



30 September 2022

Adherium Limited
Collins Square, Tower 4
Level 18, 727 Collins Street
Melbourne VIC 3000 Australia

Companies Announcements Office
ASX Limited

Level 2, 63 Albert Street
Auckland 1010 New Zealand

Dear Sir/Madam

Adherium Limited 2022 Annual Report

Adherium Limited ACN 605 352 510 (**Company**) (ASX: ADR) encloses its Annual Report for the year ended 30 June 2022, incorporating its audited financial statements for the year then ended.

In the preparation of the Annual Report the Company updated its probability assessment and recognition of the Group's Research and Development tax credits, resulting in the recognition of a receivable not previously recorded in the unaudited financial statements presented in the Appendix 4E Preliminary Final Report lodged via ASX on 31 August 2022.

The amended "*Results for announcement to the market*" based on the audited financial statements are as follows:

| | 12 months 30 June 2022 \$000 | 12 months 30 June 2021 \$000 | Change \$000 | Change % |
|--|---------------------------------------|---------------------------------------|-----------------|-------------|
| Revenue from ordinary activities | 529 | 401 | 128 | 31.9% |
| Profit (loss) from ordinary activities after tax attributable to members | (10,044) | (15,036) | 4,992 | 33.2% |
| Net profit (loss) for the period attributable to members | (10,044) | (15,036) | 4,992 | 33.2% |
| Dividends: | | | | |
| Amount per Ordinary Share | Nil | Nil | | |
| Franked amount per Ordinary Share | Nil | Nil | | |
| Record date for determining entitlements to the dividends | N/A | N/A | | |
| Net tangible asset backing per Ordinary Share | 0.2 cents | 0.7 cents | | |

Yours faithfully

Rob Turnbull
Joint Company Secretary



ANNUAL REPORT

for the year ended 30 June 2022



Adherium Limited

ABN 24 605 352 510



Company Overview

Adherium is a provider of integrated digital health solutions and a worldwide leader in connected respiratory medical devices, with more than 180,000 sold globally. Adherium's Hailie® platform solution provides clinicians, healthcare providers and patients access to remotely monitor medication usage parameters and adherence, supporting reimbursement for qualifying patient management.

Adherium's Hailie® solution includes a suite of integration tools to enable the capture and sharing of health data via mobile and desktop apps, Software Development Kit (SDK) and Application Programming Interface (API) integration tools, and Adherium's own broad range of sensors connected to respiratory medications. Adherium's Hailie® solution is designed to provide visibility to healthcare providers of medication use history to better understand patterns in patient respiratory disease. These tools ultimately enable people who live with Asthma or COPD to more easily manage their condition with input from their physician.



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Chairman's Statement



“We have seen the world continue to stabilise to a new reality post-COVID; one where digital health is more accepted and integrated than ever.”

Dear Shareholder,

On behalf of the Board of Directors of Adherium Limited, I am pleased to be writing to you for the first time as Chairman after taking over from James Ward-Lilley in April 2022. James remains an independent non-executive director of Adherium, and on behalf the Board and all shareholders I would like to thank him for his service in the role of Chairman.

Adherium has traditionally supplied to the clinical trials market, but recognised in early 2019 an opportunity for US healthcare providers to access reimbursement for remote physiological monitoring of patients using our Hailie® technology. The pressure on healthcare systems across the globe, spurred on by the challenges of the COVID-19 pandemic, has accelerated virtual healthcare models. This last year we have seen the realisation of that opportunity with the release and clearance to market of new Hailie® sensors for AstraZeneca's Symbicort® HFA and GSK's Ellipta® medication franchise incorporating physiological parameters, with further new sensors for Teva and GSK inhaler medications in the pipeline.

The opportunity was further enhanced this year by the introduction in the US of reimbursement to healthcare providers for remote therapeutic monitoring of patient medication use. All of Adherium's US FDA cleared Hailie® sensors qualify to be used in this setting.

This execution on our R&D and regulatory roadmap, together with the enabling reimbursement, has now put us in a position to engage with US based healthcare systems and you will have seen this recently in our announcements partnering with Perigon Health 360, Dulcian Health and CareCentra Inc. It is exciting to be able to announce this progress.

While reimbursement of digital monitoring of respiratory medication use outside the US is less advanced, Adherium continues to put in place relationships to pursue commercial uptake of the Hailie® technology, such as with Helicon Health in the UK, and also continues to support significant ground-breaking Asthma and COPD clinical trials of new respiratory medications and regimes.

This month we announced we had received share subscription commitments of \$13.5 million. The first tranche of this for \$1.67 million has been completed, and the balance is the subject of shareholder approval at the upcoming Extraordinary and Annual General Meetings. In addition, we are making an offer to existing shareholders on similar terms so that you also have

an opportunity to invest. I would like to thank all of those who have provided their commitments to date, and thank in advance the shareholders who choose to continue to support Adherium by reinvesting. This investment will provide the opportunity to continue developing our commercial infrastructure, regulatory progressions, and updates and enhancements of our integrated digital platform improving outcomes for patients, partners and shareholders.

In the coming year, we want to continue to commercialise our remote patient monitoring product offerings. We have seen the world continue to stabilise to a new reality post-COVID; one where digital health is more accepted and integrated than ever. Adherium has set itself up to be a leader in this space and to continue to advance its position.

I would like to thank all shareholders for your ongoing support, as well as the Adherium team and our business partners for their dedication and belief. I look forward to updating you further on our progress throughout fiscal 2023.



Lou Panaccio
Non-Executive Chairman

CEO's Report



“Adherium progressed with US FDA 510(k) clearances from covering 71% to 91% of the US top 20 branded inhaler medications by sales volume.”

Dear Shareholder,

It has been a transformative year for Adherium as we progress commercial expansion toward revenue growth following new commercial partnerships, major regulatory achievements, software platform improvements, operational milestones, and executive team appointments all toward executing on our strategy as a leader in respiratory eHealth, remote patient monitoring and data management solutions.

Our commercial strategy is focused on the US leveraging Adherium's technology for generating and transmitting patient data enabling doctor reimbursement for remote patient monitoring to improve patients' quality of life and address the high unmet need of patients with severe and 'difficult-to-treat' Asthma and chronic obstructive pulmonary disease (COPD). The goal is to improve patient management and clinical outcomes to reduce the frequency of exacerbations and the number of emergency visits and hospital admissions, which represent a very high-cost burden to healthcare systems worldwide.

Despite the challenges of the Covid-19 pandemic, Adherium continued to drive a strong development program of its cutting-edge Hailie® platform for Asthma and COPD patients. Adherium progressed with US Food and Drug Administration (FDA) 510(k) clearances from covering 71% to 91% of the US top 20 branded inhaler medications by sales volume for adherence and usage enabling the US Medicare Remote Therapeutic Monitoring reimbursement codes, and 32% coverage for physiological parameters enabling the Remote Physiological Monitoring reimbursement codes.

With more than 180,000 sensors sold globally, Adherium is uniquely positioned with extensive product development history, clinical trial services and experience to benefit from the rapidly developing remote patient monitoring and telehealth trends, as well as the positive reimbursement environment, particularly in the US.

Commercial partnerships

This year, we set out clear pathways to demonstrate our value proposition to patients and healthcare providers, focusing on existing and new commercial partnerships:

Trudell Medical Limited partnership includes utilizing the strength and expertise of Trudell's US operation, Monaghan Medical, and its wholly owned subsidiary Aetonix's aTouchAway® platform integrated with Adherium's Hailie® sensors.

The integration of Hailie® digital sensors into the aTouchAway® platform will provide clinicians with the information to track inhaler medication adherence and respiratory physiological parameters such as inhalation flow rate and possible rescue inhaler overuse as key additional data insights to help detect potential issues leading to readmissions.

Trudell Medical International (Canada) and Monaghan Medical (US) are renowned for their market leading Aerochamber® and Aerobika® respiratory devices.

Perigon Health 360's world-class proprietary platform, Medesto, is a US-based enterprise drug and therapy monitoring platform that consolidates remote monitoring services into one portal enabling healthcare providers to pursue reimbursement for respiratory and chronic care management services.

Adherium's sophisticated digital product portfolio has been successfully incorporated into Perigon's Medesto drug and therapy monitoring platform through our Hailie® Software Development Kit (SDK). In addition, patient enrolment and set-up for remote patient monitoring has commenced representing a significant milestone for the Company as we continue to focus on expanding Adherium's footprint by delivering enhanced remote patient care.

Innovation is crucial to our future, and we're extremely pleased to be collaborating with Perigon enabling both companies to continue to achieve commercial success accelerating momentum in the digital healthcare industry.

Dulcian Health is a leader in Chronic Care Management (CCM) for physician practices in the US, focusing on developing software that adds functionality to electronic health record (EHR) systems. The Dulcian software accurately captures all clinical staff time spent performing non-face-to-face care activities, billable under US Medicare codes for care management services.

Dulcian's CCM platform will be adapted to include respiratory remote patient monitoring, and will leverage the inhalation data and physiological parameters generated by Adherium's next generation Hailie® devices.

CareCentra is a behaviour-shaping company based in the US with an Artificial Intelligence (AI) driven platform that leverages data science, Nobel Prize-winning nudge theory, behaviour science, and personal technologies to enable remote monitoring and coordinate care for patients. Adherium's Hailie® solution integration into CareCentra's AI platform will leverage previously unavailable data for patients that need help before they have exacerbations and potentially find themselves in an emergency room or hospital.

These partnerships mark another important step in the execution of our US commercial strategy with remote patient monitoring companies. The combination of Dulcian's and CareCentra's integrated platforms and our sophisticated devices are well positioned to advance patient care by bringing new solutions to doctors and patients.

Helicon Health is a UK-based medical technology development company, an NHS-focused contract research partner and specialised medical device accelerator. A spin-out from the UCL Centre for Health Informatics and Multi Professional Education (CHIME), Helicon supports integrated care systems by enabling the ethical collection of real-world data for analysis and interpretation for real world evidence to inform translation into better outcomes for patients and more effective use of scarce resources.

Adherium's next generation sensor connects via the Hailie® app to Helicon's comprehensive remote patient monitoring platform creating the most advanced care for respiratory patients that are in remote settings.

This is Adherium's first UK distribution agreement cementing our growth strategy to partner with leading players globally across strategically important geographies. The expertise of the team at Helicon will transform our market access in the UK, provide opportunities in this revolutionary care model and accelerate adoption.

Major regulatory achievements

In September 2021, Adherium announced the first US FDA 510(k) clearance of our next generation Hailie® sensors with physiological parameters for AstraZeneca's Symbicort® inhalers representing a crucial regulatory step for the business, enabling respiratory patients to receive increased support with their medication usage and disease treatment.

Then in July 2022, Adherium received US FDA 510(k) clearance to market connecting GlaxoSmithKline's

Ellipta® inhaler users with our second next generation Hailie® sensor, designed for use with the Breo®, Anoro®, Incruse®, Trelegy® and Arnuity® Ellipta® dry powder inhalers (DPIs).

