

ASX Release: 31 July 2020

## Appendix 4C

### Quarterly cash flow report to 30 June 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 twelve months ended 30 June 2020.

Through the quarter to 30 June 2020, Adherium continued to execute its revised business strategy which is focused on progressing its pilot programs with established commercial channel partners in the US (with disease management company HGE Health and medical device company Trudell/Monaghan Medical) and continued upgrade and expansion of its software and hardware capability with Planet Innovation in Melbourne.

Commercial evaluations in disease management programmes in asthma and COPD are commencing as planned with HGE Health and Trudell /Monaghan Medical. Read outs are expected by the end of calendar year 2020 ahead of commercial scale up in 2021. These evaluations are commencing with Adherium's existing Hailie® platform. New sensors supported by Adherium's software platform with enhanced capability and capacity to capture physiological measures are planned to be available in H1 2021. These physiological measures afford physicians a path to payment for remote management of patients under the Remote Patient Monitoring (RPM) current procedural terminology (CPT) codes in the US. The adoption of RPM and Telehealth has been accelerated during the COVID-19 pandemic, where monitoring of patients in a physical consultation may not be possible or desirable, and as the US government relaxed the rules for the sign up and engagement of patients.

In parallel we continue to work with AstraZeneca on several commercial, development and clinical trial projects while engaging in the renegotiation of our long-term agreement with an increased focus on data and software licencing and commercial activities.

The major focus of our current investment is with our Melbourne-based development partner Planet Innovation. Planet Innovation specialises in healthcare commercialisation, working with some of the world's largest healthcare and life sciences companies to "productise" technology development. Our partnership with Planet Innovation is a critical step in expanding and enhancing our product portfolio. This programme will further strengthen Adherium's revised commercial strategy with enhanced physiological data capture enabled device coverage across the key inhaled therapies for asthma and COPD. This investment reflects the continuing revitalisation of Adherium. The new devices will have enhanced detection and reporting capabilities, delivered through significant platform system upgrades, with fast and effective data capture including physiological measures enabling US based providers to benefit from CPT code-based reimbursement.

In May 2020, Adherium secured a \$5 million investment commitment from the BioScience Managers Translation Fund 1 (**BMTF1**) with the first tranche of \$3.1 million received in June through the issue of approximately 104 million shares. Last week at the Extraordinary General Meeting shareholders approved the issue of shares to BMTF1 for the balance of the investment of \$1.9 million, and this funding will be received in August 2020. BMTF1 has a specific mandate to invest in Australian-based innovative healthcare

technology, and the investment directly supports the Company's development programme with Planet Innovation, enhancing medication coverage, and physiological data capture and reporting in both asthma and COPD.

### **Cash Flow Commentary**

Receipts from customers for sensor sales, engineering services and clinical trial services were \$139,000 for the June quarter compared with \$1,068,000 for the March quarter. The decrease was primarily due the previous quarter including customer receipts of \$685,000 to secure componentry inventory for future production of sensors.

Payments for research and development were \$582,000 in the June quarter compared with \$502,000 in the previous quarter. This reflected the increased activity and commencement of further strategic sensor and software development work with Planet Innovation. This development will enhance Adherium's leading device coverage position in both asthma and COPD with sensors and software developed to capture and integrate physiological data and enable physician monitoring and reimbursement activity in the US.

Sales and marketing costs were relatively consistent quarter on quarter with \$300,000 for the June quarter compared with \$283,000 for the March quarter, with activity primarily focussed on the collaborations with Trudell Medical and HGE Healthcare in the US. Staff costs were also consistent in the June quarter at \$776,000 compared with \$788,000 for the March quarter.

Administration and Corporate costs of \$506,000 in the quarter to 30 June 2020 were significantly lower than the \$1,032,000 in the March quarter due to several one-off costs such as annual corporate insurances and activity around completing the Rights Issue in January 2020. Included in the June quarter's administrative and corporate costs were payments of \$78,000 to directors for director fees, and \$134,000 in consultancy payments to James Ward-Lilley. As noted on his appointment, Mr Ward-Lilley's consulting role continued until the end of June 2020, and he continues now as Adherium's non-executive and independent Chairman.

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 achieve better adherence for patients and provide visibility to parents and caregivers. It does this by tracking medication use and reminding the user when it is time to take doses, and by providing physicians access to usage history to better understand patients' 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](https://adherium.com).

