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ASX Release: 28 October 2020

Appendix 4C

Quarterly cash flow report to 30 September 2020

All figures are stated in Australian dollars and are unaudited.

Adherium Limited (ASX: ADR), a leader in digital inhaled device adherence, remote monitoring, and data management solutions, presents its Appendix 4C cash flow report for the quarter ended 30 September 2020.

Adherium has secured funding support from Viburnum Funds ("Viburnum"), a Perth based investment firm with A$750 million in funds under management. Viburnum has provided a $3 million secured convertible note and will continue to work with Adherium to explore potential future funding arrangements including new partners to complete Adherium's planned sensor and software development and initial commercialisation.

Through the quarter to 30 September 2020 Adherium continued to progress its revised strategy with its two new US commercial channel partners. In the disease management setting with HGE Health, the first COPD patients were recruited into the pilot program to validate patient support services, enrolment protocols and software upgrades implemented for data reporting relating to the use of Hailie® sensors on patient rescue medication. Screening for additional patients continues. These data from early patients are giving valuable insights in factors necessary to scale the business.

In our specialist sales channel, Adherium and Monaghan Medical have completed an extensive program of training and education in preparation for first patient recruitment next quarter. These activities were supported by customer interviews to understand the key requirements for success including the development of customer/patient education tools and support services. Given the current COVID situation we have invested in the redesign of training and support materials to ensure they can be delivered virtually with the same impact as if given face to face.

The current program of software and hardware development, that will re-establish Adherium's device sensor leadership across the relief and maintenance treatment of Asthma and COPD and incorporates the measurement of airflow enabling providers to access remote patient monitoring reimbursement in the US, continues to make good progress. Initial designs have been through handling and usability testing. A series of feedback sessions with leading respiratory physicians at The Alfred, Melbourne, The Woolcock Institute, Sydney, MRINZ in Wellington, Middlemore Hospital in Auckland, and Temple University Hospital Philadelphia are ensuring the R&D program provides product designs and data that support positive patient and physician engagement and good clinical decision making. The program is on track to deliver first sensors with a physiological measure in H1 calendar year 2021.

Cash Flow Commentary

Receipts from customers for sensor sales, engineering services and clinical trial services were $470,000 for the September quarter compared to $139,000 for the June quarter. The increase was primarily due to receipts from two clinical trial customers.

Payments for research and development were $879,000 in the September quarter compared with $582,000 in the previous quarter. This reflected increased activity and commencement of further strategic sensor and

software development work with Planet Innovation in Melbourne in line with the research and development plan. 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 decreased to $173,000 for the September quarter compared with $300,000 for the June quarter. The June quarter included costs associated with establishing the collaborations with Monaghan Medical and HGE Health. Staff costs increased in the September quarter to $904,000 compared to $776,000 in the June quarter largely attributable to a new key appointment (Mr. Geoff Feakes to the CTO role) and catch up payments in transitioning some employees from contractor status.

Administration and corporate costs of $458,000 in the quarter to 30 September 2020 were comparable to $506,000 in the quarter to 30 June 2020, reflecting the Company's focus on careful expense management. Included in the September quarter's administrative and corporate costs were payments of $40,000 to directors for directors' fees.

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

About Adherium (ASX: ADR)

Adherium is a provider of digital health solutions and a global leader in connected respiratory medical devices, with more than 170,000 sold globally. The Company develops, manufactures and supplies a broad range of connected medical devices for respiratory medications for patients, pharmaceutical companies, healthcare providers and contract research organisations. Adherium's Hailie® solution is designed to help patients achieve better adherence and provide visibility to parents and caregivers. It does this by tracking medication use and reminding the user with helpful nudges when it is time to take doses, and by providing access to usage history to better understand patterns in their asthma and COPD.

Adherium has a series of new asthma and COPD sensors in development which, with their existing capabilities, will also enable the capture of physiological measures enabling access to CPT reimbursement for remote patient monitoring in the US. The first of these sensors are targeted for launch in the US in H1 calendar 2021.

These tools ultimately enable patients, with their physicians, to more effectively manage their Asthma and COPD and at the same time as potentially deliver significant healthcare cost savings to payors and providers.

Learn more at adherium.com.

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Appendix 4C

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

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Name of entity	
Adherium Limited	
ABN	**Quarter ended ("current quarter")**
24 605 352 510	30 September 2020

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (3 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	470	470
1.2	Payments for		
	(a) research and development	(879)	(879)
	(b) product manufacturing and operating costs	(494)	(494)
	(c) advertising and marketing	(173)	(173)
	(d) leased assets	-	-
	(e) staff costs	(904)	(904)
	(f) administration and corporate costs	(458)	(458)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	6	6
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes received (paid)	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**(2,432)**	**(2,432)**

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

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

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	1,872	1,872
3.2	Proceeds from issue of convertible debt securities	-	-
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**	**1,787**	**1,787**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	4,584	4,584
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,432)	(2,432)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(3)	(3)

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,787	1,787
4.5	Effect of movement in exchange rates on cash held	(3)	(3)
4.6	**Cash and cash equivalents at end of quarter**	**3,933**	**3,933**

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	273	114
5.2	Call deposits	3,660	4,470
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)**	**3,933**	**4,584**

6.	Payments to related parties of the entity and their associates	Current quarter $A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	40
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Payment of directors' fees $40,000.

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

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7.	**Financing facilities available** *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.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	**-**	**-**

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

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

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / used in operating activities (Item 1.9)	(2,432)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	3,933
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	3,933
8.5	**Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**	**1.6**

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

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

   Yes

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

   Adherium has secured funding of $3m via a secured convertible note, with the funds having been received on 26 October 2020.

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

   Yes, Adherium has secured the above funding.

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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: 28 October 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 do so.

2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flow from investing activities depending on the accounting policy of the entity.

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

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