Adherium's strong capabilities demonstrate our leadership position in providing digital solutions to respiratory patients, which will further broaden the pathway for doctors and hospital groups in the US to access reimbursement for remote monitoring of patients prescribed Asthma and COPD medications. We're on the path toward building a cash flow positive business.

Regulatory progress was also made in the UK with the Medicines and Healthcare products Regulatory Agency (MHRA) registration confirmation the Company received in January. The current generation of Hailie® sensor products are CE Marked and are available to patients working with National Health Service (NHS).

Software platform improvements

Adherium continues to implement new technologies and improve its software infrastructure along with the next generation digital sensors. In April, the Company released the latest Hailie® platform integration tools comprised of an advanced Rest application programming interface (API) and an updated software development kit (SDK) to promote better connection with partner and customer patient management systems.

These platform enhancements enable us to leverage our existing Hailie® architecture, provide more scalable integration opportunities for our customers, and deliver the most up-to-date physiological, adherence, and inhaler technique data from the next generation devices. To drive sales, we must be flexible by meeting customer needs across different channels and market segments, and this includes strengthening the commercial attractiveness of our respiratory product portfolio with adaptable platform integration and software offerings.

Operational milestones

Commencing manufacturing for market release of our next generation Hailie® sensors with physiological parameters for monitoring Asthma and COPD medication use marks an important milestone in our product roadmap. The first production run was completed at our contract manufacturing partner facility in Southeast Asia.

Adherium's newest FDA 510(k) cleared Hailie® sensors were engineered specifically for use with AstraZeneca's Symbicort® and GlaxoSmithKline's Ellipta® inhalers. This

new series of devices provide a superior perspective into inhaler usage and technique, while capturing physiological parameters including inhalation duration and volume, and peak inhalation flow in addition to the existing monitoring of device activation timing and frequency.

Our technology provides drug agnostic physiological data allowing clinicians to better manage the patient's respiratory condition, inform preventative treatment programs improving patient technique and outcomes. Clinical studies have clearly shown an improved adherence to preventative medication by 180% in children and reduced severe exacerbations by 60% in adults. The effectiveness of the Hailie® solution has been demonstrated in more than 100 clinical studies.

The addition of physiological parameters to our Hailie® portfolio enhances the opportunity for remote patient monitoring services, notably valuable when managing Asthma and COPD patients. In the US, this patient population is estimated to represent a total serviceable market of 8.5 million severe and difficult to treat patients in the US alone.

Adherium has been providing clinical trial services since its founding with the primary focus of solving the persistent medical problem of prescription non-adherence. Our integrated digital platform technology allows researchers to gather the data needed to support their clinical studies.

Adherium's new approach is based on developing new customer relationships, while also supporting existing customers in this segment. During the year, progress was made in our clinical trial services business, notably the new contract for the supply of the Hailie® solution to Avillion LLP, sponsor of a clinical study in mild Asthma in partnership with AstraZeneca. Avillion is a UK-based entity that focuses on the co-development and financing of pharmaceutical candidates from proof-of-concept through to regulatory approval.

The Hailie® platform and sensors are also being used in two Asthma clinical mobile health studies at National Jewish Health, a leading US respiratory hospital based in Denver, Colorado. Both studies are using real world evidence and are designed to assess the efficacy, health benefits, and side effects of Asthma monoclonal therapies. In addition recently Adherium announced a two-part clinical study at Washington University School of Medicine in St. Louis in the United States to monitor the adherence of Asthma patients including using Adherium's US FDA 510(k) cleared next generation Hailie® sensors for AstraZeneca's Symbicort® medication.

Key appointments

We have significantly strengthened the senior management team bringing highly qualified and relevant experience to the business.

Francis White was appointed Vice President of Global Business Development based in the UK, bringing a wealth of knowledge with over 20 years of healthcare leadership experience, including key account management, sales and marketing expertise. Keven Gessner, based in the USA, joined the leadership team as Executive Vice President Advisor with 25 years of experience in the pharmaceutical industry including positions heading digital health, marketing and market access. Tara Creaven-Capasso joined as Vice President of Quality, Regulatory and Clinical Affairs based in Melbourne to focus on developing regulatory strategies and quality management systems to drive Adherium's market expansion forward. Tara is a certified regulatory and quality professional with over 20 years of health technology product development and commercial experience across the US, Europe, and Asia Pacific.

Conclusion

At this pivotal time in our growth, we plan our first remote patient monitoring revenue this next financial year establishing foundational customers to drive more significant scale up in FY24 and FY25. We are already observing an increase in new partnerships and product development milestone success, and we look forward to continuing this momentum over the coming year.

I would like to thank the Board of Directors, who have been critical in guiding the development of our integrated digital respiratory management ecosystem, and all our staff for your dedication and effort over the past year. Finally, I would like to thank our shareholders for their continued support and trust. We look towards greater success in FY23 as we help provide better quality of life for people with Asthma and COPD.



Rick Legleiter
Group CEO

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 2022, 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 65.

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, VGI Health Technology Limited, NeuralDX Limited (Non-executive Chairman from March 2019) and Haemokinesis Limited (from July 2021).

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 James Ward-Lilley, BA (Hons), MBA. Age 57.

Independent Non-Executive Director

Appointed as a Director 14 April 2020.

Mr Ward-Lilley had an extensive 28-year global pharmaceutical career at AstraZeneca before becoming Chief Executive Officer of Vectura Group PLC (the inhaled formulation and device development specialist) in September 2015.

At Vectura he was responsible for leading the business through a critical transformation period including the successful merger with Skyepharma. James stepped down in June 2019 leaving Vectura as a growing, cash generative business with a strong balance sheet and positive pipeline momentum positioned to take a new CDMO focussed approach.

At AstraZeneca James had a number of increasingly senior roles including leading the business in China to become the number one pharmaceutical company in the market in 2008. He went on to become Regional Vice President for Central Eastern Europe and the Middle East and led AstraZeneca's investor relations team during the transition of Chair, CEO and strategy as Leif Johansson and Pascal Soriot joined the business.

Mr Ward-Lilley's last role at AstraZeneca was to lead the Respiratory, Inflammation & Autoimmunity franchise with responsibility for the revitalisation of one of AstraZeneca's three core therapeutic areas including the acquisitions of Almirall's respiratory business and Pearl Therapeutics. He was responsible for leading AstraZeneca's corporate device strategy in 2014/15 and was the key sponsor for AstraZeneca's initial investment in Adherium at the time of the IPO in 2015.

Mr Ward-Lilley is Chief Commercial Officer of the Galway, Ireland Aerogen Group and Board Director of Aerogen Pharma Ltd. He has not held any other Australian public company directorships in the last three years.

Mr George Baran, MBA. Age 62.

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. He was also a lead investor and a former Director of Vanrx Phamasytems, which was recently acquired by Cytiva Life Sciences.

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 73.

Independent Non-Executive Director

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

Mr Curnock Cook was formerly head of the life science private equity team at Rothschild Asset Management in the UK and is an active investor in the Australian life science sector. 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, Humanetix Ltd, Marine Department Ltd, Cambridge Respiratory Innovations Ltd, and Sea Dragon Ltd. Mr Curnock Cook was previously a director of Bioxyne Limited and Phylogica Limited. 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 59.

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 5-FU Anti-Infective Catheter. Combined, these products have generated revenues of over \$12 billion and have helped the lives of over 15 million patients globally. He is currently President and CEO of Canary Medical Inc. and formerly Correivio Pharma Corp (NASDAQ: CORV). Dr Hunter is also a Director of Rex Bionics 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) and Union Medtech.

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 64.

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 25 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), and a director at Pharmamark Nutrition (nutritional foods). 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. 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.

Mr Matthew McNamara BSc (Hons), MBA, GAICD was an Independent Non-Executive Director until his resignation on 25 February 2022.

Joint Company Secretaries

Mr Rob Turnbull, B.Com, CA. Age 55.
General Manager and Joint Company Secretary
Appointed 21 August 2015.

Mr Turnbull has over 25 years' corporate experience, starting his career with PricewaterhouseCoopers where he worked in Auckland, Toronto, and London; and has almost 20 years' experience with technology and life-sciences companies. Mr Turnbull has also been Chief Financial Officer for an ASX-listed biotech company undertaking multiple international studies ranging from preclinical to clinical Phase 3, and with operations in the United States, Australia and New Zealand. In addition to capital markets financing and compliance, treasury, tax, financial reporting, commercial contract negotiations and general management, he has been involved in M&A activity to acquire and develop specific technologies. Mr Turnbull graduated from Auckland University with a Bachelor of Commerce, and is a Chartered Accountant and member of Chartered Accountants Australia and New Zealand.

Mr Mark Licciardo, B.Bus (Acc), GradDip CSP, FCSA, FCIS, FAICD. Age 58.
Joint Company Secretary
Appointed 10 May 2016.

Mr Licciardo is the founder of Mertons Corporate Services, now part of Acclime Australia and is responsible for Acclime Australia's Listed Services Division. He is also an ASX-experienced director and chair of public and private companies, with expertise in the listed investment, infrastructure, bio-technology and digital sectors. He currently serves as a director on a number of Australian company boards as well as foreign controlled entities and private companies.

During his executive career, Mr Licciardo held roles in banking and finance, funds management, investment and infrastructure development businesses, including being the Company Secretary for ASX:100 companies Transurban Group and Australian Foundation Investment Company Limited.

Mr Licciardo holds a Bachelor of Business degree in accounting, a Graduate Diploma in Governance and is a Fellow of the Chartered Governance Institute, the Governance Institute of Australia and the Australian Institute of Company Directors.

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 [#] | Meetings attended |
| Lou Panaccio | 2 | 2 | 1 | 1 | - | - |
| James Ward-Lilley | 6 | 6 | 6 | 2 | 1 | 1 |
| George Baran | 6 | 6 | - | - | - | - |
| Jeremy Curnock Cook | 6 | 5 | - | - | 1 | 1 |
| William Hunter | 6 | 6 | - | - | - | - |
| Bruce McHarrie | 6 | 6 | 6 | 6 | - | - |
| Matthew McNamara | 5 | 4 | 5 | 5 | 1 | 1 |

[#] 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 2022 as noted:

| Committee | Membership |
|--------------|---|
| Audit & Risk | Bruce McHarrie (Chair), Non-Executive Director James Ward-Lilley, Non-Executive Director Lou Panaccio, Non-Executive Director (appointed 25 February 2022) Matthew McNamara, Non-Executive Director (until resignation 25 February 2022) |

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® (formerly 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 2022 was \$10,044,000.

No dividends were paid, declared or recommended during the year ended 30 June 2022.

