2024. It is expected there will be 665 patients using Hailie® by December 2024 and 2,500 by December 2025.
- Expansion with Allergy Partners: Adherium continued its roll-out of the Hailie® platform with Allergy Partners, the largest allergy and asthma medical group in the U.S. Over 300,000 patients are expected to benefit from the platform. Patient enrolment has commenced towards Allergy Partners own target of 1,000 to 3,000 patients by the end of December 2025, which would deliver annualised revenues in the range of \$1.0m - \$3.0m.
- SENTA Partners: Adherium's collaboration with SENTA Partners, one of the largest asthma and allergy medical groups in the U.S., has already led to the enrolment of the first patients in Atlanta, Georgia. The partnership spans 48 locations across six states and involves over 88 specialists. SENTA Partners has a target of 3,000 patients by the end of December 2025 which would deliver annualised revenues of approximately \$3.0m.
- AstraZeneca Clinical Trial: In May 2024, Adherium's Hailie® platform was selected for a \$1.1 million clinical trial with AstraZeneca, reinforcing the technology's clinical value with work underway and tracking to schedule.

## Capital Raising Activities

In FY2024, Adherium secured \$8.37 million in a fully underwritten capital raise, through a Placement and Non-Renounceable Entitlement Offer. The raising was strongly supported by existing investors including BioScience Managers Translational Fund 1 and Trudell Medical, the CEO, several Board members and many investors new to Adherium. This capital is being used to drive U.S. expansion efforts, accelerate product development, and support sales, marketing, and business development activities.

## Share Consolidation

To streamline its capital structure, Adherium completed a 1-for-15 share consolidation in December 2023.



## Key Regulatory and Product Achievements

- Adherium achieved two additional FDA 510(k) clearances for sensors compatible with AstraZeneca's Airsupra® and Breztri® inhalers, completing 100% coverage for triple therapy inhalers in the U.S.
- New sensors for GlaxoSmithKline inhalers, including Ventolin®, Advair®, and Flovent®, were released in FY2024. These sensors capture critical physiological data including inhalation duration and peak inhalation flow, alongside traditional Asthma/COPD medication adherence monitoring.
- Production and market release of the advanced Hailie® Smartinhaler® compatible with Teva inhalers in the USA marked an important product milestone.
- Adherium's partnership with Rimidi integrated Hailie® sensors into Electronic Health Record (EHR) systems such as Epic and Cerner, providing healthcare providers real-time data on patient adherence and inhaler technique.

## Leadership and Organisational Changes

In February 2024, Dr. Paul Mastoridis was appointed as the new CEO, bringing over 25 years of experience in the pharmaceutical industry and reinforcing Adherium's strategic focus on the U.S. market. Adherium has expanded its US-based team to support its growing operations, including clinical applications, technical support, customer service and senior management. This expansion is essential to meet the needs of strategic partners such as SENTA Partners and Allergy Partners.

## Financial Performance

- Revenue to 30 June 2024 was \$840,982 compared with \$3,195,530 in the prior year. The decrease in revenue reflects the Company's change in strategy away from clinical trials to focus on its commercial strategy in the USA offering remote patient monitoring services.
- Research and development activities to 30 June 2024 amounted to \$4,144,960 compared with \$4,725,231 in the prior year, the decreased expenditure reflecting the shift from clinical trials and product development to commercialisation of existing devices and software platform.
- Sales and Marketing costs were \$2,138,032 to 30 June 2024, compared with \$4,006,309 in the prior year. This decrease was a result of the completion of investment in partner platform integrations and partner costs in relation to the Small Business Research Initiative Healthcare (SBRI) National Health Service (NHS) project.
- Administrative expenses increased to \$5,061,435 in year ended 30 June 2024 from \$4,853,833 in the year ended 30 June 2023. Administrative consulting fees increased \$102,924 to support the US commercial strategy. Non-cash costs included asset depreciation and amortisation expense of \$108,091 compared to \$190,872 in the prior year and currency gains of \$144,990 compared to a currency loss of \$4,386 in the prior year relating to intercompany loan balances.
- In addition to the changes noted above, the loss for the year after tax was \$10,224,173 compared to \$9,857,586 in 2023. A key component of the increased loss was the year-on-year decrease in revenue of \$2,354,548.
- Adherium ended the year to 30 June 2024 with cash of \$6,197,538 compared to \$9,077,258 in the prior year.

# Managing the risks associated with our strategy

In developing, refining and executing on our strategy the Company constantly assesses the key risks to our business and puts in place controls and strategies to mitigate these risks in an appropriate manner. The Company is aware of the macro-economic risks impacting the environment that we operate, as well as the risk factors that pertain to medical device companies and other factors impacting Adherium. Where the risk relates to factors within the control of management, we make further comments. These risk factors are not exhaustive and other risks may impact the value of the investment that shareholders in the Company.

## Business risks

### Retention of Key Personnel

The Company's success depends on retaining its key management personnel, and attracting suitably qualified, new personnel. There is no guarantee that Adherium will be able to attract and retain suitably qualified management and technical personnel. A failure to do so could materially and adversely affect the Company, its operating results and financial prospects.

### Limited Cash

The Company will have to raise more money to finance technology development, commercialisation and deployment of its products and other longer-term objectives. Such fundraising may dilute Shareholders, may be on terms unfavourable to the Company or may not be available at all.

### Commercialisation

The Company's business operations are at pivotal stage of commercialisation which has yet been proven at scale. The Company's success will depend on the Company's ability to implement its business plan and the ability to commercialise the Company's products.

### Competition

There can be no assurance that the Company will be able to match or compete with the efforts or funding of competitors that release competing products to market. Adherium is focussed on maintaining and developing strong relationships with health care providers and payors, being able to innovate and respond to changing market needs.

### Cybersecurity

The Company's products, services and systems may be used in critical company, customer or third-party operations, or involve the storage, processing and transmission of sensitive data, including valuable intellectual property, other proprietary or confidential data, regulated data, and personal information of employees, customers and others. Successful breaches, employee malfeasance, or human or technological error could result in, for example, unauthorised access to, disclosure, modification, misuse, loss, or destruction of company, customer, or other third party data or systems; theft of sensitive, regulated, or confidential data including personal information and intellectual property; the loss of access to critical data or systems through ransomware, destructive attacks or other means; and business delays, service or system disruptions or denials of service. Adherium has in place various protections in order to take all reasonable steps to protect its data from unauthorised access, loss or modification.

### Regulatory Approvals and Restrictions

The regulatory requirements for Adherium's Hailie® solution and any other developed products will depend on the local policies of the ministry of health or similar government agency in the jurisdictions in which it intends to operate (for example TGA in Australia and FDA in the US, etc.) and may be different from country to country. In some countries, Adherium's products may be subject to continuing regulation including quality assurance, ongoing monitoring and reporting, and restrictions on promoting or advertising its products. Some of these regulations change over time and are enforced unpredictably. Meeting such regulatory compliance may prove expensive and may reduce Adherium's profitability. Failure by the Company to comply with applicable regulations may subject it to enforcement actions such as warning letters, fines, or other penalties. Such failure may also attract negative publicity



to Adherium and could harm Adherium's reputation and adversely impact its ability to develop its business. There is also the risk that company IP is challenged or not adequately protected.

### **Liability and Lawsuits**

Medical device companies can be subject to claims alleging negligence, product liability, breach of warranty or malpractice that may involve large claims and significant defence costs whether or not such liability is imposed. These claims may be brought by individuals seeking relief for themselves or, increasingly, by groups seeking to represent a class. There are no such claims against the Company.

### **Other Risks**

This list of risk factors above is not an exhaustive list of the risks faced by Adherium or by investors in the Company. The risk factors described in this Section as well as risk factors not specifically referred to above may in the future materially affect the financial performance of the Company and the value of its Shares.

## **Significant Changes in the State of Affairs**

There have been no significant changes in the state of affairs of the Group during the financial year ended 30 June 2024.

### **Events since the end of the Financial Year**

Subsequent to the balance sheet date, there was a cancellation of 1,773,540 Stock Appreciation Rights (SARs) on 17 August 2024 for nil consideration. The cancellation was due to employment vesting conditions not met due to the departure of Rick Legleiter with a fair value of \$146,317 calculated at the date of grant.

There are no other events occurring after the balance sheet date which require disclosure or adjustment in the financial statements.

### **Likely Developments and Expected Results**

Commentary on the Group's strategic direction and plan is set out in the Chairman's Report on pages 2 to 3.

### **Environmental Regulation**

The Group's operations are not subject to any significant environmental Commonwealth or State regulations or laws.

# Directors' Interests

The relevant interest of each Director in shares and options over shares in the Company as notified by the Directors to the ASX in accordance with section 205G of the Corporations Act 2001 as at 30 June 2024 is:

Director	Ordinary Shares	Options over Ordinary Shares
Lou Panaccio	2,666,668	1,333,334
George Baran*	123,538,685	50,699,064
Jeremy Curnock Cook	179,503	-
William Hunter	174,170	-
Bruce McHarrie	370,320	185,160

\* Shares and options disclosed are registered to Trudell Medical Limited, in which Mr Baran has a 33.33% beneficial interest.

## Indemnification and Insurance of Directors and Officers

The Company has entered into deeds of access, insurance and indemnity with each director and officer which contain rights of access to certain books and records of the Group for a period of seven years after the director or officer ceases to hold office. This seven-year period can be extended where certain proceedings or investigations commence before the seven-year period expires.

In respect of the indemnity of the directors and officers, the Company is required, pursuant to the constitution, to indemnify all directors and officers, past and present, against all liabilities allowed under law. Under the deed of access, insurance and indemnity, the Company indemnifies parties against all liabilities to another person that may arise from their position as a director or an officer of the Company or its subsidiaries to the extent permitted by law. The deed stipulates that the Company will meet the full amount of any such liabilities, including reasonable legal costs and expenses.

In respect of insurance being obtained on behalf of the directors and officers, the Company may arrange and maintain directors' and officers' insurance for its directors and officers to the extent permitted by law. Under the deed of access, insurance and indemnity, the Company must obtain such insurance during each director's and officer's period of office and for a period of seven years after a director or an officer cease to hold office. This seven-year period can be extended where certain proceedings or investigations commence before the seven-year period expires.

Disclosure of the insurance premiums and the nature of liabilities covered by such insurance are prohibited by the relevant contracts of insurance.

## Shares Under Option

### Unissued shares

As at the date of this report, unissued ordinary shares of the Company under options comprised:

Exercise price	Total Number of Options	Vested Options	Expiry Date
\$0.0300	418,539,981	418,539,981	30 June 2025
\$0.3285	1,834,635	1,834,635	29 January 2027
\$0.4000	7,585,800	7,585,800	1 July 2027
\$0.6000	1,145,105	1,145,105	14 April 2027
<b>Outstanding at 30 September 2024</b>	<b>429,105,521</b>	<b>429,105,521</b>	



The options over unissued ordinary shares do not entitle the holder to participate in any share issue of the Company or any entity in the Group. Key management personnel were granted SARs during the year ended 30 June 2024 as follows:

Name	SARs	Value	Date
Rick Legleiter	879,557	\$29,025	17 April 2024
Daniel Kaplon	374,744	\$12,367	17 April 2024

During the year ended 30 June 2024 and to the date of this report no Directors of the Company or any other key management personnel of the Group were granted options. The following Directors and key management personnel received options in relation to share subscriptions during the year and up to the date of this report:

Name	Total Number of Options	Exercise Price	Expiry Date
Lou Panaccio	6,333,334	\$0.03	30 June 2025
George Baran <sup>1</sup>	68,500,000	\$0.03	30 June 2025
Bruce McHarrie	185,160	\$0.03	30 June 2025
Paul Mastoridis	5,000,000	\$0.03	30 June 2025

1. Direct and Indirect interests

Details of fully paid ordinary shares issued on exercise of options in the year to 30 June 2024 are contained in the accompanying consolidated financial statements.