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## Appendix 4C

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

**Name of entity**

Adherium Limited

**ABN**

24 605 352 510

**Quarter ended ("current quarter")**

30 June 2020

| <b>Consolidated statement of cash flows</b>               | <b>Current quarter<br/>\$A'000</b> | <b>Year to date<br/>(12 months)<br/>\$A'000</b> |
|-----------------------------------------------------------|------------------------------------|-------------------------------------------------|
| <b>1. Cash flows from operating activities</b>            |                                    |                                                 |
| 1.1 Receipts from customers                               | 139                                | 2,731                                           |
| 1.2 Payments for                                          |                                    |                                                 |
| (a) research and development                              | (582)                              | (2,668)                                         |
| (b) product manufacturing and operating costs             | (414)                              | (1,350)                                         |
| (c) advertising and marketing                             | (300)                              | (1,162)                                         |
| (d) leased assets                                         | -                                  | -                                               |
| (e) staff costs                                           | (776)                              | (2,736)                                         |
| (f) administration and corporate costs                    | (506)                              | (2,160)                                         |
| 1.3 Dividends received (see note 3)                       | -                                  | -                                               |
| 1.4 Interest received                                     | 5                                  | 15                                              |
| 1.5 Interest and other costs of finance paid              | -                                  | -                                               |
| 1.6 Income taxes received (paid)                          | 13                                 | 13                                              |
| 1.7 Government grants and tax incentives                  | -                                  | -                                               |
| 1.8 Other (provide details if material)                   | -                                  | -                                               |
| <b>1.9 Net cash from / (used in) operating activities</b> | <b>(2,421)</b>                     | <b>(7,317)</b>                                  |
| <b>2. Cash flows from investing activities</b>            |                                    |                                                 |
| 2.1 Payments to acquire:                                  |                                    |                                                 |
| (a) entities                                              | -                                  | -                                               |
| (b) businesses                                            | -                                  | -                                               |
| (c) property, plant and equipment                         | (2)                                | (138)                                           |
| (d) investments                                           | -                                  | -                                               |
| (e) intellectual property                                 | -                                  | -                                               |
| (f) other non-current assets                              | -                                  | -                                               |

| Consolidated statement of cash flows |                                                       | Current quarter<br>\$A'000 | Year to date<br>(12 months)<br>\$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)                   | -                          | -                                      |
| <b>2.6</b>                           | <b>Net cash from / (used in) investing activities</b> | <b>(2)</b>                 | <b>(138)</b>                           |

|             |                                                                                         |              |               |
|-------------|-----------------------------------------------------------------------------------------|--------------|---------------|
| <b>3.</b>   | <b>Cash flows from financing activities</b>                                             |              |               |
| 3.1         | Proceeds from issues of equity securities (excluding convertible debt securities)       | 3,128        | 8,520         |
| 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 | (20)         | (105)         |
| 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)                                                     | -            | -             |
| <b>3.10</b> | <b>Net cash from / (used in) financing activities</b>                                   | <b>3,108</b> | <b>11,341</b> |

|           |                                                                              |         |         |
|-----------|------------------------------------------------------------------------------|---------|---------|
| <b>4.</b> | <b>Net increase / (decrease) in cash and cash equivalents for the period</b> |         |         |
| 4.1       | Cash and cash equivalents at beginning of period                             | 3,914   | 763     |
| 4.2       | Net cash from / (used in) operating activities (item 1.9 above)              | (2,421) | (7,317) |
| 4.3       | Net cash from / (used in) investing activities (item 2.6 above)              | (2)     | (138)   |

| Consolidated statement of cash flows |                                                                     | Current quarter<br>\$A'000 | Year to date<br>(12 months)<br>\$A'000 |
|--------------------------------------|---------------------------------------------------------------------|----------------------------|----------------------------------------|
| 4.4                                  | Net cash from / (used in) financing activities<br>(item 3.10 above) | 3,108                      | 11,341                                 |
| 4.5                                  | Effect of movement in exchange rates on<br>cash held                | (15)                       | (65)                                   |
| 4.6                                  | <b>Cash and cash equivalents at end of<br/>period</b>               | <b>4,584</b>               | <b>4,584</b>                           |

| 5.  | Reconciliation of cash and cash<br>equivalents<br>at the end of the quarter (as shown in the<br>consolidated statement of cash flows) to the<br>related items in the accounts | Current quarter<br>\$A'000 | Previous quarter<br>\$A'000 |
|-----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|-----------------------------|
| 5.1 | Bank balances                                                                                                                                                                 | 114                        | 131                         |
| 5.2 | Call deposits                                                                                                                                                                 | 4,470                      | 3,783                       |
| 5.3 | Bank overdrafts                                                                                                                                                               | -                          | -                           |
| 5.4 | Other (provide details)                                                                                                                                                       | -                          | -                           |
| 5.5 | <b>Cash and cash equivalents at end of<br/>quarter (should equal item 4.6 above)</b>                                                                                          | <b>4,584</b>               | <b>3,914</b>                |

**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**

212

-

Payment of directors' fees \$78,000; payment of consultancy fees to James Ward-Lilley \$134,000.

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**

-

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)

(2,421)

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

4,584

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

-

8.4 Total available funding (Item 8.2 + Item 8.3)

4,584

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

1.9

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: Yes

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

Answer: Yes, the closing cash balance at 30 June 2020 of \$4,584,000 does not include the issue of \$1,872,000 of shares approved by shareholders at the EGM of 24 July 2020. In May 2020 the Company agreed a \$5,000,000 share commitment with BioScience Managers Translation Fund 1 and \$3,128,000 of shares were issued in June 2020 pursuant to this commitment. The balance of \$1,872,000 of the investment commitment will be received in August 2020.

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

Answer: Yes, in addition to the new capital noted above, the Company continues to assess its funding requirements in light of its business objectives, including the expectation of revenue. Achieving the business objectives will be dependent on continuing to gain new customers, successfully deploying the Company's adherence solution to existing customers, and careful expense management. The Company has sufficient resources and plans in place, including a management budget and actual cash flow and performance is monitored closely against this and reviewed with the Directors. The Company expects to be able to continue its operations and to meet its business objectives for the foreseeable future.

## 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: ..31 July 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.