Review of Operations

Adherium continued to drive a strong development program of its cutting-edge Hailie® sensors and software platform for both Asthma and chronic obstructive pulmonary disease (COPD) medication inhalers. The Company remains focused on its remote patient monitoring growth strategy following distribution agreements with world-class companies, key regulatory achievements, software platform enhancements and senior management team appointments to help build the Company's commercial expertise. During the year, Adherium made significant progress, notably:

US and UK Partnerships

- In July 2022, the Company signed a distribution agreement for US patient monitoring with Perigon Health 360 to sell the Hailie® platform, including its new, next generation sensors. Adherium's innovative Hailie® product portfolio has been incorporated into Perigon's world-class proprietary platform, Medesto, enabling optimum patient management and treatment. The signing of this distribution agreement is for an initial three-year term and patient enrolment and set-up for remote patient monitoring has already commenced.
- Adherium also announced that it signed its first UK distribution agreement with Helicon Health Ltd to sell the Hailie® sensor range and cloud data services. Adherium's Hailie® sensor connects via the Hailie® app to Helicon's comprehensive remote patient monitoring platform creating, for the first time, the most advanced care for Asthma and COPD patients that are in remote settings.
- For clinical trial services, Adherium announced in June 2022 that it has been awarded the contract for the supply of the Hailie® solution to Avillion LLP, sponsor of a US-based clinical study in mild Asthma in partnership with AstraZeneca. With the contract revenue guidance of approximately US\$650,000, the upcoming clinical study is an expansion of the clinical co-development agreement with AstraZeneca for PT027, a potential first-in-class inhaled, fixed-dose combination rescue medication containing albuterol, a short-acting beta2-agonist (SABA), and budesonide, an inhaled corticosteroid (ICS), in the US.
- Most recently, the Company entered into contracts with Dulcian Health in the US to integrate Hailie® technology into Chronic Care Management Services, and with CareCentra Inc., also in the US, to use the Hailie® platform in conjunction with an Artificial Intelligence (AI) driven patient behaviour shaping platform.

These agreements mark another milestone in Adherium's journey towards improving clinical outcomes and helping respiratory patients live longer healthier lives. The execution of Adherium's commercial strategy for the Hailie® platform in the US and, for the first time, in the UK expands its footprint to deliver enhanced remote patient care, accelerating momentum in the digital healthcare industry.

Key Regulatory Achievements

- In September 2021, Adherium announced it had received U.S. Food and Drug Administration (FDA) 510(k) clearance to market its first, next generation Hailie® sensor with physiological parameters for monitoring Asthma and COPD medication use. That sensor, designed for use with AstraZeneca's Symbicort® aerosol inhaler, was the first in a series of planned Hailie® devices specifically designed to enable physicians and providers to enhance patient care and clinical workflow by capturing physiological parameters including inhalation flow rate, duration, volume, and peak inhalation flow. This data is especially valuable for clinicians to improve patient inhaler use technique. Clinical studies have shown that up to 92% of Asthma patients use their inhaler incorrectly. Improving technique improves patient quality of life.

- In January 2022, the Company received its Medicines and Healthcare products Regulatory Agency (MHRA) registration confirmation as a medical devices manufacturer of inhaler dose sensors in the UK. The current generation of Hailie® sensor products are CE Marked and are available in the UK to patients working with National Health Service (NHS).
- Adherium announced, in March 2022, the submission to the FDA of a 510(k) clearance to market application to connect Ellipta® inhaler users with its next generation Hailie® sensor, and received clearance in July 2022. Adherium's latest Hailie® sensor, designed for use with the GlaxoSmithKline (GSK) Ellipta® dry powder inhaler (DPI), is the second in Adherium's series of new next-generation sensors to receive US clearance, following the Hailie® for Symbicort®, designed to capture physiological parameters.
- In early August 2022, Adherium announced another submission to the FDA of a 510(k) clearance to market application, this time to connect GSK Ventolin®, Advair®, and Flovent® pressurised metered-dose inhaler (pMDI) users with its next generation Hailie® sensor. Most recently, a further 510(k) clearance to market application has been submitted, this for Adherium's fourth next generation Hailie® sensor, connecting users of Teva's ProAir® and Albuterol Sulphate HFA metered dose inhalers.

The strong regulatory capabilities the Company is consolidating and further developing will increase global market availability as well as create a competitive advantage in an increasingly regulated global environment. Adherium has 510(k) clearances for 91% of the US top 20 branded inhalers for adherence usage enabling the Remote Therapeutic Monitoring (RTM) reimbursement codes, and 32% coverage for physiological parameters enabling the Remote Physiological Monitoring (RPM) reimbursement codes.

Hailie® Sensor and Platform Developments

- Adherium continues to make great progress in the development of its next generation Hailie® sensors, with the first production run for the new Hailie® for Symbicort® completed in February 2022.
- The Company continues to invest in development, updates and enhancements of its innovative digital platform. Especially important is offering a flexible channel platform to integrate the Hailie® sensor including introducing an advanced Rest application programming interface (API) and a new, updated software development kit (SDK) to improve connection with channel partners and customer patient management systems. These releases extend Adherium's interoperability capabilities and integration of the Hailie® platform with disease management and clinical trial customers.

Senior Management and Board Appointments

- In February 2022, Lou Panaccio was appointed as a non-executive director and subsequently, in March 2022, as Chairman of the Board. Mr Panaccio brings more than 30 years of leadership experience in healthcare services, ASX and NASDAQ listings, and has extensive global commercial experience, particularly in the US.
- Adherium welcomed in April 2022 Mr Francis White as Vice President of Global Business Development based in the UK. Previously serving as Managing Director of Olympus Medical UKIE, Mr White brings over 20 years of healthcare leadership experience, including key account management, sales and marketing expertise.
- Following Mr White's appointment, Adherium appointed Tara Creaven-Capasso as its Vice President of Quality, Regulatory and Clinical Affairs. With over two decades of experience in the medical device, pharmaceutical, bioscience, and vaccine sectors, Mrs Creaven-Capasso joins Adherium from COVID19 Vaccine Corporation Ltd. (CVC), which she co-founded in 2020.

At this pivotal time in Adherium's market expansion strategy, the Company is pleased to welcome Mr Lou Panaccio, Mr Francis White and Mrs Tara Creaven-Capasso, strengthening both the Board and leadership team, and ensuring it remains poised to capitalise on all upcoming commercial opportunities as it progresses through the development of its Hailie® sensors and integrated digital platform.

Financial commentary

- Revenue to 30 June 2022 was \$529,000, compared with \$401,000 in the prior year, the increase due to a higher level of clinical trial activity in 2022.
- Research and development activities to 30 June 2022 amounted to \$5,877,000 compared with \$5,477,000 in the prior year, the increased expenditure resulting from progress in developing the new next generation sensors with physiological parameters, and the enhanced Hailie® portal, Rest API and SDK.
- Sales and Marketing costs were \$944,000 to 30 June 2022, compared with \$845,000 in the prior year. This increase reflects recruitment and increased activity in the US and UK which has resulted in the announced commercial arrangements.
- Administrative costs decreased to \$5,263,000 for 2022, down from \$6,143,000 in the year ended 30 June 2021. Within this, payroll decreased from \$1,751,000 in the prior year to \$1,654,000 following senior management changes earlier in the year, and non-cash costs included asset depreciation and amortisation expense of \$183,000 compared to \$145,000 in the prior year. The overall decrease in administrative costs related largely to the decrease in foreign exchange losses of \$33,000 in 2022 compared to losses of \$888,000 in the prior year.

- In the year to 30 June 2022, the Company received in cash annual Australian R&D Tax Incentives of \$370,000 and \$1,627,000 for both the 2020 and 2021 financial years respectively. The Company intends to submit an R&D Tax Incentive claim for the 2022 financial year before the end of calendar 2022 for which an accrual of \$1,173,000 has been made.
- In addition to the changes noted above, the loss for the 2022 year of \$10,044,000 decreased from \$15,036,000 in 2021 due to finance expenses of \$2,228,000 on convertible notes. Those notes converted to ordinary shares during the 2021 financial year and so the finance expenses did not reoccur in 2022.
- Adherium ended the year to 30 June 2022 with cash of \$5,283,000.

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 2022.

Events since the end of the Financial Year

Subsequent to the balance sheet date, the Company received share capital subscription commitments from institutional and sophisticated investors of \$13.5 million. The first tranche of \$1.7 million (334,154,330 ordinary shares) was received in September 2022. The balance of \$12.8 million (2,565,845,670 ordinary shares) together with options on a 1:2 basis is subject to shareholder approval to be sought by the Company.

There are no other matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs in future years.

Likely Developments and Expected Results

Commentary on the Group's strategic direction and plan is set out in the Chairman's Report and CEO's Report on pages 2 to 7.

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 2022 is:

| Director | Ordinary Shares | Options over Ordinary Shares |
|---------------------|-----------------|------------------------------|
| Lou Panaccio | - | - |
| James Ward-Lilley | 3,599,611 | 10,000,000 |
| George Baran* | 423,080,272 | 10,485,950 |
| Jeremy Curnock Cook | 2,992,539 | - |
| William Hunter | 3,412,539 | - |
| Bruce McHarrie | 3,577,392 | - |

* 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 ceases 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 |
|----------------------------------|-------------------------|----------------|-----------------|
| \$0.030000 | 104,855,877 | 104,855,877 | 25 October 2022 |
| \$0.020000 | 25,000,000 | 25,000,000 | 7 May 2023 |
| \$0.030000 | 25,000,000 | 25,000,000 | 7 May 2023 |
| \$0.040000 | 25,000,000 | 25,000,000 | 7 May 2023 |
| \$0.021900 | 27,519,467 | 27,519,467 | 29 January 2027 |
| \$0.040000 | 17,176,559 | 13,843,225 | 14 April 2027 |
| Outstanding at 29 September 2022 | 224,551,903 | 221,218,569 | |

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 as follows:

During the year ended 30 June 2022 and to the date of this report no Directors of the Company or any other key management personnel of the Group were granted options.

Details of fully paid ordinary shares issued on exercise of options in the year to 30 June 2022 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.

There were no fees paid to PricewaterhouseCoopers for other services in the years ended 30 June 2021 and 2022.

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 under the Investors/Corporate Governance section.

Remuneration Report (Audited)

The Directors present the Group's 2022 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 2022.

(i) Non-Executive and Executive Directors

- Lou Panaccio Non-Executive Chairman (appointed 25 February 2022)
- James Ward-Lilley Non-Executive Director (appointed 14 April 2020)
- 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)
- Matthew McNamara Non-Executive Director (appointed 18 October 2019, resigned 25 February 2022)

(ii) Other key management personnel

- Rick Legleiter Chief Executive Officer (appointed 13 May 2021)
- Anne Bell Chief Financial Officer (appointed 20 April 2020, resigned 15 September 2021)
- Robert Spurr Interim Chief Financial Officer (appointed 19 October 2021, resigned 30 May 2022)
- Geoff Feakes Chief Technology Officer (appointed 3 August 2020)
- Rob Turnbull Joint Company Secretary (appointed 21 August 2015) and General Manager
- Mark Licciardo Joint Company Secretary (appointed 10 May 2016)

(iii) Changes since the end of the reporting period

The Company has announced the appointment of Daniel Kaplon as Chief Financial Officer, effective 10 October 2022.