## Proceedings on behalf of the Company

There are no legal or other proceedings being made on behalf of the Company or against the Company as at the date of this report.

## Non-audit Services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

Fees were paid to RSM for other services (employee share scheme advice) in the year ended 30 June 2024.

## Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 in relation to the audit for the financial year is provided with this report.

## Corporate Governance Statement

The board of Directors of Adherium Limited is responsible for corporate governance. The board has prepared the Corporate Governance Statement (CGS) in accordance with the fourth edition of the ASX Corporate Governance Council's Principles and Recommendations under which the CGS may be made available on the Company's website.

Accordingly, a copy of the Company's CGS is available on the Adherium website at [www.adherium.com](http://www.adherium.com) under the Investors/Corporate Governance section.

# Remuneration Report

Details of key management personnel

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Remuneration governance

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Executive remuneration policy  
and framework

---

Relationship between remuneration  
and Group performance

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Non-Executive director  
remuneration policy

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Details of remuneration of  
key management personnel

---

Service agreements

---

Details of share-based compensation

---

Equity instruments held by  
key management personnel

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Other transactions with  
key management personnel

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# Remuneration Report (Audited)

The Directors present the Group's 2024 remuneration report which sets out the remuneration information for the Company's Non-Executive Directors, Executive Director and other key management personnel of the Group.

The report contains the following sections:

- a. Details of key management personnel disclosed in this report
- b. Remuneration governance
- c. Executive remuneration policy and framework
- d. Relationship between remuneration and Group performance
- e. Non-Executive director remuneration policy
- f. Details of remuneration of key management personnel
- g. Service agreements
- h. Details of share-based compensation
- i. Equity instruments held by key management personnel
- j. Other transactions with key management personnel

## a. Details of Key Management Personnel Disclosed in this Report

The following persons acted as key management personnel of the Company and the Group during the year ended 30 June 2024.

### i. Non-Executive and Executive Directors

- |                       |   |
|-----------------------|---|
| • Lou Panaccio        | Non-Executive Chairman (appointed 25 February 2022)               |
| • George Baran        | Non-Executive Director (appointed 13 May 2021)                    |
| • Jeremy Curnock Cook | Non-Executive Director (appointed on incorporation 17 April 2015) |
| • William Hunter      | Non-Executive Director (appointed 17 December 2015)               |
| • Bruce McHarrie      | Non-Executive Director (appointed 20 July 2015)                   |
| • James Ward-Lilley   | Non-Executive Director (resigned 30 November 2022)                |

### ii. Other key management personnel

- |                   |   |
|-------------------|---|
| • Paul Mastoridis | Chief Executive Officer (appointed 1 February 2024) |
| • Rick Legleiter  | Chief Executive Officer (resigned 16 July 2024)     |
| • Daniel Kaplon   | Chief Financial Officer (appointed 10 October 2022) |
| • Geoff Feakes    | Chief Technology Officer (resigned 6 January 2024)  |

### iii. Changes since the end of the reporting period

There have been no other changes in key management personnel.

## b. Remuneration Governance

The Nomination and Remuneration Committee is a committee of the board. Its responsibilities include assisting the board in ensuring that the Company:

- has coherent remuneration policies and practices which are observed, and which enable it to attract and retain executives and directors who will create value for shareholders;
- fairly and responsibly rewards executives having regard to the performance of the Company, the performance of the executive and the general pay environment;
- provides disclosure in relation to the Company's remuneration policies to enable investors to understand the costs and benefits of those policies and the link between remuneration paid to directors and key executives and corporate performance; and
- complies with the provisions of the ASX Listing Rules and the Corporations Act.



The primary purpose of the Nomination and Remuneration Committee is to support and advise the board in fulfilling its responsibilities to shareholders in ensuring that the board is appropriately remunerated, structured and comprised of individuals who are best able to discharge the responsibilities of directors by:

- assessing the size, composition, diversity and skills required by the board to enable it to fulfil its responsibilities to shareholders, having regard to the Company's current and proposed scope of activities;
- assessing the extent to which the required knowledge, experience and skills are represented on the board;
- establishing processes for the identification of suitable candidates for appointment to the board;
- overseeing succession planning for the board and the Chief Executive Officer;
- establishing processes for the review of the performance of individual directors and the board as a whole;
- assessing the terms of appointment and remuneration arrangements for non-executive directors; and
- assessment and reporting to the board in relation to:
  - executive remuneration policy;
  - the remuneration of executive directors;
  - the remuneration of persons reporting directly to the Chief Executive Officer;
  - diversity plans, measurable diversity objectives and ensuring equality in remuneration across gender aligned, where relevant, with the ASX Corporate Governance Guidelines;
  - the Company's recruitment, retention and termination policies and procedures;
  - superannuation arrangements; and
  - all equity-based plans.

## c. Executive Remuneration Policy and Framework

### Remuneration policy

The policy for determining the nature and amount of remuneration of key management personnel is agreed by the board of directors as a whole on advice from the Nomination and Remuneration Committee. The board obtains professional advice where necessary to ensure that the Group attracts and retains talented and motivated directors and employees who can enhance the performance of the Group through their contributions and leadership. The Nomination and Remuneration Committee makes specific recommendations on the remuneration package and other terms of employment for the CEO having regard to his or her performance, relevant comparative information, and if appropriate, independent expert advice.

For key management personnel, the Group provides a remuneration package that incorporates both cash-based remuneration and, if appropriate, share or option-based remuneration. The contracts for service between the Group and key management personnel are on a continuing basis, the terms of which are to align executive performance based remuneration with Group objectives.

The Nomination and Remuneration Committee is also responsible for making recommendations to the board in relation to the terms of any issue of equity-based remuneration to employees, as part of their individual package, or a wider staff incentive and retention scheme, and for ensuring that any such issue is made in accordance with the ASX Listing Rules.

### Executive pay

The executive pay and reward framework has three components:

- base pay and benefits, including legislative superannuation;
- short-term performance incentives; and
- long-term incentives through participation in the Adherium employee share and option plans, or other incentive securities focussed on increasing shareholder value.

A combination of some or all of these components comprises an executive's total remuneration.

### Base pay

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. Base pay for executives is reviewed annually to ensure that executive remuneration is competitive with the market. There are no guaranteed base pay increases included in any executive contracts.

### Short-Term Incentives (STI)

Executives have a target STI opportunity depending on the accountabilities of the role and impact on the organisation. The STI is a cash and equity-based incentive which forms part of the executive's total compensation, representing between 0% and 30% of base salary. Each year, the Nomination and Remuneration Committee in conjunction with the CEO, will consider the appropriate targets and key performance indicators (KPIs) of each executive to link the STI plan and the level of payout if targets are met. This will include setting any maximum payout under the STI plan, and minimum levels of performance to trigger payment of STI. The targets and KPIs selected are chosen to align executive performance with the Group's annual business objectives set by the board and encompassing business development, research & development, and cash management.

The STI achievement is calculated and paid annually. The Nomination and Remuneration Committee in conjunction with the CEO assesses the extent to which targets and KPIs have been achieved at a Company and individual performance level to determine the STI to be paid. Measurement of achievement of the business objectives does not involve comparison with factors external to the Company.

### Long-Term Incentives (LTI)

Long-term incentives are provided to certain employees via the Adherium Employee Share Plans and Executive Share Option Plan (the Plans) and where appropriate via other incentive securities such as SARs.

Under the Plans, the board has the discretion to offer and issue to eligible employees including directors:

- ordinary shares in the Company issued at an issue price determined by the board, with limited recourse loans where some or all of the issue price of the share awards are funded by way of a loan from the Company; or
- options over ordinary shares in the Company with an exercise price determined by the board.

The Plans are designed to focus directors, executives and staff on delivering long-term shareholder returns.

Share and option awards issued under the Plans generally vest in three equal tranches over three years of continuing employment. If the vesting condition is not met, the related share or option award is forfeited and, where relevant, the loan cancelled such that the participant receives no benefit from unvested shares where the related loan is not repaid.

Participation in the Plans is at the board's discretion and staff do not have a contractual right to participate in the Plans.

During the year ended 30 June 2024, the Company issued shares to its CEO as a long-term incentive focused on delivering long-term shareholder returns. There were no SARs issued as LTIs during the year to 30 June 2024.

## d. Relationship between Remuneration and Group Performance

The Group continues in a business growth phase as it pursues commercialisation having gained relevant regulatory approvals for its technologies, and this is the focus of executives and the board. During this phase expenditures continue to exceed revenues, and in the year ended 30 June 2024 the Group incurred a loss after tax of \$10,224,173 (2.8 cent loss per share). In December 2023, there was a 15:1 share consolidation and in the year to 30 June 2024 the Company's shares traded between 1.8 cents and 3.6 cents per share on a post-consolidation basis. Given the stage of the Group's commercial development, the board does not utilise earnings per share as a performance measure and does not presently include the Company's share price as a measure of executive performance.

No dividends were paid, declared or recommended during the period ended 30 June 2024.

The table below sets out summary information about the Group's earnings and movements in shareholder wealth for the past five (5) years to 30 June 2024:

	30 June 2024	30 June 2023	30 June 2022	30 June 2021	30 June 2020
Total revenue	840,982	3,195,530	528,728	400,952	2,226,640
Net loss before tax	(10,224,173)	(9,857,586)	(10,044,016)	(15,036,263)	(11,396,682)
Net loss after tax	(10,224,173)	(9,857,586)	(10,044,016)	(15,036,263)	(11,396,682)
Share price at start of year	\$0.036	\$0.100	\$0.258	\$0.387	\$0.401
Share price at end of year	\$0.018	\$0.036	\$0.100	\$0.258	\$0.387
Basic/diluted loss per share	(2.8) cents	(0.2) cents	(6.8) cents	(25.0) cents	(54.1) cents

*Note: share price and loss per share figures in prior years has been restated to account for the 15:1 share consolidation that occurred on 7 December 2023*

## e. Non-Executive Director Remuneration Policy

On appointment to the board, Non-Executive Directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the board policies and terms, including remuneration, relevant to the office of director.

Non-Executive Directors receive a fee which is inclusive of fees for chairing or participating on board committees. They do not receive performance-based pay. Non-Executive Directors' fees and payments are reviewed annually by the board. The Non-Executive Chairman's fees are determined independently of the fees of Non-Executive Directors based on comparative roles in the external market. At the 2016 Annual General meeting shareholders approved an aggregate annual non-executive director fee pool of \$500,000. From this the Non-Executive Chairman is paid \$100,000 per annum and each Non-Executive Director is paid \$50,000 per annum. Legislative superannuation contributions are also paid where applicable.

