

ASX Release: 30 April 2020

Appendix 4C

Quarterly cash flow report to 31 March 2020

All figures are stated in Australian dollars and are unaudited.

Adherium Limited (ASX:ADR), a leader in digital inhaled device adherence, remote monitoring and data management solutions, presents its Appendix 4C cash flow report for the quarter and nine months ended 31 March 2020.

Through the quarter to 31 March 2020, Adherium continued taking steps in executing its global growth strategy, implementing a more focused strategy of commercialization, tapping into new reimbursement pathways to payment in the US and with a longer-term focus on data monetization.

In January 2020, to support the continued roll-out of this strategy, Adherium successfully completed a \$5.4m capital raising through a Rights Issue to existing shareholders and a shortfall placement to wholesale and exempt investors. Significant contributors included existing shareholders K One W One and Fidelity International, and new investors EGP Capital and Trudell Medical. The funds raised will be utilised across a number of key initiatives including the development of the next-generation Hailie® sensors and an extended technology portfolio for COPD, investing in the extension of UK and US sales channels and expanding capability in global market access initiatives.

Adherium recently announced commercial developments including an agreed US disease management collaboration with Pennsylvania-based HGE Health. Both parties will rapidly evaluate and integrate Adherium's sensor and software technology into HGE Health's established telemedicine platform to better assess, manage and treat high risk respiratory patients. The collaboration will focus initially on the COPD patient group with an immediate target of those particularly at risk from COVID-19.

Adherium has also entered into a heads of terms sales agreement with Monaghan Medical Corporation, a US subsidiary of Trudell Medical Limited, and a leader in the development and manufacture of innovative, high quality, patient-oriented aerosol drug delivery devices and respiratory management solutions in the United States. Monaghan will leverage their strong existing customer relationships, particularly in the paediatric setting, alongside developing their reach into specialist centers managing the uncontrolled, severe adult asthma patients.

In addition, a strategic device hardware and software development partnership has been agreed with Planet Innovation. This development will enhance Adherium's leading device coverage position in both asthma and COPD with sensors developed to provide the physiological data required to enable physician monitoring reimbursement for this activity in the US.

As announced on the 14th April, Adherium further strengthened its management capability with the appointment of James Ward-Lilley to the Board of Directors and as Chairman of the Board. James had an extensive global pharmaceutical career spanning 28 years across a range of primarily commercial roles at AstraZeneca before becoming Chief Executive Officer of Vectura Group PLC (the inhaled formulation and device development specialist) in September 2015. James has a very strong background and experience to

bring to Adherium combining operational and executive leadership roles in the pharmaceutical and medical device industries across a range of therapy areas, including a deep knowledge of addressing respiratory diseases. In addition, Mike Motion has been promoted from COO to CEO, and Anne Bell joins the management team as CFO.

Cash Flow Commentary

Receipts from customers for sensors and engineering and clinical services were \$1,068,000 for the March 2020 quarter compared with \$759,000 for the December 2019 quarter. The increase was primarily due to customer receipts to secure componentry inventory for future production of sensors.

Payments for research and development were \$502,000 in the March quarter compared with \$836,000 in the previous quarter. The decrease was largely related to the substantial completion earlier in the March quarter of cloud platform features to support notifications for remote patient monitoring by physicians, combined with current activity focussed on planning for sensor, Hailie® mobile app and cloud platform enhancements to enable access to the reimbursement and risk-share models. Sales and marketing costs were relatively consistent quarter on quarter with \$283,000 for the March quarter compared with \$311,000 for the December quarter, with activity primarily focussed on business development initiatives in the US. Staff costs increased from \$646,000 for the December quarter to \$788,000 for the March quarter due to new hires and new management appointments, and administration and corporate costs were higher quarter on quarter due to activity around completing the Rights Issue and the annual renewal of corporate insurance policies.

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

About Adherium (ASX: ADR)

Adherium is a provider of digital health solutions and a global leader in connected respiratory medical devices, with more than 170,000 sold globally. The company develops, manufactures and supplies a broad range of connected medical devices for respiratory medications for patients, pharmaceutical companies, healthcare providers and contract research organisations. Adherium's Hailie™ solution is designed to help patients achieve better adherence and provide visibility to parents and caregivers. It does this by tracking medication use and reminding the user with helpful nudges when it is time to take doses, and by providing access to usage history to better understand patterns in their asthma and COPD. These tools ultimately enable people who live with asthma or COPD to more easily manage their condition alongside their physician. Learn more at adherium.com.

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Appendix 4C

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

Name of entity

Adherium Limited

ABN

24 605 352 510

Quarter ended ("current quarter")

31 March 2020

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities			
1.1 Receipts from customers		1,068	2,592
1.2 Payments for			
(a) research and development		(502)	(2,086)
(b) product manufacturing and operating costs		(212)	(936)
(c) advertising and marketing		(283)	(862)
(d) leased assets		-	-
(e) staff costs		(788)	(1,960)
(f) administration and corporate costs		(1,032)	(1,654)
1.3 Dividends received (see note 3)		-	-
1.4 Interest received		7	10
1.5 Interest and other costs of finance paid		-	-
1.6 Income taxes paid		-	-
1.7 Government grants and tax incentives		-	-
1.8 Other (provide details if material)		-	-
1.9 Net cash from / (used in) operating activities		(1,742)	(4,896)
2. Cash flows from investing activities			
2.1 Payments to acquire:			
(a) entities		-	-
(b) businesses		-	-
(c) property, plant and equipment		(64)	(136)
(d) investments		-	-
(e) intellectual property		-	-
(f) other non-current assets		-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(64)	(136)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	5,392	5,392
3.2	Proceeds from issue of convertible debt securities	-	2,926
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(85)	(85)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	5,307	8,233

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	378	763
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,742)	(4,896)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(64)	(136)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	5,307	8,233
4.5	Effect of movement in exchange rates on cash held	35	(50)
4.6	Cash and cash equivalents at end of period	3,914	3,914

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	131	378
5.2	Call deposits	3,783	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,914	378

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

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter \$A'000
161
-

Payment of directors' fees.

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

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

7.1 Loan facilities

7.2 Credit standby arrangements

7.3 Other (please specify)

7.4 **Total financing facilities**

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
-	-
-	-
-	-
-	-

7.5 **Unused financing facilities available at quarter end**

Nil

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

8. Estimated cash available for future operating activities

\$A'000

8.1 Net cash from / (used in) operating activities (Item 1.9)

(1,742)

8.2 Cash and cash equivalents at quarter end (Item 4.6)

3,914

8.3 Unused finance facilities available at quarter end (Item 7.5)

-

8.4 Total available funding (Item 8.2 + Item 8.3)

3,914

8.5 **Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**

2.2

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

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: Not applicable

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: Not applicable

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

Answer: Not applicable

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: ..30 April 2020.....

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

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg *Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.