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 60% 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 2022, the Company issued Stock Appreciation Rights (SARs) to its CEO as a long-term incentive focussed on delivering long-term shareholder returns. The Company did not establish a plan for the SARs as further issues of this type of security were not intended. The issue of the SARs was ratified by shareholders at the 2021 AGM.

Two tranches of SARs were issued, the first vesting immediately in September 2021 and the second vesting over three years of continuing employment and subject to achievement of target annual volume weighted average prices (VWAP) for the Company's ordinary shares. 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 an ordinary share exceeds a base price of \$0.016.

(d) Relationship between remuneration and Group performance

The Group continues in a business growth phase, as it undertakes continued product development, and seeks relevant regulatory approvals for its technologies and market penetration for its products, 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 2022 the Group incurred a loss after tax of \$10,044,000 (0.5 cent loss per share). In the year to 30 June 2022 the Company's shares traded between 0.6 and 3.0 cents per share. 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 2022.

(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 2022

| | Short Term Benefits | | Post-Employment Benefits | |
|---------------------------------------|-----------------------|----------------|----------------------------|----------------------|
| | Salaries & Fees \$ | Bonus \$ | Insurance & Other \$ | Superannuation \$ |
| Directors' remuneration | | | | |
| Lou Panaccio ¹ | 25,000 | - | - | 2,500 |
| James Ward-Lilley | 91,667 | - | - | - |
| George Baran | 50,000 | - | - | - |
| Jeremy Curnock Cook | 50,000 | - | - | - |
| William Hunter | 50,000 | - | - | - |
| Bruce McHarrie | 50,000 | - | - | 5,000 |
| Matthew McNamara ¹ | 33,333 | - | - | 3,333 |
| Sub-total Directors | 350,000 | - | - | 10,833 |
| Executives' remuneration | | | | |
| Rick Legleiter | 275,017 | 29,791 | - | 27,502 |
| Robert Spurr ³ | 149,124 | - | - | 14,326 |
| Anne Bell ² | 60,883 | (63,494) | - | 6,088 |
| Geoff Feakes | 232,014 | 97,348 | - | 23,201 |
| Mark Licciardo ⁴ | 6,766 | - | - | - |
| Rob Turnbull | 235,533 | 88,321 | - | 12,769 |
| Sub-total executives | 959,337 | 151,966 | - | 83,886 |
| Total key management personnel | 1,309,337 | 151,966 | - | 94,719 |

1. On 25 February 2022 Matthew McNamara resigned as a director and Lou Panaccio was appointed.
2. Anne Bell resigned from the role of CFO on 15 September 2021.
3. Robert Spurr was appointed interim CFO on 19 October 2021, and resigned 30 May 2022.

Remuneration for the
year ended 30 June 2021

| | Short Term Benefits | | Post-Employment Benefits | |
|---------------------------------------|-----------------------|----------------|----------------------------|----------------------|
| | Salaries & Fees \$ | Bonus \$ | Insurance & Other \$ | Superannuation \$ |
| Directors' remuneration | | | | |
| James Ward-Lilley | 100,000 | - | - | - |
| George Baran ⁴ | 6,720 | - | - | - |
| Jeremy Curnock Cook | 50,000 | - | - | - |
| William Hunter | 50,000 | - | - | - |
| Bruce McHarrie | 50,000 | - | - | 4,750 |
| Matthew McNamara | 50,000 | - | - | 4,750 |
| Bryan Mogridge ⁴ | 29,167 | - | - | - |
| Sub-total Directors | 335,887 | - | - | 9,500 |
| Executives' remuneration | | | | |
| Mike Motion ¹ | 540,923 | 327,993 | - | 98,227 |
| Rick Legleiter ² | 36,669 | - | 91,546 | 3,487 |
| Anne Bell | 287,494 | 116,485 | - | 27,881 |
| Geoff Feakes ³ | 201,679 | 95,504 | - | 19,159 |
| Mark Licciardo ⁵ | 6,180 | - | - | - |
| Rob Turnbull | 234,299 | 58,462 | - | 8,715 |
| Sub-total executives | 1,307,244 | 598,444 | 91,546 | 157,469 |
| Total key management personnel | 1,643,131 | 598,444 | 91,546 | 166,969 |

1. Mike Motion resigned from the role of Group CEO on 13 May 2021.
2. Rick Legleiter was appointed Group CEO 13 May 2021.
3. Geoff Feakes was appointed CTO 3 August 2020.
4. Bryan Mogridge resigned as a director 29 January 2021, and George Baran was appointed 13 May 2021.

| Incentive Share-based Payments | | | Performance Related Remuneration % | Fixed Remuneration % |
|-----------------------------------|---|------------------|--|----------------------------|
| Severance \$ | Value of Options/SARs/ Loan Funded Shares ⁵ \$ | Total \$ | | |
| - | - | 27,500 | - | 100% |
| - | 39,441 | 131,108 | 30% | 70% |
| - | - | 50,000 | - | 100% |
| - | - | 50,000 | - | 100% |
| - | 1,654 | 51,654 | 3% | 97% |
| - | 551 | 55,551 | 1% | 99% |
| - | - | 36,666 | - | 100% |
| - | 41,646 | 402,479 | | |
| - | 839,723 | 1,172,033 | 74% | 26% |
| - | - | 163,450 | - | 100% |
| 139,620 | 62,625 | 205,722 | - | 100% |
| - | 32,580 | 385,143 | 33% | 67% |
| - | - | 6,766 | - | 100% |
| - | 1,789 | 338,412 | 27% | 73% |
| 139,620 | 936,717 | 2,271,526 | | |
| 139,620 | 978,363 | 2,674,005 | | |

4. A company of which Mr Licciardo is a director received the fees from the Company for company secretarial and corporate governance consulting services.
5. The fair values of options and Loan Funded Shares are calculated at the date of grant using a Black-Scholes pricing model, and for SARs using the Monte Carlo Simulation valuation model. Fair values are allocated to each reporting period in accordance with vesting. The values noted represent the portion of the fair value of the options, loan funded shares, or SARs allocated to the reporting period.

| Incentive Share-based Payments | | | Performance Related Remuneration % | Fixed Remuneration % |
|-----------------------------------|--|------------------|--|----------------------------|
| Severance \$ | Value of Options/ Loan Funded Shares ⁶ \$ | Total \$ | | |
| - | 87,913 | 187,913 | 47% | 53% |
| - | - | 6,720 | - | 100% |
| - | - | 50,000 | - | 100% |
| - | 14,232 | 64,232 | 22% | 78% |
| - | 4,744 | 59,494 | 8% | 92% |
| - | - | 54,750 | - | 100% |
| - | 14,232 | 43,399 | 33% | 67% |
| - | 121,121 | 466,508 | | |
| - | 87,913 | 1,054,056 | 39% | 61% |
| - | - | 131,702 | - | 100% |
| - | 62,625 | 494,485 | 36% | 64% |
| - | 32,580 | 348,922 | 37% | 63% |
| - | - | 6,180 | - | 100% |
| - | 1,789 | 303,265 | 20% | 80% |
| - | 184,907 | 2,339,610 | | |
| - | 306,028 | 2,806,118 | | |

5. A company of which Mr Licciardo is a director received the fees from the Company for company secretarial and corporate governance consulting services.
6. The fair values of options and Loan Funded Shares are calculated at the date of grant using a Black-Scholes pricing model and allocated to each reporting period in accordance with vesting. The values noted represent the portion of the fair value of the options or loan funded shares allocated to the reporting period.

(g) Service agreements

Joint Company Secretary - Mr Mark Licciardo

Mr Licciardo currently provides company secretarial and corporate governance services under a service arrangement between the Company and Merton Corporate Services Pty Ltd, a company associated with Mr Licciardo. The current arrangement has no predetermined termination date, with each party having the right to terminate the arrangement by giving ninety days' notice in writing to the other party.

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 ¹ | Base Salary ² | Termination Payments ³ |
|---|-------------------|----------------------------|--------------------------|-----------------------------------|
| Rick Legleiter | No fixed term | 6 months | A\$275,000 | A\$52,000 |
| Geoff Feakes, CTO | No fixed term | 4 months | A\$232,000 | - |
| Rob Turnbull, Joint Company Secretary and General Manager | No fixed term | 2 months | NZ\$251,200 | 2 months |

1. The notice period applies without cause equally to either party unless otherwise stated.
2. Base salaries quoted are annual as at 30 June 2022; they are reviewed annually by the Nomination and Remuneration Committee.
3. 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 2022.

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 2022 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 2022 the board made offers to key management personnel under the Plans which were accepted as follows:

| Key Management Personnel | Shares | Price | Loan | Term | Vesting ¹ | Total Value ² | 2022 Expense Allocation |
|--------------------------|------------|---------|-----------|---------|----------------------|--------------------------|-------------------------|
| Geoff Feakes | 14,500,000 | \$0.016 | \$232,000 | 7 years | 3 years | \$110,669 | \$40,023 |

1. Vesting is also subject to target VWAPs of \$0.032, \$0.064 and \$0.096 in years 1, 2, and 3 respectively.
2. Valuation at the date of award, using the Black & Scholes option pricing model, to be allocated over the vesting periods as share-based compensation.

Stock Appreciation Rights (SARs)

In the year ended 30 June 2022, the Company issued Stock Appreciation Rights (SARs) to its CEO as a long-term incentive.

The fair value of the awards of SARs are calculated at the date of grant using a Monte Carlo Simulation valuation model, which is allocated over the vesting periods as share-based compensation.

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.

| Key Management Personnel | SARs | Base Price | Term | Vesting | Total Value ¹ | 2022 Expense Allocation |
|--------------------------|------------|------------|----------|----------------------|--------------------------|-------------------------|
| Rick Legleiter | 69,168,049 | \$0.016 | 10 years | Immediate | \$670,930 | \$670,930 |
| Rick Legleiter | 79,809,288 | \$0.016 | 10 years | 3 years ² | \$372,443 | \$168,793 |

1. Valuation at the date of award, using the Monte Carlo Simulation valuation model, to be allocated over the vesting periods as share-based compensation.
2. Vesting is also subject to target VWAPs of \$0.032, \$0.064 and \$0.096 in years 1, 2 and 3 respectively.