A Non-Executive Director may be paid fees or other amounts as the board determines where a Director performs services outside the scope of the ordinary duties of a Director. The Company may reimburse Non-Executive Directors for their expenses properly incurred as a Director or in the course of office.

## f. Details of Remuneration of Key Management Personnel

### Remuneration for the year ended 30 June 2024

	Short Term Benefits		Post-Employment Benefits	
	Salaries & Fees \$	Bonus \$	Insurance & Other \$	Superannuation \$
<b>Directors' remuneration</b>				
Lou Panaccio	100,000	-	-	10,500
George Baran	50,000	-	-	-
Jeremy Curnock Cook	50,000	-	-	-
William Hunter	50,000	-	-	-
Bruce McHarrie	50,000	-	-	5,250
<b>Sub-total Directors</b>	<b>300,000</b>	<b>-</b>	<b>-</b>	<b>15,750</b>
<b>Executives' remuneration</b>				
Paul Mastoridis <sup>1</sup>	254,036	-	12,480	-
Geoff Feakes <sup>2</sup>	174,505	37,640	-	16,470
Daniel Kaplon	270,440	2,432	-	29,748
Rick Legleiter <sup>3</sup>	425,207	(32,438)	11,400	46,773
Brett Tucker <sup>4</sup>	104,084	-	-	-
Emily Austin <sup>5</sup>	15,029	-	-	-
<b>Sub-total executives</b>	<b>1,243,301</b>	<b>7,634</b>	<b>23,880</b>	<b>92,991</b>
<b>Total key management personnel</b>	<b>1,543,301</b>	<b>7,634</b>	<b>23,880</b>	<b>108,741</b>

1. Paul Mastoridis commenced as Chief Executive Officer on 1 February 2024 and started as President, North America on 8 January 2024.
2. Geoff Feakes resigned as Chief Technology Officer on 6 January 2024.
3. Rick Legleiter resigned as Chief Executive Officer on 16 January 2024.

### Remuneration for the year ended 30 June 2023

	Short Term Benefits		Post-Employment Benefits	
	Salaries & Fees \$	Bonus \$	Insurance & Other \$	Superannuation \$
<b>Directors' remuneration</b>				
Lou Panaccio	100,000	-	-	10,500
James Ward-Lilley <sup>1</sup>	20,833	-	-	-
George Baran	50,000	-	-	-
Jeremy Curnock Cook	50,000	-	-	-
William Hunter	50,000	-	-	-
Bruce McHarrie	50,000	-	-	5,250
<b>Sub-total Directors</b>	<b>320,833</b>	<b>-</b>	<b>-</b>	<b>15,750</b>
<b>Executives' remuneration</b>				
Rick Legleiter	275,017	28,938	-	28,877
Daniel Kaplon <sup>2</sup>	189,345	23,668	-	19,881
Geoff Feakes	241,308	48,525	-	25,337
Mark Licciardo <sup>3</sup>	6,504	-	-	-
Rob Turnbull <sup>4</sup>	167,959	37,930	-	6,867
Brett Tucker <sup>5</sup>	10,400	-	-	-
<b>Sub-total executives</b>	<b>890,533</b>	<b>139,061</b>	<b>-</b>	<b>80,962</b>
<b>Total key management personnel</b>	<b>1,211,366</b>	<b>139,061</b>	<b>-</b>	<b>96,712</b>

1. On 30 November 2022 James Ward-Lilley resigned as a director.
2. Daniel Kaplon was appointed CFO on 10 October 2022.
3. Mark Licciardo resigned as Joint Company Secretary on 4 July 2023.



Incentive Share-based Payments		Total \$	Performance Related Remuneration %	Fixed Remuneration %
Severance \$	Value of Options/SARs/ Loan Funded Shares <sup>5</sup> \$			
-	-	110,500	-	100%
-	-	50,000	-	100%
-	-	50,000	-	100%
-	-	50,000	-	100%
-	-	55,250	-	100%
-	-	<b>315,750</b>		
-	198,000	464,516	43%	57%
18,560	22,516	269,691	22%	78%
-	12,367	314,987	5%	95%
-	29,025	479,967	-	100%
-	-	104,084	-	100%
-	-	15,029	-	100%
<b>18,560</b>	<b>261,908</b>	<b>1,648,274</b>		
<b>18,560</b>	<b>261,908</b>	<b>1,964,024</b>		

4. Brett Tucker resigned as Company Secretary on 20 May 2024.  
5. Emily Austin appointed as Company Secretary on 20 May 2024.

Incentive Share-based Payments		Total \$	Performance Related Remuneration %	Fixed Remuneration %
Severance \$	Value of Options/ Loan Funded Shares <sup>6</sup> \$			
-	-	110,500	-	100%
-	14,252	35,085	41%	59%
-	-	50,000	-	100%
-	-	50,000	-	100%
-	-	50,000	-	100%
-	-	55,250	-	100%
-	<b>14,252</b>	<b>350,835</b>		
-	131,070	463,902	34%	66%
-	-	232,894	10%	90%
-	58,365	373,535	29%	71%
-	-	6,504	-	100%
106,404	12	319,172	12%	88%
-	-	10,400	-	100%
<b>106,404</b>	<b>189,447</b>	<b>1,406,407</b>		
<b>106,404</b>	<b>203,699</b>	<b>1,757,242</b>		

4. Rob Turnbull resigned as General Manager on 22 December 2022 and as Joint Company Secretary on 4 May 2023.  
5. Brett Tucker as appointed as Company Secretary on 4 May 2023.

## g. Service Agreements

### Company Secretary - Ms Emily Austin

Ms Austin provides company secretarial and corporate governance services under a service arrangement between the Company and Automic Company Secretarial Pty Ltd, a company associated with Ms Austin. This arrangement with Automic Company Secretarial Pty Ltd commenced on 4 May 2023.

### Other key management personnel of the Group

Remuneration and other terms of employment for other key management personnel of the Group are formalised in employment agreements which specify the components of remuneration, benefits and notice periods. Participation in the STI and LTI plans is subject to the board's discretion. Other major provisions of the agreements relating to remuneration are set out below:

Name	Term of Agreement	Notice Period <sup>1</sup>	Base Salary <sup>2</sup>	Termination Payments <sup>3</sup>
Geoff Feakes	No fixed term	4 months	A\$241,280	-
Daniel Kaplon	No fixed term	4 months	A\$270,400	-
Rick Legleiter	No fixed term	6 months	A\$375,000	A\$52,000
Paul Mastoridis	12 months	6 weeks	US\$350,000	-

1. The notice period applies without cause equally to either party unless otherwise stated.
2. Base salaries quoted are annual as at 30 June 2023; they are reviewed annually by the Nomination and Remuneration Committee.
3. Net amount or base salary payable if the Group terminates employees with notice, and without cause (e.g. for reasons other than unsatisfactory performance).

## h. Details of Share-Based Compensation

### Executive Share Option Plan

The board has established the Adherium Executive Share Option Plan (ESOP).

Awards under the ESOP typically vest one third annually over three years of continued employment from the grant date.

The fair value of the awards of options are calculated at the date of grant using a Black-Scholes pricing model, which is allocated over the vesting periods as share-based compensation.

The board made no offers to key management personnel under the ESOP in the year ended 30 June 2024.

All options over ordinary shares issued by the Company are exercisable on a one-for-one basis, and any shares issued on exercise are fully paid and rank pari passu with existing ordinary shares.

No options over ordinary shares were exercised during the period to 30 June 2024 and to the date of this report.

### Loan funded Employee Share Plan

The board has established the loan funded Adherium Employee Share Plans (Plans).

Awards under the Plans typically vest one third annually over three years of continued employment from the grant date. After vesting the participant may take title to the shares by repaying to the Company the proportion of the loan related to those shares.

The fair value of the awards of loan funded shares are calculated at the date of grant using a Black-Scholes pricing model, which is allocated over the vesting periods as share-based compensation.

In the year ended 30 June 2024 the board made no offers to key management personnel under the Plans.

### Short-Term Incentive scheme (STI)

In the year to 30 June 2024, the Company issue shares to key management personnel under individual employment agreements as follows:

Key Management Personnel	Date	Shares	Price	Value
Geoff Feakes <sup>1</sup>	14 November 2023	648,085	\$0.045	\$29,164

1. Geoff Feakes resigned as Chief Technology Officer on 6 January 2024.

### Stock Appreciation Rights (SARs)

In the year ended 30 June 2024, the Company issued Stock Appreciation Rights (SARs) to key management personnel as a short-term incentive is as follows:

Key Management Personnel	SARs	Base Price	Term	Vesting	Total Value
Daniel Kaplon	374,744	\$0.063	5 years	Immediate	\$12,367
Rick Legleiter	879,557	\$0.063	5 years	Immediate	\$29,025
	<b>1,254,301</b>				<b>\$41,392</b>

1. SARs share exercise price (base price) is calculated as a volume weighted average price (VWAP) of shares price trading over the 20 days the market is open preceding issue approval by Board.

### Long-Term Incentive scheme (LTI)

In the year to 30 June 2024, the Company issue shares to key management personnel under individual employment agreements as follows:

Key Management Personnel	Date	Shares	Price	Value
Paul Mastoridis	17 April 2024	6,600,000	\$0.030	\$198,000

Vesting in equal tranches over three years from date of commencement.

## i. Equity Instruments Held by Key Management Personnel

### Shareholdings

The numbers of ordinary shares in the Company held during the year to 30 June 2024 by each director and other key management personnel of the Group, including their personally related parties, are set out below:

Name	Balance at the start of the year	Purchases	Other changes during the period	Balance at the end of the year
Lou Panaccio	1,333,334	1,333,334	-	2,666,668
George Baran <sup>1</sup>	73,538,685	50,000,000	-	123,538,685
Jeremy Curnock Cook <sup>2</sup>	199,503	-	(20,000)	179,503
William Hunter <sup>2</sup>	194,170	-	(20,000)	174,170
Bruce McHarrie <sup>2</sup>	205,160	185,160	(20,000)	370,320
Paul Mastoridis <sup>3</sup>	-	-	6,600,000	6,600,000
Adherium ESP Ltd (trustee directors) <sup>4</sup>	2,587,940	-	(442,384)	2,145,556

1. The registered holder of the ordinary shares is Trudell Medical Limited, in which the director has a 33.33% beneficial interest.
2. Buy back of shares due to award expiry. Shares were purchased through a loan advanced by the Company of \$150,000 which has been extinguished. No cash is payable by the Company for the buy back
3. Shares issued as part of LTI plan on commencement of new CEO vesting over 3 years.
4. Ordinary shares held on behalf of employees in the capacity of trustee of the Company's Employee Share Plan (Trustee directors: Bruce McHarrie, Daniel Kaplon).

