

# Adherium Limited

ABN 24 605 352 510

## Appendix 4D

### Interim Consolidated Financial Report for the six months ended 31 December 2019

1. Adherium Limited (“Adherium”, the “Company” or the “Group”) presents this financial report, including the interim financial statements, for the six months ended 31 December 2019.
2. **Results for announcement to the market**

	6 months ended 31 Dec 2019 \$'000	6 months ended 31 Dec 2018 \$'000	% Change
2.1 Operating revenue	1,415	986	44%
2.2 Loss after tax from ordinary activities	(4,481)	(8,647)	48%
2.3 Net loss from ordinary activities	(4,481)	(8,647)	48%
2.4 Dividends and franked amount per security	nil	nil	n/a
2.5 Dividend record date	n/a	n/a	n/a
2.6 Explanation of results:  Please refer to the Review of Operations in the Directors’ Report contained in the attached Interim Consolidated Financial Report for the six months ended 31 December 2019.			

The information required by ASX listing rule 4.2A is contained in both this Appendix 4D and the attached interim consolidated financial report. The interim information should be read in conjunction with the most recent annual financial report.

+ See chapter 19 for defined terms.

**3. Net Tangible Assets per Security**

	<u>Current period</u>	<u>Comparative period</u>
Net tangible assets per share	\$(0.020)	\$ 0.022

**4. Entities over which control has been gained or lost during the period:**

Not applicable.

**5. Details of dividends**

Not applicable.

**6. Details of dividend reinvestment plans**

Not applicable.

**7. Details of associates and joint venture entities**

None.

<sup>+</sup> See chapter 19 for defined terms.

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# Interim Consolidated Financial Report

for the six months ended 31 December 2019

# Corporate Information

## ASX code: ADR

### Directors

Mr Thomas Lynch (Chair)  
Mr Jeremy Curnock Cook  
Dr William Hunter  
Mr Bruce McHarrie  
Mr Matt McNamara  
Mr Bryan Mogridge

### Joint Company Secretaries

Mr Rob Turnbull  
Mr Mark Licciardo

### Registered Office

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

### NZ Office (Principal Administrative Office)

Level 11, 16 Kingston Street  
Auckland 1010, New Zealand  
+64 9 307 2771

### Share Registry

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

### Solicitors

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

### Auditors

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

### Website

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

### 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>

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# 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 six months ended 31 December 2019, 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:

	Appointed	Resigned
Mr Thomas Lynch (Chairman)	1 September 2016	
Mr Jeremy Curnock Cook	17 April 2015 (incorporation)	
Dr William Hunter	17 December 2015	
Mr Bruce McHarrie	20 July 2015	
Mr Matt McNamara	18 October 2019	
Prof John Mills	20 July 2015	18 October 2019
Mr Bryan Mogridge	20 July 2015	

## Review of Operations

Adherium continues to execute its global growth strategy, as outlined in the CEO Letter to Shareholders on 3 January 2020, implementing a more focused strategy of commercialization, tapping into new reimbursement pathways to payment in the US and with a longer-term focus on data monetization. Key changes came recently in the United States, when the Centers for Medicare & Medicaid Services (CMS) introduced three Current Procedural Terminology (CPT) codes applying to digital Remote Patient Monitoring (RPM) services. This opened the path to payment for digital connected care services that enable physicians to manage, monitor and co-ordinate patient care remotely through connected devices where a physiological measure is captured.

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

In addition, through the six months to 31 December 2019, secured debt note financing of \$2.9m was issued to existing shareholders and new investors in August and November 2019. Having received shareholder approval at the 2019 AGM of the conversion features, the secured debt notes have now been converted into shares and options following the completion of the January 2020 capital raising noted above.

Revenue was up 44% on the same period last year at \$1,415,000 and was primarily driven by an increase in sensor sales; \$824,000 for the six months to 31 December 2019 compared with \$268,000 in the prior year.

Following the implementation of the Company reorganisation, which commenced in December 2018, and resulted in a smaller and refocused operational structure and the discontinuation of a

number of non-core activities, there has been a significant reduction in the cost base for the six months to 31 December 2019 compared to the previous year:

- Manufacturing support expenses were \$319,000 (2018: \$940,000) and sales and marketing expenses were \$676,000 (2018: \$2,735,000) for the six months to 31 December 2019;
- Research and development expenses were \$1,830,000 in the six months to 31 December 2019 compared with \$3,163,000 in the previous year; and
- Administrative expenses reduced from \$2,584,000 in the prior year to \$1,705,000 for the six months to 31 December 2019.

Activities across these categories in the six months to 31 December 2019 reflected preparations and initiatives for implementing the revised and more focused strategy, including test integrations with third party healthcare applications, as well as sensor testing as part of obtaining regulatory approvals in new geographies, planning for sensor enhancements to enable access to the reimbursement and risk-share models, and beginning to assemble a strong new, globally recognized, management team.

Cash at 31 December 2019 was \$378,000, a net use of \$385,000 since 30 June 2019. As noted above, the Company completed a \$5.4m capital raising in January 2020 to fund the execution of the refocused commercial strategy.