(i) Equity instruments held by key management personnel

Shareholdings

The numbers of ordinary shares in the Company held during the year to 30 June 2022 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 | - | - | - | - |
| James Ward-Lilley | 2,167,412 | - | 1,432,199 ² | 3,599,611 |
| George Baran | 422,697,512 | - | 382,760 ² | 423,080,272 ⁴ |
| Jeremy Curnock Cook | 2,276,439 | - | 716,100 ² | 2,992,539 |
| William Hunter | 2,696,439 | - | 716,100 ² | 3,412,539 |
| Bruce McHarrie | 2,861,292 | - | 716,100 ² | 3,577,392 |
| Matthew McNamara | 1,206,743 | - | 716,100 ² | 1,922,843 ³ |
| Anne Bell | 9,823,246 | - | 3,728,396 ² | 13,551,642 ³ |
| Geoff Feakes | 4,500,000 | - | 17,738,116 ² | 22,238,116 |
| Rob Turnbull | 2,559,645 | - | 2,037,390 ² | 4,597,035 |
| Rob Turnbull (as trustee) ¹ | 7,893,504 | - | 25,955,562 ² | 33,849,066 |

1. Ordinary shares held on behalf of employees in the capacity of trustee of the Company's Employee Share Plan.
2. Shares issued in lieu of salary/fees or as awards under the Company's Employee Share Plan.
3. Holding as at date directorship or employment ended.
4. The registered holder of the ordinary shares is Trudell Medical Limited, in which the director has a 33.33% beneficial interest.

Options

The numbers of options over ordinary shares in the Company held during the year to 30 June 2022 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 | Awarded | Exercised | Lapsed | Balance at the end of the year | Vested | Vested and exercisable | Vested and unexercisable |
|---------------------------|---|---------|-----------|-----------|---|------------|---------------------------|-----------------------------|
| James Ward-Lilley | 10,000,000 | - | - | - | 10,000,000 | 6,666,666 | 6,666,666 | - |
| George Baran ¹ | 10,485,950 | - | - | - | 10,485,950 | 10,485,950 | 10,485,950 | - |
| William Hunter | 1,500,000 | - | - | 1,500,000 | - | - | - | - |

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.

(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 2022.

End of audited Remuneration Report.

This report is made in accordance with a resolution of the directors.



Lou Panaccio
Non-Executive Chairman

Melbourne
30 September 2022

Auditor's Independence Declaration



Auditor's Independence Declaration

As lead auditor for the audit of Adherium Limited for the year ended 30 June 2022, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Adherium Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'SW', located below the declaration text.

Scott Walsh
Partner
PricewaterhouseCoopers

Sydney
30 September 2022

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Financial Statements

Consolidated Statement of Profit
or Loss and Other Comprehensive Income

Consolidated Statement of Financial Position

Consolidated Statement of Changes in Equity

Consolidated Statement of Cash Flows

Notes to the Consolidated Financial Statements

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2022

| | Notes | June 2022 \$000 | June 2021 \$000 |
|--|-------|--------------------|--------------------|
| Continuing Operations | | | |
| Sales | 5 | 529 | 401 |
| Cost of sales | | (207) | (426) |
| Gross profit | | 322 | (25) |
| Other income - Covid19 payroll support | | - | 61 |
| Other income - R&D tax credit | 7 | 2,807 | 370 |
| Manufacturing support | | (1,012) | (764) |
| Research and development costs | | (5,877) | (5,477) |
| Sales and marketing costs | | (944) | (845) |
| Administrative expenses | | (5,363) | (6,143) |
| Operating loss | | (10,067) | (12,823) |
| Finance income | 5 | 24 | 23 |
| Finance expense | 15 | (1) | (2,236) |
| Finance income (cost) - net | | 23 | (2,213) |
| Loss before income tax | | (10,044) | (15,036) |
| Income tax credit (expense) | 7 | - | - |
| Loss for the period attributable to equity holders | | (10,044) | (15,036) |
| Other comprehensive income | | | |
| Items that may be reclassified subsequently to profit or loss when certain conditions are met: Foreign exchange differences on translation of foreign operations | | 50 | 864 |
| Other comprehensive income for the period, net of tax | | 50 | 864 |
| Total comprehensive loss for the period | | (9,994) | (14,172) |
| Total comprehensive loss attributable to: | | | |
| Equity holders of Adherium Limited | | (9,994) | (14,172) |
| Basic and diluted loss per share | 8 | (0.5) cents | (1.7) cents |

The accompanying notes form part of the financial statements.

Consolidated Statement of Financial Position as at 30 June 2022

| | Notes | June 2022 \$000 | June 2021 \$000 |
|---------------------------------------|-------|--------------------|--------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 9 | 5,283 | 15,178 |
| Trade and other receivables | 10 | 1,593 | 567 |
| Inventories | 11 | 1,071 | 962 |
| Prepayments | | 272 | 202 |
| Total current assets | | 8,219 | 16,909 |
| Non-current assets | | | |
| Property, plant and equipment | 12 | 227 | 127 |
| Intangible assets | 13 | 1 | 3 |
| Right-of-use assets | 13 | 86 | - |
| Total assets | | 8,533 | 17,039 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 14 | 1,697 | 2,319 |
| Income received in advance | | 1,214 | 685 |
| Lease liabilities | 19 | 42 | - |
| Total current liabilities | | 2,953 | 3,004 |
| Non-Current liabilities | | | |
| Lease liabilities | 19 | 43 | - |
| Total liabilities | | 2,996 | 3,004 |
| EQUITY | | | |
| Share capital | 16 | 110,523 | 110,172 |
| Accumulated deficit | | (83,429) | (73,385) |
| Other reserves | | (21,557) | (22,752) |
| Total equity | | 5,537 | 14,035 |
| Total liabilities & equity | | 8,533 | 17,039 |

The accompanying notes form part of the financial statements.

Consolidated Statement of Changes in Equity for the year ended 30 June 2022

| | Share Capital \$000 | Accumulated Deficit \$000 | Share-based Compensation Reserve \$000 | Foreign Currency Translation Reserve \$000 | Merger Reserve \$000 | Total Equity \$000 |
|--|---------------------------|---------------------------------|---|--|----------------------------|--------------------------|
| Equity as at 1 July 2020 | 87,682 | (58,349) | 1,837 | (251) | (27,535) | 3,384 |
| Loss for the period | - | (15,036) | - | - | - | (15,036) |
| Other comprehensive income | - | - | - | 864 | - | 864 |
| Total comprehensive loss | - | (15,036) | - | 864 | - | (14,172) |
| <i>Transactions with owners:</i> | | | | | | |
| Shares and options issued on conversion of convertible notes | 4,063 | - | 1,165 | - | - | 5,228 |
| Shares and options issued in placements | 19,014 | - | 858 | - | - | 19,872 |
| Share and option grants for services | 222 | - | 310 | - | - | 532 |
| Share issue costs | (809) | - | - | - | - | (809) |
| Equity as at 30 June 2021 | 110,172 | (73,385) | 4,170 | 613 | (27,535) | 14,035 |
| Loss for the period | - | (10,044) | - | - | - | (10,044) |
| Other comprehensive income | - | - | - | 50 | - | 50 |
| Total comprehensive loss | - | (10,044) | - | 50 | - | (9,994) |
| <i>Transactions with owners:</i> | | | | | | |
| Share, option and SARs grants for services | 351 | - | 1,145 | - | - | 1,496 |
| Equity as at 30 June 2022 | 110,523 | (83,429) | 5,315 | 663 | (27,535) | 5,537 |

The accompanying notes form part of the financial statements.

Consolidated Statement of Cash Flows for the year ended 30 June 2022

| | Notes | June 2022 \$000 | June 2021 \$000 |
|--|-------|--------------------|--------------------|
| Cash flows from operating activities: | | | |
| Receipts from customers | | 809 | 782 |
| Research and development tax incentive receipts | | 1,997 | - |
| Interest received | | 24 | 23 |
| Interest paid | | (1) | (8) |
| Payments to employees | | (5,918) | (4,536) |
| Payments to suppliers | | (6,521) | (7,534) |
| Net cash provided from (used in) operating activities | | (9,610) | (11,273) |
| Cash flows from investing activities: | | | |
| Purchase of property, plant and equipment | | (279) | (29) |
| Net cash used in investing activities | | (279) | (29) |
| Cash flows from financing activities: | | | |
| Proceeds from the issue of shares | | - | 19,872 |
| Proceeds from the issue of convertible notes | | - | 3,000 |
| Payment of capital raising costs | | - | (968) |
| Net cash provided from financing activities | | - | 21,904 |
| Net increase (decrease) in cash | | (9,889) | 10,602 |
| Cash at the beginning of the year | | 15,178 | 4,584 |
| Effect of exchange rate changes on cash balances | | (6) | (8) |
| Cash at the end of the year | 9 | 5,283 | 15,178 |
| Reconciliation with loss after income tax: | | | |
| Loss after income tax | | (10,044) | (15,036) |
| Non-cash and non-operating activities items requiring adjustment: | | | |
| Depreciation | 12 | 181 | 142 |
| Amortisation of intangible and right-of-use assets | 13 | 5 | 3 |
| Property, plant and equipment (gain) loss on disposal | | (1) | (5) |
| Convertible notes finance cost | 15 | - | 2,228 |
| Convertible notes issue cost | | - | 94 |
| Share-based compensation expense | | 1,145 | 310 |
| Shares granted for services | | 351 | 222 |
| Foreign exchange (gain) | | 33 | 888 |
| Changes in working capital: | | | |
| Trade and other receivables | | (1,185) | (1) |
| Inventories | | (144) | 150 |
| Trade and other payables | | (528) | (268) |
| Income received in advance | | 577 | - |
| Net cash provided from (used in) operating activities | | (9,610) | (11,273) |

The accompanying notes form part of the financial statements.

Notes to the consolidated financial statements for the year ended 30 June 2022

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 2022 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 29 September 2022.

2. Basis of Preparation

This general purpose consolidated financial report for the twelve months ended 30 June 2022 has been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*.

The consolidated financial statements have been prepared on a going concern basis, meaning the Group has the intention to continue its business for the foreseeable future.

As of 30 June 2022 the Group had cash of \$5,283,000 (2021: \$15,178,000) and recorded a loss after tax of \$10,044,000 (2021: \$15,036,000) and operating cash outflows of \$9,610,000 (2021: \$11,273,000) for the year then ended.

The Directors have approved forecasts that, following completion of the capital raise described in note 23, indicate the Group can manage its operating requirements beyond 12 months from the date of authorization of these financial statements. The directors considered the achievability of the assumptions underlying the forecast, and as with any forecast, there are uncertainties within the assumptions required to meet the Group's expectations. Whether the Group can:

- continue to raise additional capital until the Company is supported by cash flows from operations;
- secure sufficient cash flows from new revenue streams; and
- execute plans at the costs forecasted,

represent material uncertainties that cast significant doubt over the Group's ability to continue as a going concern and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Despite these uncertainties, the Directors are of the view that the Company will be successful in the above matters and accordingly have adopted the going concern basis for the preparation of the financial report.

(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) Convertible notes

The assumptions applied in recording the recognition and conversion of the convertible notes are set out in note 15.

(iii) 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.

(iv) Recognition of deferred tax assets

As at 30 June 2022, the Company has not recognised as an asset tax losses 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.

(e) Rounding of amounts

The Company has applied the relief available to it under ASIC Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191. Accordingly, amounts in the consolidated financial statements and Directors' Report have been rounded to the nearest \$1,000.

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® (formerly known as Smartinhaler®) business.

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

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.