## Options

The numbers of options over ordinary shares in the Company held during the year to 30 June 2024 by each director and other key management personnel of the Group, including their personally related parties, are set out below:

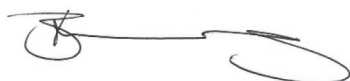
Name	Balance at the start of the year	Purchases	Exercised	Lapsed	Balance at the end of the year	Vested	Vested and exercisable	Vested and unexercisable
Lou Panaccio	666,667	1,333,334	-	666,667	1,333,334	1,333,334	1,333,334	-
George Baran <sup>1</sup>	23,365,730	50,000,000	-	22,666,666	50,699,064	50,699,064	50,699,064	-
Bruce McHarrie	-	185,160	-	-	185,160	185,160	185,160	-

1. Holding as of date directorship commenced. The registered holder of the options is Trudell Medical Limited, in which the director has a 33.33% beneficial interest. Also includes direct ownership holdings.

## j. Other transactions with key management personnel

Transactions with directors or other key personnel are set out in note 18 of the accompanying Group financial statements for the year ended 30 June 2024.

End of audited Remuneration Report.



**Lou Panaccio**  
Non-Executive Chairman

Melbourne  
30 September 2024



**RSM Australia Partners**

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## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Adherium Limited and its controlled entities for the year ended 30 June 2024, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.



**RSM AUSTRALIA PARTNERS**



**B Y CHAN**  
Partner

Dated: 30 September 2024  
Melbourne, Victoria

## THE POWER OF BEING UNDERSTOOD

AUDIT | TAX | CONSULTING

RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Partners ABN 36 965 185 036

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# Financial Statements

Consolidated Statement of Profit or  
Loss and Other Comprehensive Income

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Consolidated Statement of  
Financial Position

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Consolidated Statement of  
Changes in Equity

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Consolidated Statement of  
Cash Flows

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Notes to the Consolidated  
Financial Statements

# Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2024

	Notes	June 2024	June 2023
<b>Continuing Operations</b>			
Sales	5	840,982	3,195,530
Cost of sales		(573,279)	(669,681)
<b>Gross profit</b>		267,703	2,525,849
Other income - R&D tax credit	7	1,450,452	1,837,636
Other income -Government grant		71,633	-
Manufacturing support		(908,538)	(833,152)
Research and development costs		(4,144,960)	(4,725,231)
Sales and marketing costs		(2,138,032)	(4,006,309)
Administrative expenses		(5,061,483)	(4,853,833)
<b>Operating loss</b>		(10,463,225)	(10,055,040)
Finance income		241,124	203,527
Finance expense		(2,072)	(6,073)
<b>Finance income (cost) - net</b>		239,052	197,454
<b>Loss before income tax</b>		(10,224,173)	(9,857,586)
Income tax credit (expense)	7	-	-
<b>Loss for the period attributable to equity holders</b>		(10,224,173)	(9,857,586)
<b>Other comprehensive income</b>			
Items that may be reclassified subsequently to profit or loss when certain conditions are met: Foreign exchange differences on translation of foreign operations		(93,157)	6,096
<b>Other comprehensive income for the period, net of tax</b>		(93,157)	6,096
<b>Total comprehensive loss for the period</b>		(10,317,330)	(9,851,490)
<b>Total comprehensive loss attributable to:</b>			
Equity holders of Adherium Limited		(10,317,330)	(9,851,490)
<b>Basic and diluted loss per share</b>	8	(2.8) cents	(0.2) cents

The accompanying notes form part of the financial statements.

# Consolidated Statement of Financial Position as at 30 June 2024

	Notes	June 2024	June 2023
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	9	6,197,538	9,077,258
Trade and other receivables	10	1,797,416	1,968,416
Inventories	11	1,582,298	1,238,401
Prepayments		151,221	228,256
<b>Total current assets</b>		<b>9,728,473</b>	<b>12,512,331</b>
<b>Non-current assets</b>			
Property, plant and equipment	12	65,092	126,676
Intangible assets	13	264	459
Right-of-use assets	13	93,325	41,771
<b>Total non-current assets</b>		<b>158,681</b>	<b>168,906</b>
<b>Total assets</b>		<b>9,887,154</b>	<b>12,681,237</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	14	1,963,857	1,799,298
Employee benefits	15	772,018	959,684
Income received in advance	16	566,788	655,284
Lease liabilities	20	46,933	44,149
<b>Total current liabilities</b>		<b>3,349,595</b>	<b>3,458,415</b>
<b>Non-current liabilities</b>			
Employee benefits	15	10,891	8,912
Lease liabilities	20	46,272	-
<b>Total non-current liabilities</b>		<b>57,163</b>	<b>8,912</b>
<b>Total liabilities</b>		<b>3,406,758</b>	<b>3,467,327</b>
<b>EQUITY</b>			
Share capital	17	131,003,209	123,617,236
Accumulated deficit		(103,510,857)	(93,286,684)
Other reserves		(21,011,956)	(21,116,642)
<b>Total equity</b>		<b>6,480,396</b>	<b>9,213,910</b>
<b>Total liabilities &amp; equity</b>		<b>9,887,154</b>	<b>12,681,237</b>

The accompanying notes form part of the financial statements.



# Consolidated Statement of Changes in Equity for the year ended 30 June 2024

	Share Capital	Accumulated Deficit	Share-based Compensation Reserve	Foreign Currency Translation Reserve	Merger Reserve	Total Equity
<b>Equity as at 1 July 2022</b>	110,522,702	(83,429,097)	5,314,916	663,268	(27,534,799)	5,536,990
Loss for the period	-	(9,857,586)	-	-	-	(9,857,586)
Other comprehensive income	-	-	-	6,096	-	6,096
Total comprehensive loss	-	(9,857,586)	-	6,096	-	(9,851,490)
<i>Transactions with owners:</i>						
Shares and options issued in placements and SPP	13,815,000	-	-	-	-	13,815,000
Share and option grants for services	23,283	-	433,877	-	-	457,160
Share issue costs	(743,749)	-	-	-	-	(743,749)
<b>Equity as at 30 June 2023</b>	123,617,236	(93,286,683)	5,748,793	669,364	(27,534,799)	9,213,910
Loss for the period	-	(10,224,173)	-	-	-	(10,224,173)
Other comprehensive income	-	-	-	(93,157)	-	(93,157)
Total comprehensive loss	-	(10,224,173)	-	(93,157)	-	(10,317,330)
<i>Transactions with owners:</i>						
Shares and options issued in placements and SPP	7,800,800	-	-	-	-	7,800,800
Share and option grants for services	227,163	-	197,843	-	-	425,006
Share issue costs	(641,990)	-	-	-	-	(641,990)
<b>Equity as at 30 June 2024</b>	131,003,209	(103,510,856)	5,946,636	576,207	(27,534,799)	6,480,396

The accompanying notes form part of the financial statements.

# Consolidated Statement of Cash Flows for the year ended 30 June 2024

	Notes	June 2024	June 2023
<b>Cash flows from operating activities:</b>			
Receipts from customers		1,101,661	2,355,988
Research and development tax incentive receipts		1,514,258	1,637,939
Interest received		241,124	203,527
Interest paid		(2,072)	(6,073)
Payments to employees		(7,579,374)	(6,921,402)
Payments to suppliers		(5,888,609)	(6,548,564)
<b>Net cash provided from (used in) operating activities</b>		<b>(10,613,012)</b>	<b>(9,278,585)</b>
<b>Cash flows from investing activities:</b>			
Purchase of property, plant and equipment		(37)	(40,999)
<b>Net cash used in investing activities</b>		<b>(37)</b>	<b>(40,999)</b>
<b>Cash flows from financing activities:</b>			
Proceeds from the issue of shares		8,370,800	13,815,000
Payment of capital raising costs		(641,990)	(743,749)
<b>Net cash provided from financing activities</b>		<b>7,728,810</b>	<b>13,071,251</b>
Net increase (decrease) in cash		(2,884,239)	3,751,667
Cash at the beginning of the year		9,077,258	5,283,282
Effect of exchange rate changes on cash balances		4,519	42,309
<b>Cash at the end of the year</b>	9	<b>6,197,538</b>	<b>9,077,258</b>
<b>Reconciliation with loss after income tax:</b>			
Loss after income tax		(10,224,173)	(9,857,586)
<b>Non-cash and non-operating activities items requiring adjustment:</b>			
Depreciation	12	61,706	144,749
Amortisation of intangible and right-of-use assets	13	46,154	45,382
Software Depreciation		231	743
Share-based compensation expense		428,236	491,906
Shares granted for services		29,164	23,283
Foreign exchange (gain)		(135,856)	(19,072)
<b>Changes in working capital:</b>			
Trade and other receivables		(87,965)	(301,835)
Inventories		(352,659)	(146,580)
Trade and other payables		(437,921)	906,221
Income received in advance		60,072	(565,796)
<b>Net cash provided from (used in) operating activities</b>		<b>(10,613,012)</b>	<b>(9,278,585)</b>

The accompanying notes form part of the financial statements.

# Notes to the Consolidated Financial Statements for the year ended 30 June 2024

## 1. General Information

Adherium Limited (the Company or Adherium) is a company domiciled in Australia. The address of the Company's registered office is Collins Square, Tower Four, Level 18, 727 Collins Street, Melbourne, VIC 3008. The consolidated financial statements of the Company as at and for the year ended 30 June 2024 comprise the Company and its subsidiaries (together referred to as the Group and individually as Group entities). The Group is a for-profit entity and primarily develops, manufactures and supplies digital health technologies which address sub-optimal medication use and improve health outcomes in chronic disease.

The separate financial statements of the parent entity, Adherium Limited, have not been presented within this financial report as permitted by the *Corporations Act 2001*.

The consolidated financial statements were authorised for issue by the Board on 30 September 2024.

## 2. Basis of Preparation

This general purpose consolidated financial report for the twelve months ended 30 June 2024 has been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the Group incurred a loss of \$10,224,173 and had net cash outflows from operating activities of \$10,613,012 for the year ended 30 June 2024.

These factors indicate a material uncertainty which may cast significant doubt as to whether the Group will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The Group has prepared cash flow forecasts for the next 12 months from the date of this report which indicate the Group will have a positive cash balance during this period. The cash flow forecasts include assumptions around a future capital raise or access to alternative funding sources.

The Group has demonstrated the ability to raise further capital over multiple years and the Directors are confident that a future capital raising would be successful.

Accordingly, the Directors believe that the Group will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the Group does not continue as a going concern.

### (a) Compliance with International Financial Reporting Standards

These consolidated financial statements comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

### (b) Historical cost convention

These financial statements have been prepared under the historical cost convention as modified by certain policies below.

### (c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency.

**(d) Critical accounting estimates**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The significant areas of estimate, uncertainty and critical judgements in applying accounting policies that have the most significant effect on amounts recognised in the financial statements are:

**(i) Research & Development (R&D) tax credit**

The recognition of the R&D tax credit set out in note 7 includes assumptions surrounding the probability that particular R&D projects will meet the criteria for acceptance by tax authorities, and also that the costs of each R&D project will qualify to be claimed.

**(ii) Impairment of non-current assets**

The Company reviews annually whether any property, plant and equipment have suffered any impairment in accordance with the accounting policy stated in note 3.10. In making this assessment, the extent of the likely future use of these assets is required to be estimated in determining if their value is impaired at the balance sheet date. The Company evaluates indicators of impairment, including expected future demand for devices, in relation to each type of asset at the balance sheet date.