(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 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 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 includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three 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 2022 \$000 | June 2021 \$000 |
|--------------------------------|--------------------|--------------------|
| New Zealand and Australia | 200 | 57 |
| South-East Asian Countries | 110 | 71 |
| Other Countries | 4 | 2 |
| | 314 | 130 |

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

| Location of customer sales | June 2022 \$000 | June 2021 \$000 |
|----------------------------|--------------------|--------------------|
| New Zealand and Australia | 7 | 53 |
| Europe | 355 | 231 |
| North America | 167 | 116 |
| Asia | - | 1 |
| | 529 | 401 |

b) Major customers

Revenues are derived from major external customers as follows:

| Major customers | June 2022 \$000 | June 2021 \$000 |
|---------------------------|--------------------|--------------------|
| Customer A group entities | 396 | 148 |

5. Revenue

| Income from continuing operations: | June 2022 \$000 | June 2021 \$000 |
|---|--------------------|--------------------|
| Sensor sales and monitoring services | 294 | 264 |
| New product design and engineering services | 235 | 137 |
| | 529 | 401 |

6. Expenses

| | June 2022 \$000 | June 2021 \$000 |
|---|--------------------|--------------------|
| Loss before income tax includes the following specific expenses: | | |
| Fees paid to PricewaterhouseCoopers for: | | |
| - audit of the financial statements | 99 | 91 |
| - interim report review | 40 | 37 |
| Fees paid to PricewaterhouseCoopers for non-audit services: | | |
| - fees in respect of other advice and services | - | - |
| Total fees to PricewaterhouseCoopers | 139 | 128 |
| Depreciation and amortisation | 186 | 145 |
| Directors' remuneration | | |
| - director fees | 361 | 345 |
| - share-based compensation | 42 | 121 |
| Total Directors' remuneration | 403 | 466 |
| Employee benefits expense | | |
| - wages and salaries | 5,943 | 4,661 |
| - share-based compensation | 1,102 | 189 |
| Total employee benefits expense | 7,045 | 4,850 |
| Foreign exchange loss (gain) | 33 | 888 |
| Operating lease costs | 139 | 89 |

7. Income tax

| | June 2022 \$000 | June 2021 \$000 |
|--|--------------------|--------------------|
| Current tax | - | - |
| Deferred tax | - | - |
| Income tax expense | - | - |
| <i>Numerical reconciliation of income tax expense to prima facie tax payable (receivable):</i> | | |
| Loss before income tax | (10,044) | (15,036) |
| Tax calculated at domestic tax rates | (2,877) | (4,293) |
| Tax effects of: | | |
| Expenses not deductible for tax purposes | (388) | 905 |
| Under (over) provision in prior year | 895 | 968 |
| Deferred tax assets not recognised (note 17) | 2,370 | 2,420 |
| Income tax expense | - | - |

The weighted average applicable tax rate was 29% (2021: 29%).

Research & development (R&D) tax credit

The Group 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 a claim under the schemes is likely to be successful or would be available to be offset against income tax payable. During the current year, the Group has received an amount of \$1,627,000 in relation to the R&D Tax Incentive Offset scheme for income tax year 2021. As at 30 June 2022, \$1,173,000 (2021: \$370,000) was accrued for the 2022 income tax year.

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 Convertible Notes discussed in note 15 and 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 2022 \$000 | June 2021 \$000 |
|---|--------------------|--------------------|
| Profit (loss) after income tax attributable to equity holders | (10,044) | (15,036) |
| Weighted average shares outstanding (basic) | 2,173,918,843 | 900,972,255 |
| Weighted average shares outstanding (diluted) | 2,173,918,843 | 900,972,255 |
| Basic and diluted loss per share | (0.5) cents | (1.7) cents |

9. Cash and cash equivalents

| | June 2022 \$000 | June 2021 \$000 |
|--------------------------|--------------------|--------------------|
| Cash at bank and on hand | 315 | 162 |
| Deposits at call | 4,968 | 15,016 |
| | 5,283 | 15,178 |

10. Trade and other receivables

| | June 2022 \$000 | June 2021 \$000 |
|--------------------------------|--------------------|--------------------|
| Trade receivables and accruals | 302 | 100 |
| R&D tax credit receivable | 1,173 | 370 |
| GST and other taxes receivable | 62 | 77 |
| Security deposits | 56 | 20 |
| | 1,593 | 567 |

11. Inventories

| | June 2022 \$000 | June 2021 \$000 |
|------------------------------|--------------------|--------------------|
| Raw materials and components | 960 | 868 |
| Finished goods | 111 | 94 |
| | 1,071 | 962 |

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to \$101,000 (2021: \$276,000).

12. Property, plant and equipment

| | Manufacturing Equipment \$000 | Computer Equipment \$000 | Fixtures & Fittings \$000 | Office Equipment \$000 | Total \$000 |
|---|-------------------------------------|--------------------------------|---------------------------------|------------------------------|----------------|
| As at 1 July 2020 | | | | | |
| Cost | 763 | 123 | 20 | 60 | 966 |
| Accumulated depreciation | (579) | (107) | (10) | (35) | (731) |
| Net book value | 184 | 16 | 10 | 25 | 235 |
| Movements in the year ended 30 June 2021 | | | | | |
| Opening net book value | 184 | 16 | 10 | 25 | 235 |
| Additions | 11 | 24 | - | - | 35 |
| Disposals | - | - | - | - | - |
| Depreciation | (119) | (12) | (1) | (10) | (142) |
| Foreign currency translation | (1) | - | - | - | (1) |
| Closing net book value | 75 | 28 | 9 | 15 | 127 |
| As at 30 June 2021 | | | | | |
| Cost | 770 | 154 | 20 | 60 | 1,004 |
| Accumulated depreciation | (695) | (126) | (11) | (45) | (877) |
| Net book value | 75 | 28 | 9 | 15 | 127 |
| Movements in the year ended 30 June 2022 | | | | | |
| Opening net book value | 75 | 28 | 9 | 15 | 127 |
| Additions | 190 | 91 | 8 | - | 289 |
| Disposals | - | - | (2) | - | (2) |
| Depreciation | (135) | (38) | (2) | (6) | (181) |
| Foreign currency translation | (5) | (1) | - | - | (6) |
| Closing net book value | 125 | 80 | 13 | 9 | 227 |
| As at 30 June 2022 | | | | | |
| Cost | 929 | 242 | 23 | 58 | 1,252 |
| Accumulated depreciation | (804) | (162) | (10) | (49) | (1,025) |
| Net book value | 125 | 80 | 13 | 9 | 227 |

13. Intangible and right-of-use assets

| | Software \$000 | Right-of-Use Asset \$000 | Total \$000 |
|---|-------------------|-----------------------------|----------------|
| As at 30 June 2020 | | | |
| Cost | 300 | - | 300 |
| Accumulated amortisation | (295) | - | (295) |
| As at 30 June 2020 - Net book value | 5 | - | 5 |
| Movements in the year ended 30 June 2021 | | | |
| Opening net book value | 5 | - | 5 |
| Additions | - | - | - |
| Disposals | - | - | - |
| Amortisation | (3) | - | (3) |
| Foreign currency translation | 1 | - | 1 |
| Closing net book value | 3 | - | 3 |
| As at 30 June 2021 | | | |
| Cost | 299 | - | 299 |
| Accumulated amortisation | (296) | - | (296) |
| Net book value | 3 | - | 3 |
| Movements in the year ended 30 June 2022 | | | |
| Opening net book value | 3 | - | 3 |
| Additions | - | 89 | 89 |
| Disposals | - | - | - |
| Amortisation | (2) | (3) | (5) |
| Foreign currency translation | - | - | - |
| Closing net book value | 1 | 86 | 87 |
| As at 30 June 2022 | | | |
| Cost | 290 | 89 | 379 |
| Accumulated amortisation | (289) | (3) | (292) |
| Net book value | 1 | 86 | 87 |

14. Trade and other payables

| | June 2022 \$000 | June 2021 \$000 |
|-------------------|--------------------|--------------------|
| Trade payables | 335 | 701 |
| Accruals | 506 | 365 |
| Employee benefits | 856 | 1,253 |
| | 1,697 | 2,319 |

15. Convertible Notes

June 2021

During the year to 30 June 2021 the Company issued Secured Convertible Notes ("2020 Notes") with a face value of \$3 million, an interest rate of 9% per annum, and maturity date of 25 October 2022. The terms of the 2020 Notes included conversion features, which allowed the noteholder to convert the principal and accrued interest to shares in the Company at 3 cents per share after the occurrence of certain events, including partnering and funding milestones.

The 2020 Notes were accounted for as two separate liability components from their issue date—the debt portion recorded at amortised cost and the embedded derivative conversion option recorded at fair value. In accounting for the debt portion of the 2020 Notes, settlement was assumed to take place on 25 October 2022 with interest accruing at 9% per annum to that date. The calculation of the fair value of the embedded derivative conversion option took into account the probability of the noteholder converting and the market price of the ordinary shares.

On 18 March 2021 the Company and noteholder agreed to modify the 2020 Notes' terms to:

- automatically convert the 2020 Notes principal plus interest to ordinary shares at the same time and price as under a capital raise for at least \$15 million; and
- in consideration of the variation of the 2020 Notes to provide for the automatic conversion mechanism referred to above; at closing of the capital raising to issue to the noteholder various options over ordinary shares.

On 30 April 2021, the Company received shareholder approval to amend the 2020 Notes and proceed with the capital raise. This was completed on 7 May 2021 for a total of \$18 million, and accordingly the 2020 Notes automatically converted to 238,989,991 ordinary shares in addition to the grant to the noteholder of:

- 25,000,000 options with an exercise price of \$0.02 and an expiry date of 7 May 2023;
- 25,000,000 options with an exercise price of \$0.03 and an expiry date of 7 May 2023;
- 25,000,000 options with an exercise price of \$0.04 and an expiry date of 7 May 2023; and
- 104,855,877 options with an exercise price of \$0.03 and an expiry date of 25 October 2022.