**(iii) Recognition of deferred tax assets**

As at 30 June 2024, the Company has not recognised as an asset tax loss which could be offset against future taxable profits. These tax losses would only be recognised to the extent that it is expected that there will be future taxable profits and such losses will be available in the future (after shareholder continuity tests) to offset those future taxable profits. The Company has considered its future expected profitability and shareholder continuity and has concluded that sufficient certainty does not yet exist to recognise these tax losses as an asset.

### 3. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

**3.1 Principles of consolidation:**

The consolidated financial statements incorporate all of the assets, liabilities and results of Adherium Limited and all subsidiaries. Subsidiaries are all entities over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. A list of the subsidiaries is provided in note 21. All intercompany transactions are eliminated. The assets and liabilities of Group companies whose functional currency is not Australian dollars are translated into Australian dollars at the period-end exchange rate. The revenue and expenses of these companies are translated into Australian dollars at rates approximating those at the dates of the transactions. Exchange differences arising on this translation are recognised in the foreign currency translation reserve. On disposal or partial disposal of an entity, the related exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

**3.2 Segment Reporting**

The Group has considered the requirements for segmental reporting as set out in AASB 8: *Operating Segments*. The standard requires that operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Chief Executive Officer. The Group has determined that one segment exists for the Group's Hailie® Smartinhaler®.

**3.3 Foreign currency translation**

**(a) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the



settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies and not related to net investments in subsidiaries are recognised in the Statement of Profit & Loss and Other Comprehensive Income. Foreign exchange gains and losses resulting from translation of net investments in subsidiaries are recognised in the foreign currency translation reserve.

**(b) Group Companies**

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency is translated as follows:

- Assets and liabilities are translated at period end exchange rates prevailing at that reporting date.
- Income and expenses are translated at average exchange rates for the period.
- Retained earnings are translated at the exchange rates prevailing at the date of the transaction.

**3.4 Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and taxes. The Company recognises revenue when specific criteria have been met for each of the Company's activities, as described below. Amounts received from customers in accordance with contractual sales terms before these revenue recognition criteria are met are deferred and recorded as Income Received in Advance until such time as the criteria for recognition as revenue are met.

**(a) Sales of devices and monitoring services**

The Company manufactures and sells a range of inhaled medication monitoring devices and related equipment. Sales of products are recognised when they have been delivered to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery does not occur until the products have been shipped to the specified location, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied. No element of financing is deemed present as the sales are made with a credit term of 30-60 days. Monitoring services are billed monthly in arrears based on contracted terms and conditions.

**(b) Grants**

Grants received for research and development are recognised in the Statement of Profit & Loss and Other Comprehensive Income when the requirements under the grant agreement have been met. Any grants for which the requirements under the grant agreement have not been completed are carried as liabilities until all the conditions have been fulfilled.

**(c) Interest income**

Interest income is recognised on a time-proportion basis using the effective interest method.

**3.5 Research and development**

Research costs include direct and directly attributable overhead expenses for product invention and design. Research costs are expensed as incurred.

When a project reaches the stage where it is reasonably certain that future expenditure can be recovered through the process or products produced, development expenditure is recognised as a development asset within Intangible Assets when:

- a product or process is clearly defined and the costs attributable to the product or process can be identified separately and measured reliably;
- the technical feasibility of the product or process can be demonstrated;
- the existence of a market for the product or process can be demonstrated and the Company intends to produce and market the product or process;
- adequate resources exist, or their availability can be reasonably demonstrated to complete the project and market the product or process.

In such cases the asset is amortised from the commencement of commercial production of the product to which it relates on a straight-line basis over the years of expected benefit. Research and development costs are otherwise expensed as incurred.

**3.6 Employee benefits**

**(a) Wages, salaries and annual leave**

Liabilities for wages and salaries, bonuses and annual leave expected to be settled within 12 months of the reporting date are recognised in accrued liabilities in respect of employees' services up to the

reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

**(b) Share-based payments**

The Company operates equity-settled share and option plans and awards certain employees, directors and consultants shares, options and other incentive securities, from time to time, on a discretionary basis. The fair value of the services received in exchange for the grant of the securities is recognised as an expense with a corresponding increase in the share-based compensation reserve over the vesting period. The total amount to be expensed over the vesting period is determined by reference to the fair value of the securities at grant date. At each balance sheet date, the Company revises its estimates of the number of securities that are expected to vest and become exercisable. It recognises the impact of the revision of original estimates, if any, in the Statement of Profit & Loss and Other Comprehensive Income, and a corresponding adjustment to equity over the remaining vesting period.

**3.7 Leases**

At lease commencement, as Lessee an asset (the right to use the leased item) and a financial liability to pay rentals across all leases are recognised unless the lease term is 12 months or less, or the underlying asset has a low value. The right-of-use assets recognised comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

**3.8 Income Tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Statement of Profit & Loss and Other Comprehensive Income, except to the extent that it relates to items recognised in directly in equity. In this case, the tax is also recognised directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company generated taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

**3.9 Goods and Services Tax (GST)**

The Statement of Profit & Loss and Other Comprehensive Income has been prepared so that all components are stated exclusive of GST. All items in the balance sheet are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

**3.10 Impairment of non-financial assets**

Assets that are subject to amortisation and depreciation are reviewed whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. The carrying amount of an asset is considered impaired when its recoverable amount is less than its carrying value. In that event, a loss is recognised in the Statement of Profit & Loss and Other Comprehensive Income based on the amount by which the carrying amount exceeds the recoverable amount.

**3.11 Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of six months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**3.12 Trade receivables**

The Group makes use of a simplified approach in accounting for trade and other receivables and records any loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of a financial instrument.

In calculating expected credit losses, the Group uses its historical experience, external indicators and forward-looking information using a provision matrix. The Group assesses impairment of trade receivables on a collective basis and as they possess shared credit risk characteristics, grouped them based on the days past due.

### 3.13 Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

### 3.14 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and any impairments recognised. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Profit & Loss and Other Comprehensive Income during the financial period in which they are incurred

Depreciation is determined principally using the diminishing value method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

Manufacturing tooling equipment	4 years
Computer equipment	2 years
Office furniture, fixtures & fittings	4 years

### 3.15 Intangible assets

#### (a) Intellectual property

Costs in relation to protection and maintenance of intellectual property are expensed as incurred.

Acquired patents, trademarks and licences have finite useful lives and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost over the anticipated useful lives, which are aligned with the unexpired patent term or agreement over trademarks and licences.

#### (b) Acquired software

Acquired software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (two to three years).

### 3.16 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### 3.17 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are deferred until the issue of the shares or options, and then shown in equity as a deduction, net of tax, from the proceeds.

### 3.18 Financial assets

#### (a) Financial assets recognised in the Statement of Financial Position include cash and cash equivalents, and trade and other receivables

The Company believes that the amounts reported for financial assets approximate fair value.

**(b) Financial assets: Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Company's loans and receivables comprise "trade and other receivables" and "cash and cash equivalents" in the Statement of Financial Position. Loans and receivables are measured at amortised cost using the effective interest method less impairment.

**3.19 Dividend distribution**

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders.

**3.20 Comparative Information**

Where necessary, certain comparative information has been reclassified in order to provide a more appropriate basis for comparison.

**3.21 New Accounting Standards for application in future periods**

There are no other standards, amendments, or interpretations to existing standards that have been issued and yet to be adopted by the Company that are likely to have a material impact on the financial statements.

## 4. Segment Information

The chief operating decision maker is the Chief Executive Officer, who reviews financial information for the Group as a whole. The information reviewed is prepared in the same format as included in the financial statements. The Group has therefore determined that one reportable segment exists for the Group's Hailie® business.

**(a) Geographic segment information**

The Group operates predominantly from New Zealand, with some manufacturing also undertaken by suppliers in Asia at which the Group locates equipment and tools:

Domicile of non-current assets	June 2024	June 2023
New Zealand and Australia	48,595	83,987
South-East Asian Countries	15,904	42,076
Other Countries	593	219
	65,092	126,283

The Group sells its products and services domestically and internationally. Revenues by customer region of domicile are:

Location of customer sales	June 2024	June 2023
New Zealand and Australia	41,626	27,006
Europe	734,206	2,632,365
North America	65,150	536,159
	840,982	3,195,530

**b) Major customers**

Revenues are derived from major external customers as follows:

Major customers	June 2024	June 2023
Customer A group entities	819,786	1,507,000

## 5. Revenue

Income from continuing operations:	June 2024	June 2023
Sensor sales and monitoring services	354,885	1,881,410
New product design and engineering services	486,097	1,314,120
	840,982	3,195,530

Revenue by geographic location is disclosed in note 4.

## 6. Expenses

Loss before income tax includes the following specific expenses:	June 2024	June 2023
Fees paid to PricewaterhouseCoopers for:		
- audit of the financial statements	-	-
- interim report review	-	47,632
Fees paid to RSM for:		
- audit of the financial statements	52,500	50,000
- interim report review	21,000	-
Fees paid to RSM for non-audit services:		
- fees in respect of other advice and services	7,190	20,000
Total fees to PricewaterhouseCoopers and RSM	80,690	117,632
Depreciation and amortisation	108,091	190,872
Directors' remuneration		
- director fees	316,500	336,583
- share-based compensation	-	14,252
Total Directors' remuneration	316,500	350,835
Employee benefits expense		
- wages and salaries	6,893,283	6,468,505
- superannuation expense	434,093	425,914
- share-based compensation	197,843	393,221
Total employee benefits expense	7,525,219	7,287,640
Net foreign exchange (gain) loss	(144,990)	(21,438)
Operating lease costs	92,887	98,110

## 7. Income tax

	June 2024	June 2023
Current tax	-	-
Deferred tax	-	-
<b>Income tax expense</b>	-	-
<i>Numerical reconciliation of income tax expense to prima facie tax payable (receivable):</i>		
Loss before income tax	(10,224,171)	(9,857,586)
Tax calculated at domestic tax rates	(3,105,758)	(2,916,106)
Tax effects of:		
Expenses not deductible for tax purposes	(311,307)	(412,246)
Under (over) provision in prior year	980,080	687,077
Deferred tax assets not recognised (note 17)	2,436,985	2,641,274
<b>Income tax expense</b>	-	-

The weighted average applicable tax rate was 30% (2023: 30%).

*Note: 2023 figures have been restated as the tax calculated was incorrectly reported. The error was detected when preparing the 2024 accounts. The prior year tax calculation total of (\$2,623,562) was reported with a correction of (\$292,545). The prior year expenses not deductible for tax purposes total of (\$275,739) was reported with a correction of (\$136,507). The prior year deferred tax assets not recognised total of \$2,212,223 was reported with a correction of \$429,051.*

### Research & development (R&D) tax credit

The company is eligible to participate in the Research and Development (R&D) Tax Incentive Offset scheme to potentially obtain a tax rebate or credits equivalent to the entitlements under the scheme operating at the time. These are only recognised when it is probable that it is to be available to be offset against income tax payable or when actual cash payment is considered receivable.

During the current year, the Group has recognised an amount of \$1,450,452 in relation to the R&D Tax Incentive Offset scheme for income tax year 2024 (2023: \$1,837,636). As at 30 June 2024, \$953,239 was accrued for the 2024 income tax year (2023: \$1,376,654).

## 8. Earnings per share

Basic loss per share is based upon the weighted average number of outstanding ordinary shares. For all periods presented, the Company's potentially dilutive ordinary share equivalents (being the Options set out in note 16) have an anti-dilutive effect on loss per share and, therefore, have not been included in determining the total weighted average number of ordinary shares outstanding for the purpose of calculating diluted loss per share.

	June 2024	June 2023
Profit (loss) after income tax attributable to equity holders	(10,224,173)	(9,857,586)
Weighted average shares outstanding (basic)*	371,139,052	4,083,068,279
Weighted average shares outstanding (diluted)	371,139,052	4,083,068,279
<b>Basic and diluted loss per share</b>	(2.8) cents	(0.2) cents

\*Note: 15:1 share consolidation occurred 7 December 2023.



## 9. Cash and cash equivalents

	June 2024	June 2023
Cash at bank and on hand	686,051	1,041,496
Deposits at call	5,511,487	8,035,762
	<u>6,197,538</u>	<u>9,077,258</u>

## 10. Trade and other receivables

	June 2024	June 2023
Trade receivables	286,295	538,937
R&D tax credit receivable	1,308,640	1,376,832
GST and other taxes receivable	53,968	15,815
Security deposits	28,373	36,832
	<u>1,677,276</u>	<u>1,968,416</u>

### Allowance for expected credit loss

The consolidated entity has recognised a loss of \$15,648 in profit or loss in respect of the expected credit losses for the year ended 30 June 2024.

The ageing of receivables and allowance for expected credit losses provided for above are as follows:

Consolidated	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	June 2024 %	June 2023 %	June 2024	June 2023	June 2024	June 2023
Not overdue	-	-	53,231	108,590	-	-
0 to 3 months overdue	0%	-	169,132	430,346	317	-
3 to 6 months overdue	12%	100%	72,609	7,770	8,361	7,770
Over 6 months overdue	100%	100%	6,970	54,991	6,970	54,991
			<u>301,942</u>	<u>601,697</u>	<u>15,648</u>	<u>62,761</u>
			June 2024	June 2023	June 2024	June 2023
Opening balance			(62,761)	-		
Additional provisions recognised			(15,648)	(62,761)		
Receivables written off during the year as uncollectable			-	-		
Unused amount reserved			62,761	-		
Closing balance			<u>(15,648)</u>	<u>(62,761)</u>		

## 11. Inventories

	June 2024	June 2023
Raw materials and components	919,542	834,795
Provision for obsolescence	(104,273)	(69,682)
Finished goods	767,029	473,288
	<u>1,582,298</u>	<u>1,238,401</u>

## 12. Property, plant and equipment

	Manufacturing Equipment	Computer Equipment	Fixtures & Fittings	Office Equipment	Total
<b>As at 30 June 2022</b>					
Cost	929,276	241,697	22,939	57,882	1,251,794
Accumulated depreciation	(803,792)	(161,672)	(9,916)	(49,155)	(1,024,535)
<b>Net book value</b>	<u>125,484</u>	<u>80,025</u>	<u>13,023</u>	<u>8,727</u>	<u>227,260</u>
<b>Movements in the year ended 30 June 2023</b>					
Opening net book value	125,484	80,025	13,023	9,417	227,950
Additions	19,873	21,608	1,424	-	42,905
Disposals	-	-	-	-	-
Depreciation	(89,726)	(49,819)	(2,468)	(4,477)	(146,490)
Foreign currency translation	2,401	-	-	-	2,401
<b>Closing net book value</b>	<u>57,542</u>	<u>51,814</u>	<u>11,979</u>	<u>4,940</u>	<u>126,766</u>
<b>As at 30 June 2023</b>					
Cost	1,050,140	250,305	24,363	58,973	1,383,781
Accumulated depreciation	(992,598)	(198,491)	(12,384)	(53,632)	(1,257,105)
<b>Net book value</b>	<u>57,542</u>	<u>51,814</u>	<u>11,979</u>	<u>5,341</u>	<u>126,676</u>
<b>Movements in the year ended 30 June 2024</b>					
Opening net book value	57,542	51,814	11,979	5,341	126,676
Additions	2,285	-	-	-	2,285
Disposals	-	-	-	-	-
Depreciation	(31,046)	(26,584)	(1,930)	(2,146)	(61,706)
Foreign currency translation	(2,185)	47	(27)	2	(2,163)
<b>Closing net book value</b>	<u>26,596</u>	<u>25,277</u>	<u>10,022</u>	<u>3,197</u>	<u>65,092</u>
<b>As at 30 June 2024</b>					
Cost	962,258	249,664	24,265	58,735	1,294,922
Accumulated depreciation	(935,661)	(224,387)	(14,243)	(55,539)	(1,229,830)
<b>Net book value</b>	<u>26,597</u>	<u>25,277</u>	<u>10,022</u>	<u>3,196</u>	<u>65,092</u>

### 13. Intangible and right-of-use assets

	Software	Right-of-Use Asset	Total
<b>As at 30 June 2022 - Net book value</b>	1,183	85,724	86,907
<b>Movements in the year ended 30 June 2023</b>			
Opening net book value	1,183	85,724	86,907
Additions	-	-	-
Disposal	-	-	-
Amortisation	(724)	(44,658)	(45,382)
Foreign currency translation	-	705	705
<b>Closing net book value</b>	459	41,771	42,230
<b>As at 30 June 2023</b>			
Cost	295,170	91,136	386,306
Accumulated amortisation	(294,711)	(49,365)	(344,076)
<b>Net book value</b>	459	41,771	42,230
<b>Movements in the year ended 30 June 2024</b>			
Opening net book value	459	41,771	42,230
Additions	-	98,436	98,436
Disposal	-	-	-
Amortisation	(231)	(46,154)	(46,385)
Foreign currency translation	37	(728)	(691)
<b>Closing net book value</b>	265	93,325	93,590
<b>As at 30 June 2024</b>			
Cost	294,017	188,151	482,168
Accumulated amortisation	(293,753)	(94,826)	(388,579)
<b>Net book value</b>	265	93,325	93,589

## 14. Trade and other payables

	June 2024	June 2023
Trade payables	775,696	958,141
Accruals	596,419	806,311
Other payables	591,742	34,845
	<u>1,963,857</u>	<u>1,799,298</u>

## 15. Employee benefits

	June 2024	June 2023
Wages Payable	112,097	30,147
PAYG Payable	97,322	96,652
Superannuation - Employer Contributions	31,934	28,412
Annual Leave Accrual	435,725	429,396
STI accrual	94,939	375,078
<b>Subtotal - Current</b>	<u>772,018</u>	<u>959,684</u>
Long Service Leave Provision	10,891	8,912
<b>Subtotal - Non Current</b>	<u>10,891</u>	<u>8,912</u>
	<u>782,908</u>	<u>968,596</u>

## 16. Income received in advance

	June 2024	June 2023
<b>Income received in advance</b>	<b>566,788</b>	<b>655,284</b>
Customer prepaid revenue held as stock	566,788	655,284

## 17. Share capital

	Ordinary Shares	\$
<b>Share capital as at 30 June 2022</b>	2,208,251,092	110,522,702
Shares issued in employee share plans	22,414,483	-
Shares issued in placements	2,700,000,000	13,500,000
Shares issued in share purchase plan	63,000,000	315,000
Shares issued for services	5,742,740	23,283
Share issue costs	-	(743,749)
<b>Share capital as at 30 June 2023</b>	4,999,408,315	123,617,236
Share consolidation	(4,668,153,845)	-
Cancellation of shares issued in employee share plans	(7,535,769)	-
Shares issued in placements	50,000,000	1,000,000
Shares issued in non renounceable entitlement offer	340,039,981	6,800,800
Shares issued for services	16,321,280	227,163
Share issue costs	-	(641,990)
<b>Share capital as at 30 June 2024</b>	730,079,962	131,003,209

Note: FY2024 restated for 15:1 share consolidation that occurred on 7 December 2023.

### (a) Ordinary Shares

The ordinary shares have no par value and all ordinary shares are fully paid-up and rank equally as to dividends and liquidation, with one vote attached to each fully paid ordinary share.

### (b) Employee incentive plans

#### *Adherium Executive Share Option Plan (Adherium ESOP)*

The Company operates an employee share option plan for employees, directors and consultants within the Group. Participants are invited by the Board of Directors and awards typically vest one third annually over a three-year period.

The tables below set out the movements in options within relevant exercise price ranges:

Exercise price range \$0.60	Options	Weighted Average Exercise Price	Weighted Average Remaining Contract Life (years)	Exercisable	Weighted Average Exercise Price	Weighted Average Share Price at Exercise Price
<b>Outstanding at 30 June 2022</b>	1,145,105	\$ 0.6000	4.8	922,882	\$ 0.6000	-
Granted	-	-	-	-	-	-
Exercised	-	-	-	-	-	-
Lapsed	-	-	-	-	-	-
<b>Outstanding at 30 June 2023</b>	1,145,105	\$ 0.6000	3.8	1,145,105	\$ 0.6000	-
Granted	-	-	-	-	-	-
Exercised	-	-	-	-	-	-
Lapsed	-	-	-	-	-	-
<b>Outstanding at 30 June 2024</b>	1,145,105	\$ 0.6000	2.8	1,145,105	\$ 0.6000	-

The Company has no legal or constructive obligation to repurchase or settle the options in cash.

### **Adherium Employee Share Plans (Adherium ESP)**

The Company operates employee share plans for employees, directors and consultants within the Group. Participants are invited by the Board of Directors and those who accept an offer of ESP shares are provided with an interest free loan from the Company to finance the whole of the purchase of the ESP shares they were invited to apply for (ESP Loan). The ESP Loans are provided to participants on a non-recourse basis and upon vesting must be repaid in order to remove trading restrictions on vested ESP shares. The term of the ESP Loan is five years, however participants may forfeit their ESP shares if they do not repay the ESP Loan or leave employment with the Company. Awards typically vest one third annually over a three-year period and are subject to restriction until vesting conditions are met.

The following incentive awards have been made and are on issue under the Adherium ESP:

Grant date	Shares granted	Issue price	Vested as at 30 June 2024	Restricted as at 30 June 2024	Share price at grant date
10 July 2019	198,984	\$0.405	198,984	198,984	\$0.420
10 July 2019	65,256	\$1.125	65,256	65,256	\$0.420
10 July 2019	65,256	\$2.250	65,256	65,256	\$0.420
10 July 2019	65,256	\$3.750	65,256	65,256	\$0.420
21 October 2020	391,781	\$0.600	391,781	391,781	\$0.390
21 October 2020	300,000	\$0.050	300,000	300,000	\$0.390
26 November 2021	4,174,050	\$0.240	2,782,700	4,174,050	\$0.188
29 August 2022	1,296,296	\$0.135	432,099	1,296,296	\$0.135
22 June 2023	66,001	\$0.390	66,001	66,001	\$0.045
22 June 2023	66,001	\$0.780	66,001	66,001	\$0.045
22 June 2023	66,001	\$1.170	-	66,001	\$0.045

### **(c) Stock Appreciation Rights (SARs)**

On 20 September 2021, the Company issued 9,931,822 Stock Appreciation Rights (SARs) with a 10-year life to the CEO as a long-term incentive. At the time, 4,611,203 SARs vested at grant, on 20 September 2023, 1,773,540 SARs lapsed and as at 30 June 2024, 1,773,540 SARs are scheduled to vest subject to the achievement of target VWAP of \$0.096 by the vesting date for the Company's ASX listed shares. Note, these SARs relate to Rick Legleiter who will leave the Company on 16 July 2024. As such, the remaining SARs will then be cancelled as per the vesting conditions.