The fair value of the modification of the 2020 Notes terms was assessed at \$1,344,000, and the fair value of the options granted \$1,165,000, with both recorded as a finance cost.

| Convertible Notes | June 2021 | | Total \$000 |
|-------------------------------------|--|--|----------------|
| | Debt component at amortised cost \$000 | Embedded derivative conversion option at fair value \$000 | |
| Recognition at Note issue | 1,622 | 1,378 | 3,000 |
| Financing cost: | | | |
| - Amortised cost | 519 | - | 519 |
| - Fair value change | - | (800) | (800) |
| - Modification | 1,444 | (100) | 1,344 |
| Total financing cost | 1,963 | (900) | 1,063 |
| Carrying value at conversion | 3,585 | 478 | 4,063 |
| Conversion: | | | |
| - Shares issued | | | 4,063 |
| | | | 4,063 |

16. Share capital

| | Ordinary Shares | \$000 |
|---|-----------------|---------|
| Share capital as at 1 July 2020 | 601,906,334 | 87,682 |
| Shares issued in employee share plans | 13,250,000 | - |
| Shares issued in placements | 1,262,405,631 | 19,014 |
| Shares issued on conversion of Convertible Notes | 238,989,991 | 4,063 |
| Shares issued for services | 9,181,155 | 222 |
| Share issue costs | - | (809) |
| Share capital as at 30 June 2021 | 2,125,733,111 | 110,172 |
| Shares issued in employee share plans | 68,490,750 | - |
| Cancellation of shares issued in employee share plans | (7,399,372) | - |
| Shares issued for services | 21,426,603 | 351 |
| Share issue costs | - | - |
| Share capital as at 30 June 2022 | 2,208,251,092 | 110,523 |

(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 \$0.075268 – 0.134039 | Options | Weighted Average Exercise Price | Weighted Average Remaining Contract Life (years) | Exercisable | Weighted Average Exercise Price | Weighted Average Share Price at Exercise |
|--|-------------|--|--|-------------|--|---|
| Outstanding at 1 July 2020 | 2,232,689 | \$ 0.1340 | 0.6 | 2,232,689 | \$ 0.1340 | |
| Granted | - | \$ - | | | | |
| Exercised | - | \$ - | | | | |
| Lapsed | (2,059,451) | \$ 0.1340 | | | | |
| Outstanding at 30 June 2021 | 173,238 | \$ 0.1340 | 0.8 | 173,238 | \$ 0.1340 | |
| Granted | - | \$ - | | | | |
| Exercised | - | \$ - | | | | |
| Lapsed | (173,238) | \$ 0.1340 | | | | |
| Outstanding at 30 June 2022 | - | - | - | - | - | - |

| Exercise price range \$0.04 | Options | Weighted Average Exercise Price | Weighted Average Remaining Contract Life (years) | Exercisable | Weighted Average Exercise Price | Weighted Average Share Price at Exercise |
|------------------------------------|-------------|---------------------------------|--|-------------|---------------------------------|--|
| Outstanding at 1 July 2020 | 20,000,000 | \$ 0.0400 | 6.8 | - | \$ - | - |
| Granted | 7,500,000 | \$ 0.0400 | | | | |
| Exercised | - | \$ - | | | | |
| Lapsed | (4,500,000) | \$ - | | | | |
| Outstanding at 30 June 2021 | 23,000,000 | \$ 0.0400 | 5.1 | 9,666,667 | \$ 0.0400 | - |
| Granted | - | \$ - | | | | |
| Exercised | - | \$ - | | | | |
| Lapsed | (5,823,441) | \$ 0.0400 | | | | |
| Outstanding at 30 June 2022 | 17,176,559 | \$ 0.0400 | 4.8 | 13,843,225 | \$ 0.0400 | - |

The weighted average fair value of options granted during the periods was estimated using the Black-Scholes valuation model:

| Significant Black-Scholes valuation model inputs | June 2022 | June 2021 |
|--|-----------|-----------|
| Share price at grant date | - | \$0.0300 |
| Exercise price | - | \$0.0400 |
| Volatility | - | 114.4% |
| Dividend yield | - | 0% |
| Expected option life | - | 1 year |
| Annual risk-free interest rate | - | 0.27% |
| Weighted average fair value of options granted | - | \$0.0106 |

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 assessed weighted average fair value at grant date of the awards made during the 2020 financial period is 1.3 cents per ESP share awarded. The awards were priced using a Black-Scholes option pricing model that takes into account the exercise price, the term of the award, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the award. There were no new awards under the Adherium ESP during fiscal 2019.

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 2022 | Restricted as at 30 June 2022 | Share price at grant date |
|------------------|----------------|-------------|---------------------------|-------------------------------|---------------------------|
| 8 November 2016 | 2,100,000 | \$0.500 | - | 2,100,000 | \$0.350 |
| 10 July 2019 | 3,377,435 | \$0.027 | 2,984,757 | 3,377,435 | \$0.028 |
| 10 July 2019 | 1,099,872 | \$0.075 | 978,842 | 1,099,872 | \$0.028 |
| 10 July 2019 | 1,099,872 | \$0.150 | 978,842 | 1,099,872 | \$0.028 |
| 10 July 2019 | 1,099,887 | \$0.250 | - | 1,099,887 | \$0.028 |
| 21 October 2020 | 5,876,711 | \$0.040 | 5,876,711 | - | \$0.026 |
| 21 October 2020 | 4,500,000 | \$0.050 | 1,500,000 | 4,500,000 | \$0.026 |
| 26 November 2021 | 68,490,750 | \$0.016 | - | 68,490,750 | \$0.013 |

(c) Stock Appreciation Rights (SARs)

On 20 September 2021, the Company issued 148,977,337 Stock Appreciation Rights (SARs) with a 10-year life to its CEO as a long-term incentive. 69,168,049 SARs vested at grant, and 79,809,288 SARs vest in three equal tranches over three years subject to the achievement of target VWAPs of \$0.032, \$0.064 and \$0.096 in years 1, 2 and 3 respectively for the Company's ASX listed shares. As at 30 June 2022 no SARs had vested.

The fair value of the award of 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 early exercise factor of 2.5, an annual risk-free rate of 1.27%, and a volatility of 110%.

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 \$0.016.

(d) Other option issues

June 2021

In August 2020 the Company completed a shareholder approved placement of shares and related options. 83,333,333 options with an exercise price of \$0.0600 per option and an expiry date of 17 February 2022 were issued. The options' fair value at grant date of \$858,000 (\$0.0103 per option) was estimated using a Black-Scholes option pricing model, and was been recorded in equity in conjunction with the placement. The significant inputs to the option pricing model were a grant date share price of \$0.0270, a 0% dividend yield, an expected option life of 1.5 years, an annual risk-free rate of 0.27%, and a volatility of 125.6%.

As set out in Note 15, in October 2020 the Company issued Convertible Notes ("2020 Notes"). The terms of these were amended in March 2021 and as consideration the options set out in Note 15 were issued in May 2021. The options' fair value at grant date of \$1,165,000 was estimated using a Black-Scholes option pricing model, and was recorded as a finance cost related to the 2020 Notes (refer note 15). The significant inputs to the option pricing model were a grant date share price of \$0.0170, a 0% dividend yield, an expected option life to expiry, an annual risk-free rate of 0.09%, and a volatility of 103.3% - 113.6%.

17. Deferred Income Tax

| | June 2022 \$000 | June 2021 \$000 |
|---|--------------------|--------------------|
| Movements: | | |
| Deferred tax asset (liability) at the beginning of the year | - | - |
| Credited (charged) to the income statement (note 7) | 2,370 | 2,420 |
| Change in unrecognised deferred tax assets | (2,370) | (2,420) |
| Deferred tax asset (liability) at the end of the year | - | - |

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

| | Deferred tax assets (liabilities) | | | |
|--|-------------------------------------|-------------------------------|------------------------|----------------|
| | Provisions and accruals \$000 | Intangible assets \$000 | Tax losses \$000 | Total \$000 |
| As at 30 June 2020 | - | - | - | - |
| Credited (charged) to the income statement | 443 | 4 | 1,973 | 2,420 |
| Effect of exchange rate changes | - | (1) | (409) | (410) |
| Change in unrecognised deferred tax assets | (443) | (3) | (1,564) | (2,010) |
| As at 30 June 2021 | - | - | - | - |
| Credited (charged) to the income statement | (8) | (37) | 2,415 | 2,370 |
| Effect of exchange rate changes | (4) | (8) | 97 | 85 |
| Change in unrecognised deferred tax assets | 12 | 45 | (2,512) | (2,455) |
| As at 30 June 2022 | - | - | - | - |

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 did not recognise deferred income tax assets of \$18,896,000 (2021: \$16,384,000) in respect of losses amounting to \$61,280,000 (2021: \$52,994,000) that can be carried forward against future taxable income. The Company also did not recognise further deferred income tax assets of \$805,000 (2021: \$862,000) in respect of other timing differences amounting to \$2,774,000 (2021: \$2,969,000).

18. 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 2022 \$000 | June 2021 \$000 |
|---|--------------------|--------------------|
| Directors | | |
| - director fees and other legislated superannuation | 361 | 345 |
| - share-based compensation | 42 | 121 |
| CEO and management | | |
| - short-term benefits | 1,111 | 1,998 |
| - post-employment benefit contributions | 224 | 157 |
| - share-based compensation | 937 | 185 |
| | 2,675 | 2,806 |

Key management personnel and their associates did not subscribe for share capital in the Company in the years ended 30 June 2021 and 2022.

(b) Related parties

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

19. Financial instruments and risk management

(a) Categories of financial instruments

| | June 2022 \$000 | June 2021 \$000 |
|--|--------------------|--------------------|
| Financial assets | | |
| <i>Loans and receivables classification:</i> | | |
| Cash and cash equivalents | 5,283 | 15,178 |
| Trade and other receivables | 302 | 100 |
| Total financial assets | 5,585 | 15,278 |
| Financial liabilities | | |
| <i>Measured at amortised cost:</i> | | |
| Trade and other payables | 1,697 | 2,319 |
| Lease liabilities | 85 | - |
| Total financial liabilities | 1,782 | 2,319 |

(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. A foreign exchange loss of \$34,000 is included in results for the period ended 30 June 2022 (2021: \$888,000 loss).

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

| | June 2022 \$000 | June 2021 \$000 |
|---------------------|--------------------|--------------------|
| Assets | | |
| New Zealand Dollars | 67 | 425 |
| US dollars | 133 | 35 |
| UK pound | 6 | 3 |
| Liabilities | | |
| New Zealand Dollars | 729 | 674 |
| US dollars | 126 | 38 |
| UK pound | 75 | 176 |
| Japanese Yen | 153 | 85 |

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 2022 \$000 | June 2021 \$000 |
|--|----------------------------|----------------------------|
| 10% strengthening of Australian dollar against: | | |
| New Zealand dollars | 54 | 21 |
| US dollars | (28) | (4) |
| UK pound | 11 | 26 |
| Hong Kong dollars | - | - |
| 10% weakening of Australian dollar against: | | |
| New Zealand dollars | (66) | (26) |
| US dollars | 34 | 11 |
| UK pound | (13) | (35) |
| Hong Kong dollars | - | - |

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 90 days and accordingly any change in interest rates would have an immaterial effect on reported loss after tax.

Credit risk

The Group 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 Group 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 (2021: A1/A2) and the Group 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 2022 \$000 | June 2021 \$000 |
|--|----------------------------|----------------------------|
| Counterparties with external credit rating: | | |
| • A-2 | 123 | 57 |
| Counterparties without external credit rating: | | |
| • existing customers (more than 6 months) with no defaults in the past | 179 | 43 |
| Total trade receivables | 302 | 100 |

The Group 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 Group uses its historical experience, external indicators and forward-looking information.

On this basis, the loss allowance as at 30 June 2021 and 30 June 2022 for trade and other receivables was determined to be \$nil.

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 Group is exposed to a concentration of credit risk as 41% of accounts receivable are with one counterparty (2021: 57%). The customer has an external credit rating of A-2.