In 2022, the fair value of the award of the above SARs of \$1,043,000 was calculated at the date of grant using a Monte Carlo Simulation valuation model. The significant inputs to the valuation model were a grant date share price of \$0.016, a dividend yield of 0%, an annual risk-free rate of 1.27%, and a volatility of 110%. In the year to 30 June 2024, nil (2023: \$131,070) was recognised as compensation expense for the SARs for the above SARs.

On 17 April 2024, the Company issued 1,968,780 Stock Appreciation Rights (SARs) with a 5-year life to employees as a short-term incentive, vesting immediately. The fair value of the award of SARs of \$64,969 was calculated using the volume weighted average price (VWAP) of the share price trading over the 20 days the market was open preceding issue approval by the Board.

On any exercise of a vested SAR, the Company will issue that number of ordinary shares equivalent in value to the amount by which the fair market value of the ordinary shares exceeds the base price of \$0.063.

### **(d) Other option issues**

On 27 May 2024 the Company issued 340,039,981 options to investors under the non-renounceable rights offer with an exercise price of \$0.03 and expiry date of 30 June 2025.

On 1 July 2024 the Company issued 78,500,000 options to placement investors with an exercise price of \$0.03 and expiry date of 30 June 2025.

On 1 July 2024 the Company issued 7,585,000 options to MST Financial Services Pty Ltd as consideration for lead manager/broker fee with an exercise price of \$0.04 and expiry date of 1 July 2027.



## 18. Deferred Income Tax

	June 2024	June 2023
Movements:		
Deferred tax asset (liability) at the beginning of the year	-	-
Credited (charged) to the income statement (note 7)	2,436,985	2,641,274
Change in unrecognised deferred tax assets	(2,436,985)	(2,641,274)
Deferred tax asset (liability) at the end of the year	-	-

Note: 2023 figures have been restated as the tax calculated was incorrectly reported.

The movement in deferred income tax assets and liabilities during the period is as follows:

	Deferred tax assets (liabilities)			
	Provisions and accruals \$	Intangible assets \$	Tax losses \$	Total \$
<b>As at 30 June 2022</b>	-	-	-	-
Credited (charged) to the income statement	(34,196)	(25,058)	2,700,529	2,641,274
Effect of exchange rate changes	2,275	4,574	355,544	362,403
Change in unrecognised deferred tax assets	31,921	20,485	(3,056,083)	(3,003,678)
<b>As at 30 June 2023</b>	-	-	-	-
Credited (charged) to the income statement	(184,923)	44,322	2,577,586	2,436,985
Effect of exchange rate changes	266	(860)	(50,653)	(51,246)
Change in unrecognised deferred tax assets	184,657	(43,462)	(2,526,933)	(2,385,738)
<b>As at 30 June 2024</b>	-	-	-	-

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable, or to the extent that they can set off against deferred income tax liabilities.

The Company has not recognised deferred tax assets for these carried-forward losses of \$20,648,040 to 30 June 2023 and as of 30 September 2024 is still to file its company tax return for 2024.

## 19. Related party transactions

### (a) Key management personnel

The key management personnel include the directors of the Company, the CEO, and senior executives responsible for the planning, directing and controlling of the Group's activities. Compensation for this group was as follows:

	June 2024	June 2023
<b>Directors</b>		
- director fees and other legislated superannuation	315,750	336,583
- share-based compensation	-	14,252
<b>CEO and management</b>		
- short-term benefits	1,274,814	1,135,996
- post-employment benefit contributions	111,551	80,963
- share-based compensation	261,908	189,447
<b>Total Directors' remuneration</b>	<b>1,964,023</b>	<b>1,757,241</b>

Key management personnel and their associates subscribed for share capital in the Company as follows:

	June 2024 Ordinary Shares	June 2024 \$	June 2023 Ordinary Shares	June 2023 \$
Shares issued in Rights Issue	51,518,494	1,030,370	-	-
Shares issued in Placement	28,500,000	570,000	-	-
	<b>80,018,494</b>	<b>1,600,370</b>	<b>-</b>	<b>-</b>

### (b) Related parties

There were no other transactions with related parties in the periods presented.

## 20. Financial instruments and risk management

### (a) Categories of financial instruments

	June 2024	June 2023
<b>Financial assets</b>		
<i>Loans and receivables classification:</i>		
Cash and cash equivalents	6,197,538	9,077,258
Trade receivables (net)	286,295	538,937
Other receivables	82,341	52,647
<b>Total financial assets</b>	<b>6,566,174</b>	<b>9,668,842</b>
<b>Financial liabilities</b>		
<i>Measured at amortised cost:</i>		
Trade and other payables	2,746,763	2,767,894
Lease liabilities	93,205	44,149
<b>Total financial liabilities</b>	<b>2,839,968</b>	<b>2,812,043</b>

### (b) Risk management

The Group is subject to a number of financial risks which arise as a result of its activities.

**Foreign exchange risk**

During the normal course of business, the Group enters into contracts with overseas customers or suppliers or consultants that are denominated in foreign currency. As a result of these transactions there is exposure to fluctuations in foreign exchange rates.

The Group does not utilise derivative financial instruments. It operates a policy of holding cash and cash equivalents in the currency of near-term estimated future supplier payments, however it does not designate formal hedges and as such remains unhedged against foreign currency fluctuations. The net foreign exchange gain of \$144,990 is included in results for the period ended 30 June 2024 (2023: \$21,438 gain).

The carrying amounts of foreign currency denominated financial assets and financial liabilities are as follows:

	June 2024	June 2023
<b>Assets</b>		
New Zealand Dollars	166,408	591,727
US dollars	113,057	478,400
UK pound	245,309	445,448
<b>Liabilities</b>		
New Zealand Dollars	396,578	791,154
US dollars	364,036	301,804
UK pound	112,719	317,253
Japanese Yen	25,900	-

The following table details the sensitivity of financial assets and financial liabilities to a 10% increase and decrease in each of the currencies noted against the Australian dollar as at the reporting date.

<i>Decrease (increase) in loss after income tax</i>	June 2024	June 2023
<b>10% strengthening of Australian dollar against:</b>		
New Zealand dollars	19,149	(41,702)
US dollars	35,061	(24,551)
UK pound	(22,977)	(21,929)
<b>10% weakening of Australian dollar against:</b>		
New Zealand dollars	(23,405)	(79,365)
US dollars	(42,398)	28,726
UK pound	28,102	26,538

**Cash flow and fair value interest rate risk**

The Group is exposed to interest rate risk as it holds cash and cash equivalents (refer note 9).

Trade and other receivables and payables do not bear interest and are not interest rate sensitive.

The Group's interest-bearing financial assets bear interest at deposit rates for up to 180 days and accordingly any change in interest rates would have an immaterial effect on reported loss after tax.

### Credit risk

The Company incurs credit risk from transactions with trade receivables and financial institutions in the normal course of its business. The credit risk on financial assets of the Group, which have been recognised in the statement of financial position, is the carrying amount, net of any allowance for doubtful debts.

The Company does not require any collateral or security to support transactions with financial institutions or customers.

The counterparties used for banking activities are financial institutions with an A1/A2 credit rating (2023: A1/A2) and the Company assesses the credit quality of customers by taking into account their financial position, past experience and other factors. The credit quality of trade receivables can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	June 2024	June 2023
<b>Counterparties with external credit rating:</b>		
• A1/A2	137,869	429,140
<b>Counterparties without external credit rating:</b>		
• existing customers with no defaults in the past	164,073	172,557
<b>Total trade receivables</b>	301,942	601,697

The Company applies the simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component. In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics and have been grouped based on the days past due. In calculating the expected credit losses, the Company uses its historical experience, external indicators and forward-looking information.

On this basis, the loss allowance as at 30 June 2024 for trade and other receivables was determined to be \$15,648 (2023: \$62,761).

Trade receivables are written off (i.e., derecognised) when there is no reasonable expectation of recovery. Failure to make payments within 180 days from the invoice date and failure to engage with the Group on alternative payment arrangements, amongst others, are considered indicators of no reasonable expectation of recovery.

The Company is exposed to a concentration of credit risk as 54% of accounts receivable are with one counterparty (2023: 41%). The customer has an unreported credit rating with no history of payment issues.

### Liquidity risk

The table below shows the Company's non-derivative financial liabilities by relevant maturity grouping based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 3 months	Between 3 months and 1 year	Between 1 year and 2 years
<b>As at 30 June 2024</b>			
Trade and other payables	1,963,857	-	-
Lease liabilities	11,499	35,434	46,270
<b>As at 30 June 2023</b>			
Trade and other payables	1,799,298	-	-
Lease liabilities	10,500	33,649	-

*Note: 2023 figures have been restated as employee entitlements were incorrectly included as part of the trade payables balance. The error was detected when preparing the 2024 accounts. The prior year trade and other payables total of \$2,767,894 as reported in 2023 included \$968,596 in employee benefit costs.*

### Capital risk

The Company manages its capital to ensure that it is able to continue as a going concern. The capital structure of the Company consists of cash and cash equivalents, and equity comprising issued capital, reserves and accumulated deficit.

### Fair value estimation

Financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

### Lease liabilities

The Group exercised a two-year right of renewal of an existing lease for office space during the year ending 30 June 2024. The lease liabilities recognised in the balance sheet are:

	June 2024	June 2023
<b>Lease Liabilities</b>		
Lease liabilities (current)	46,933	44,149
Lease liabilities (non-current)	46,272	-
<b>Total lease liabilities</b>	93,205	44,149

The total cash outflow for leases in 2024 was \$117,000 (2023: \$143,000).

The lease liabilities are secured by the underlying right-of-use-assets.

## 21. Parent entity information

The following details information related to the legal parent, Adherium Limited as at 30 June 2024. During the year ended 30 June 2024 Adherium Limited recognised an impairment on the carrying value of its investments in and loans to subsidiaries to record those at the Group carrying value. This resulted in an impairment charge of \$5,444,860 (2023: \$6,179,000 impairment). The information presented here has been prepared using consistent accounting policies as presented in Note 1.

	Parent June 2024	Parent June 2023
<b>Statement of Financial Position</b>		
Current assets	6,372,247	9,154,241
Non-current assets	14,043	28,014
<b>Total assets</b>	6,386,290	9,182,255
Current liabilities	1,680,141	1,164,045
Non-current liabilities	-	-
<b>Total liabilities</b>	1,680,141	1,164,045
<b>Net assets</b>	4,706,150	8,018,210
Contributed equity	131,003,209	123,617,236
Accumulated deficit	(133,170,458)	(122,441,961)
Reserves	6,873,400	6,842,935
<b>Total equity</b>	4,706,150	8,018,210
<b>Statement of Profit and Loss and Comprehensive Income</b>		
Loss after tax	(10,728,498)	(12,029,676)
<b>Total comprehensive loss</b>	(10,728,498)	(12,029,676)

## 22. Interests in controlled entities

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 3:

Name of Entity	Status	Country of incorporation	Percentage owned	
			June 2024	June 2023
Adherium (NZ) Limited	Operating	New Zealand	100%	100%
Adherium North America, Inc.	Operating	United States	100%	100%
Adherium Europe Ltd	Operating	United Kingdom	100%	100%
Nexus6 Limited	Dormant shell	New Zealand	100%	100%

## 23. Contingencies and commitments

	June 2024	June 2023
Not later than one year	20,160	7,017
Later than one year and not later than five years	-	-
Later than five years	-	-
	20,160	7,017

## 24. Events occurring after balance date

Subsequent to the balance sheet date, there was a cancellation of 1,773,540 Stock Appreciation Rights (SARs) on 17 August 2024 for nil consideration. The cancellation was due to employment vesting conditions not met due to the departure of Rick Legleiter with a fair value of \$146,317 calculated at the date of grant.

There are no other events occurring after the balance sheet date which require disclosure or adjustment in the financial statements.



# Consolidated Entity Disclosure Statement

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 3:

Name of Entity	Entity type	Place formed/Country of Incorporation	Ownership interest	Tax residency
Adherium (NZ) Limited	Company - Limited	New Zealand	100%	New Zealand
Adherium North America, Inc.	Corporation - Incorporated	United States	100%	United States
Adherium Europe Ltd	Company - Limited	United Kingdom	100%	United Kingdom
Nexus6 Limited	Company - Limited (Dormant)	New Zealand	100%	New Zealand

## DIRECTORS' DECLARATION

The Directors declare that the financial statements and notes set out on pages 27 to 50 in accordance with the Corporations Act 2001:

- (a) comply with Accounting Standards and the Corporations Regulations 2001, and other mandatory professional reporting requirements;
- (b) as stated in note 2, the consolidated financial statements also comply with International Financial Reporting Standards;
- (c) give a true and fair view of the financial position of the consolidated entity as at 30 June 2024 and of its performance for the financial year ended on that date;
- (d) in the Directors' opinion there are reasonable grounds to believe that Adherium Limited will be able to pay its debts as and when they become due and payable.
- (e) the information disclosed in the consolidated entity disclosure statement is true and correct.

This declaration has been made after receiving the declaration required to be made by the Chief Financial Officer to the Directors in accordance with section 295A of the Corporations Act 2001 for the year ended 30 June 2024.

This declaration is made in accordance with a resolution of the Directors.

On behalf of the Board

A handwritten signature in black ink, appearing to be "Lou Panaccio", with a stylized flourish at the end.

Lou Panaccio  
Non-Executive Chairman

Melbourne  
30 September 2024

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## INDEPENDENT AUDITOR'S REPORT To the Members of Adherium Limited

### Opinion

We have audited the financial report of Adherium Limited (the Company) and its controlled entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2024, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information, and the directors' declaration.

In our opinion the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the Group's financial position as at 30 June 2024 and of its financial performance for the year then ended; and
- ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report, which indicates that the Group incurred a net loss of \$10,224,173 during the year ended 30 June 2024 and net cash outflows used in operating activities of \$10,613,012. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How our audit addressed this matter
<b>Inventory valuation</b> Refer to Note 11 in the financial statements	
The Group has inventory with a carrying value of \$1,582,298 as at 30 June 2024. <ul style="list-style-type: none"> <li>The valuation of inventory is considered a key audit matter, due to the materiality of the balance, and the significant judgements involved in:</li> <li>Assessing the net realisable value of inventories; and</li> <li>The determination of a provision for obsolescence.</li> </ul>	Our audit procedures included: <ul style="list-style-type: none"> <li>Testing inventory costing by verifying costs against supporting documentation;</li> <li>Verifying that inventory is being held at the lower of cost and net realisable value;</li> <li>Assessing the reasonableness of the Group's inventory methodology for determining the provision for obsolescence; and</li> <li>Evaluating management assumptions and estimates applied to the provision for obsolescence through analysis of historical sales levels.</li> </ul>

## Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2024, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of:

- the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*; and
- the consolidated entity disclosure statement that is true and correct in accordance with the *Corporations Act 2001*, and

for such internal control as the directors determine is necessary to enable the preparation of:

- I. the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- II. the consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

### **Auditor's Responsibilities for the Audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [https://www.auasb.gov.au/admin/file/content102/c3/ar2\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar2_2020.pdf)  
This description forms part of our auditor's report.

### **Report on the Remuneration Report**

#### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included in pages 15 to 24 of the directors' report for the year ended 30 June 2024.

In our opinion, the Remuneration Report of Adherium Limited and its controlled entities, for the year ended 30 June 2024, complies with section 300A of the *Corporations Act 2001*.

#### *Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

A handwritten signature in blue ink, appearing to be "RSM".

**RSM AUSTRALIA PARTNERS**

A handwritten signature in blue ink, appearing to be "BY Chan".

**B Y CHAN**  
Partner

Dated: 30 September 2024  
Melbourne, Victoria

# ASX Additional Information

Distribution of Equity Securities

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Twenty Largest Holders of Quoted  
Equity Securities

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Substantial Shareholders

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Voting Rights



# Australian Securities Exchange Additional Information

Additional information required by the Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The shareholder information set out below was applicable as at 19 September 2024. This information excludes any proposed security issues announced by the Company on 19 September 2024.

## a. Distribution of equity securities

### **Ordinary share capital**

As at 19 September 2024 there were 748,291,466 ASX quoted ordinary shares held by 1,058 shareholders. All issued ordinary shares carry one vote per share and carry the right to dividends

Range (size of holding)	Number of Ordinary Shares	Holders
1 - 1,000	63,053	170
1,001 - 5,000	586,773	232
5,001 - 10,000	924,032	123
10,001 - 100,000	12,321,351	309
100,001 and over	734,396,257	224
Total	748,291,466	1,058

There were 697 shareholders holding less than a marketable parcel of ordinary shares at a price of \$0.0.14, totalling 5,083,106 ordinary shares.

### **Unquoted options over ordinary shares**

As at 19 September 2024 there were 1,426,196,026 options over ordinary shares held by 51 holders.

The Company has the following classes of unlisted options over ordinary shares:

Class	Number	Holders
OP6 - Options exercisable at \$0.3285 expiring on 29 January 2027	1,834,635	6
OP7 - Options exercisable at \$0.60 expiring on 14 April 2027	1,145,105	2
UO7 - Options exercisable at \$0.03 expiring on 30 June 2025	418,539,981	96
UO8 - Options exercisable at \$0.04 expiring on 1 July 2027	7,585,800	2

The following holders hold greater than 20% or more of the above classes, not including options acquired under a security incentive plan:

Holder	Number	Class
Citicorp Nominees Pty Ltd	160,366,942	UO7

## b. Twenty largest holders of quoted equity securities as at 19 September 2024

Shareholders	Ordinary Shares	
	Units	% Units
Trudell Medical Ltd	134,538,685	17.7
Phillip Asset Management Limited <Bioscience Mtf1 A/C>	123,733,827	16.3
J P Morgan Nominees Australia Pty Limited	99,680,000	13.1
Citicorp Nominees Pty Limited	63,372,916	8.4
Neweconomy Com Au Nominees Pty Limited <900 Account>	40,317,690	5.3
Hsbc Custody Nominees (Australia) Limited	39,728,400	5.2
Ubs Nominees Pty Ltd	33,172,717	4.4
K One W One Ltd	25,817,070	3.4
Buttonwood Nominees Pty Ltd	12,293,567	1.6
Hsbc Custody Nominees (Australia) Limited-Gsi Eda	12,211,111	1.6
Mr Paul Mastoridis	11,600,000	1.5
Eshuys Super Pty Ltd <Resource Surveys Sf A/C>	8,200,000	1.1
Vilmos Pty Ltd <Panaccio Investment A/C>	7,666,668	1.0
Mr George Baran	7,500,000	1.0
Scintilla Strategic Investments Limited	6,000,000	0.8
Warbont Nominees Pty Ltd <Unpaid Entrepot A/C>	5,684,051	0.8
Jmid Pty Ltd <Jam Family A/C>	4,707,491	0.6
Mr Carlsen Wilson Henry Marks + Mrs Edwina Mary Marks	4,600,000	0.6
Jmid Pty Ltd <Jam Superfund A/C>	4,030,701	0.5
One Funds Management Limited <Asia Pac Health Fund II A/C>	3,253,931	0.4
Total top 20 holders of fully paid ordinary shares	648,108,825	85.4

## c. Substantial shareholders

In accordance with ASX Listing Rule 4.10.4, a listing of substantial holding and other notices provided to the Company and released to the ASX are included below:

Substantial shareholders	Notification Date	Ordinary Shares Held
Phillip Asset Management Limited	5/06/2024	123,733,827
Trudell Medical Ltd	4/11/2022	73,538,685
Regal Funds Management Pty Ltd and subsidiaries and associates	29/05/2024	190,651,488
UBS Group AG and its related bodies corporate	16/02/2023	274,416,431
Bank of America Corporation and its related bodies corporate	16/07/2024	44,425,394
JP Morgan Chase & Co. and its affiliates	30/05/2024	49,817,690
FIL Limited and associated entities	29/05/2024	38,991,036

## d. Voting Rights

On a show of hands, every shareholder present in person or by proxy holding stapled securities in the Company shall have one vote and upon a poll each stapled security shall have one vote.







# Corporate Information

## ASX code: ADR

### Directors

Mr Lou Panaccio (Chair)  
Mr George Baran  
Mr Jeremy Curnock Cook  
Dr William Hunter  
Mr Bruce McHarrie

### Company Secretary

Ms Emily Austin

### Registered Office

Collins Square, Tower 4  
Level 18, 727 Collins St  
Melbourne VIC 3000, Australia  
+61 3 86575540

### Australian Office (Principal Administrative Office)

Level 5, 447 Collins Street  
Melbourne 3000, Australia

### Website

[www.adherium.com](http://www.adherium.com)  
[www.hailie.com](http://www.hailie.com)

## Share Registry

Computershare Investor Services Pty Ltd  
Yarra Falls, 452 Johnston Street  
Abbotsford, Victoria 3067, Australia

### Solicitors

K&L Gates  
Level 25 South Tower  
525 Collins Street  
Melbourne VIC 3000, Australia

### Auditors

RSM Australia Pty Ltd  
Level 21, 55 Collins Street  
Melbourne VIC 3000, Australia

### Shareholder Enquiries 1300 850 505 (+61 3 9415 4000)

Shareholders requiring clarification of holdings, or requesting changes of name or address should contact Computershare Investor Services directly on the above number. Shareholders wishing to create an online account with Computershare should visit <https://www.investorcentre.com>