Liquidity risk

The table below shows the Group'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 \$000 | Between 3 months and 1 year \$000 | Between 1 year and 2 years \$000 |
|---------------------------|--------------------------------|---|--|
| As at 30 June 2022 | | | |
| Trade and other payables | 1,697 | - | - |
| Lease liabilities | 12 | 36 | 45 |
| As at 30 June 2021 | | | |
| Trade and other payables | 2,319 | - | - |
| Lease liabilities | - | - | - |

Capital risk

The Group manages its capital to ensure that it is able to continue as a going concern. The capital structure of the Group 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 entered into a lease for office space during the year ending 30 June 2022. This lease is a two-year lease with a two-year right of renewal. The lease liabilities recognised in the balance sheet are:

| | June 2022 \$000 | June 2021 \$000 |
|---------------------------------|--------------------|--------------------|
| Lease Liabilities | | |
| Lease liabilities (current) | 42 | - |
| Lease liabilities (non-current) | 43 | - |
| Total lease liabilities | 85 | - |

The total cash outflow for leases in 2022 was \$145,000 (2021: \$89,000).

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

20. Parent entity information

The following details information related to the legal parent, Adherium Limited as at 30 June 2022. During the year ended 30 June 2022 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 \$5,367,000 (2021: \$5,096,000 impairment) The information presented here has been prepared using consistent accounting policies as presented in Note 1.

| | Parent June 2022 \$000 | Parent June 2021 \$000 |
|--|------------------------------|------------------------------|
| Statement of Financial Position | | |
| Current assets | 6,257 | 15,309 |
| Non-current assets | 45 | 20 |
| Total assets | 6,302 | 15,329 |
| Current liabilities | 783 | 1,318 |
| Non-current liabilities | - | - |
| Total liabilities | 783 | 1,318 |
| Net assets | 5,519 | 14,011 |
| Contributed equity | 110,523 | 110,172 |
| Accumulated deficit | (10,413) | (99,916) |
| Reserves | 5,409 | 3,755 |
| Total equity | 5,519 | 14,011 |
| Statement of Profit and Loss and Comprehensive Income | | |
| Loss after tax | (10,497) | (14,348) |
| Total comprehensive loss | (10,497) | (14,348) |

21. 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 2022 | June 2021 |
| 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% |

22. Contingencies and commitments

The Group had no contingencies or commitments to purchase any property, plant or equipment at 30 June 2022 (2021: nil).

The following aggregate future non-cancellable minimum short-term lease payments for premises have been committed to by the Group, but not recognised in the financial statements.

| | June 2022 \$000 | June 2021 \$000 |
|---|--------------------|--------------------|
| Not later than one year | 54 | 23 |
| Later than one year and not later than five years | - | - |
| Later than five years | - | - |
| | 54 | 23 |

23. Events occurring after balance date

Subsequent to the balance sheet date, the Company received share capital subscription commitments from institutional and sophisticated investors of \$13.5 million. The first tranche of \$1.7 million (334,154,330 ordinary shares) was received in September 2022. The balance of \$12.8 million (2,565,845,670 ordinary shares) together with options on a 1:2 basis is subject to shareholder approval to be sought by the Company.

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

Directors' Declaration

The Directors declare that the financial statements and notes set out on pages 25 to 48 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; and
- (c) give a true and fair view of the financial position of the consolidated entity as at 30 June 2022 and of its performance for the financial year ended on that date.

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.

This declaration has been made after receiving the declarations required to be made by the Chief Executive Officer and General Manager & Joint Company Secretary to the Directors in accordance with section 295A of the Corporations Act 2001 for the year ended 30 June 2022.

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

On behalf of the board.



Lou Panaccio
Non-Executive Chairman

Melbourne
30 September 2022

Independent Auditor's Report



Independent auditor's report

To the members of Adherium Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Adherium Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2022
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

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

Independence

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 & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (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.

Material uncertainty related to going concern

We draw attention to Note 2 in the financial report, which indicates that the Group incurred a net loss after tax of \$10,044,000 and had operating cash outflows of \$9,610,000 during the year ended 30 June 2022. As

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Independent Auditor's Report



a result, the Group is dependent on being successful in continuing to raise additional capital; securing sufficient cash flows from new revenue streams; and executing their plans at the costs forecasted.

These conditions, along with other matters set forth in Note 2, 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.

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



| Materiality | Audit scope | Key audit matters |
|---|--|--|
| <ul style="list-style-type: none"> For the purpose of our audit we used overall Group materiality of \$ 502,200, which represents approximately 5% of the Group's loss before tax. We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. We chose Group loss before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. | <ul style="list-style-type: none"> Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. | <ul style="list-style-type: none"> Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee: <ul style="list-style-type: none"> Accounting for research & development tax credit Inventory valuation These are further described in the <i>Key audit matters</i> section of our report, except for the matter which is described in the <i>material uncertainty related to going concern</i> section. |

Independent Auditor's Report



- We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

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 for the current period. The key audit 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. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matter described below to be the key audit matters to be communicated in our report.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| <p>Accounting for research & development tax credit (Refer to Note 7)</p> <p>The Group has recognised an R&D tax credit receivable of \$1,173,000. This was a key audit matter because management applied judgement in assessing the likelihood that the relevant taxation authorities will accept the claims the group intends to make.</p> | <p>We have performed following procedures, amongst others:</p> <ul style="list-style-type: none">• assessing the Group's accounting policies against the requirements of Australian Accounting Standards;• tested the research & development cost on a sample basis that form part of the claim to supporting documentation;• evaluated the basis on which management made their judgements over the likelihood of successful R&D tax credit claims;• evaluated the adequacy of disclosures in light of the requirements of Australian Accounting Standards. |
| <p>Inventory valuation (Refer to Note 11)</p> <p>The Group held inventory of \$1,071,000 as at 30 June 2022. As described in note 2 to the consolidated financial statements, inventories are valued at the lower of cost and net realisable value.</p> <p>This was a key audit matter because of the:</p> | <p>We have performed following procedures, amongst others:</p> <ul style="list-style-type: none">• assessing the Group's accounting policies against the requirements of Australian Accounting Standards;• tested the mathematical accuracy of the calculation of the carrying value of inventory on a sample basis; |

Independent Auditor's Report



| Key audit matter | How our audit addressed the key audit matter |
|--|--|
| <ul style="list-style-type: none">financial significance of the inventory balance included in the financial report; andjudgements required by the Group in estimating the carrying value of inventory, including estimating selling prices and related costs. | <ul style="list-style-type: none">evaluating the appropriateness of significant assumptions used to determine the carrying value of inventory;comparing the carrying value of a sample of inventory items to the most recent sales price; andassessing the reasonableness of the disclosures in the financial report having regard to the requirements of Australian Accounting Standards. |

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2022, but does not include the financial report and our 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 on the other information that we obtained prior to the date of this auditor's report, 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 that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material 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

Independent Auditor's Report



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 the 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/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 15 to 22 of the directors' report for the year ended 30 June 2022.

In our opinion, the remuneration report of Adherium Limited for the year ended 30 June 2022 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 stylized, handwritten signature of PricewaterhouseCoopers in black ink.

PricewaterhouseCoopers

A stylized, handwritten signature of Scott Walsh in black ink.

Scott Walsh
Partner

Sydney
30 September 2022

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 9 September 2022. This information excludes any proposed security issues announced by the Company on 16 September 2022.

(a) Distribution of equity securities

Ordinary share capital

As at 9 September 2022 there were 2,227,695,536 ASX quoted ordinary shares held by 1,003 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 | 7,607 | 34 |
| 1,001 - 5,000 | 222,163 | 64 |
| 5,001 - 10,000 | 491,570 | 58 |
| 10,001 - 100,000 | 20,871,254 | 430 |
| 100,001 and over | 2,206,102,942 | 417 |
| Total | 2,227,695,536 | 1,003 |

There were 466 shareholders holding less than a marketable parcel of ordinary shares at a price of \$0.0080, totalling 11,091,056 ordinary shares.

Unquoted options over ordinary shares

As at 9 September 2022 there were 224,551,903 options over ordinary shares held by 9 holders.

b) Twenty largest holders of quoted equity securities as at 9 September 2022

| Shareholders | Ordinary Shares | |
|--|-----------------|---------|
| | Units | % Units |
| Phillip Asset Management Limited <BioScience Trans Fund 1 A/C> | 500,000,000 | 22.44 |
| Trudell Medical Ltd | 423,080,272 | 18.99 |
| HSBC Custody Nominees (Australia) Limited | 221,141,775 | 9.93 |
| J P Morgan Nominees Australia Pty Limited | 209,050,039 | 9.38 |
| K One W One Ltd | 80,503,018 | 3.61 |
| Citicorp Nominees Pty Limited | 70,286,398 | 3.16 |
| One Funds Management Limited <Asia Pac Health Fund II A/C> | 48,808,957 | 2.19 |
| Quantamatics Pty Ltd | 38,186,966 | 1.71 |
| Adherium ESP Trustee Limited | 35,849,066 | 1.61 |
| Summatix Pty Ltd | 35,496,341 | 1.59 |
| BNP Paribas Noms (NZ) Ltd <DRP> | 28,516,873 | 1.28 |
| Planet Innovation Pty Ltd | 26,666,667 | 1.20 |
| Tara Creaven-Capasso | 19,444,444 | 0.87 |
| Geoff Feakes | 19,000,000 | 0.85 |
| Miss Ruth Amanda Stroppiana | 18,125,327 | 0.81 |
| Dr Huy Tran | 14,606,060 | 0.66 |
| National Nominees Limited | 14,035,000 | 0.63 |
| JMID Pty Ltd <JAM Superfund A/C> | 12,000,000 | 0.54 |
| Mr Khim Thiew Khor | 11,748,383 | 0.53 |
| Mr Carlsen Wilson Henry Marks + Mrs Edwina Mary Marks | 10,700,000 | 0.48 |
| Total top 20 holders of fully paid ordinary shares | 1,837,245,586 | 82.47 |

(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 <BioScience Managers Translation Fund 1 A/C> | 10/05/2021 | 500,000,000 |
| Trudell Medical Ltd | 19/05/2021 | 422,697,512 |
| Viburnum Funds Pty Ltd and subsidiaries and associates | 30/11/2021 | 219,057,245 |
| FIL Limited | 10/05/2021 | 211,645,356 |
| I.G. Investment Management, Ltd and associates | 01/09/2015 | 9,535,000 |
| AstraZeneca PLC and its related bodies | 26/08/2015 | 8,079,720 |

(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 James Ward-Lilley
Mr George Baran
Mr Jeremy Curnock Cook
Dr William Hunter
Mr Bruce McHarrie

Joint Company Secretaries

Mr Rob Turnbull
Mr Mark Licciardo

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NZ Office (Principal Administrative Office)

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Website

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Share Registry

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Abbotsford, Victoria 3067, Australia

Solicitors

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

Auditors

PricewaterhouseCoopers
One International Towers, Watermans Quay,
Barangaroo NSW 2000, 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>