## Events subsequent to balance date

As noted above, subsequent to balance sheet date Adherium completed a 1:1 non-renounceable rights issue and related shortfall placements, issuing 179,723,419 ordinary shares for cash of \$5,392,000. This capital raising met the threshold to mandatorily convert the Secured Debt/Convertible Notes, and accordingly 137,597,321 ordinary shares and 27,519,467 options were issued to discharge those Notes on 29 January 2020.

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

## 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 directors' report and financial report have been rounded off to the nearest \$1,000.

## Auditor's independence declaration

The Auditor's independence declaration is set out on page 4 and forms part of the Directors' report for the six months ended 31 December 2019.

Signed in accordance with a resolution of the Board of Directors



**Mr Thomas Lynch**  
**Non-executive Chairman**

Dated this 27<sup>th</sup> day of February 2020

# Auditor's Independence Declaration



## *Auditor's Independence Declaration*

As lead auditor for the review of Adherium Limited for the half-year ended 31 December 2019, 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 review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

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 'Scott Walsh', written in a cursive style.

Scott Walsh  
Partner  
PricewaterhouseCoopers

Sydney  
27 February 2020

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# Consolidated Statement of Profit or Loss and Other Comprehensive Income for the six-month period ended 31 December 2019

	Notes	Six months 31 Dec 2019 \$000	Six months 31 Dec 2018 \$000
<b>Continuing Operations</b>			
Sales	3	1,415	986
Cost of sales		(418)	(491)
<b>Gross profit</b>		<u>997</u>	<u>495</u>
Grants income		-	216
Manufacturing support		(319)	(940)
Research and development costs		(1,830)	(3,163)
Sales and marketing costs		(676)	(2,736)
Administrative expenses		(1,706)	(2,584)
<b>Operating loss</b>		<u>(3,534)</u>	<u>(8,712)</u>
Finance income (cost) - net	4	(947)	65
<b>Loss before income tax</b>		<u>(4,481)</u>	<u>(8,647)</u>
Income tax expense		-	-
<b>Loss for the period attributable to equity holders</b>		<u>(4,481)</u>	<u>(8,647)</u>
<b>Other comprehensive income</b>			
Items that may be reclassified subsequently to profit or loss when certain conditions are met: Foreign exchange differences on translation of foreign operation		(150)	(159)
<b>Other comprehensive income for the period, net of tax</b>		<u>(150)</u>	<u>(159)</u>
<b>Total comprehensive loss for the period</b>		<u>(4,631)</u>	<u>(8,806)</u>
<b>Total comprehensive loss attributable to:</b>			
Equity holders of Adherium Limited		<u>(4,631)</u>	<u>(8,806)</u>
<b>Basic and diluted loss per share</b>	5	<u>(2.6) cents</u>	<u>(5.0) cents</u>

The accompanying notes form part of the financial statements.

# Consolidated Statement of Financial Position as at 31 December 2019

	Notes	31 Dec 2019 \$000	30 Jun 2019 \$000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		378	763
Trade and other receivables		335	436
Inventories		566	417
Prepayments		361	156
<b>Total current assets</b>		1,640	1,772
<b>Non-current assets</b>			
Property, plant and equipment	6	270	380
Intangible assets		41	92
<b>Total assets</b>		1,951	2,244
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		1,537	1,375
Income received in advance		79	39
Convertible Notes	7	3,876	-
<b>Total current liabilities</b>		5,492	1,414
<b>EQUITY</b>			
Share capital	8	74,510	74,349
Accumulated deficit		(51,433)	(46,952)
Other reserves		(26,618)	(26,567)
<b>Total equity</b>		(3,541)	830
<b>Total liabilities &amp; equity</b>		1,951	2,244

The accompanying notes form part of the financial statements.

# Consolidated Statement of Changes in Equity for the six-month period ended 31 December 2019

Six months to 31 December 2019	Share Capital \$000	Accumulated Deficit \$000	Share & Option Compensation Reserve \$000	Foreign Currency Translation Reserve \$000	Merger Reserve \$000	Total Equity \$000
<b>Equity as at 1 July 2019</b>	74,349	(46,952)	1,010	(42)	(27,535)	830
Loss for the period	-	(4,481)	-	-	-	(4,481)
Other comprehensive income (loss)	-	-	-	(150)	-	(150)
Total comprehensive loss	-	(4,481)	-	(150)	-	(4,631)
<i>Transactions with owners:</i>						
Share grants for services	161	-	99	-	-	260
<b>Equity as at 31 December 2019</b>	<b>74,510</b>	<b>(51,433)</b>	<b>1,109</b>	<b>(192)</b>	<b>(27,535)</b>	<b>(3,541)</b>

Six months to 31 December 2018	Share Capital \$000	Accumulated Deficit \$000	Share & Option Compensation Reserve \$000	Foreign Currency Translation Reserve \$000	Merger Reserve \$000	Total Equity \$000
<b>Equity as at 1 July 2018</b>	74,349	(35,158)	1,097	57	(27,535)	12,810
Loss for the period	-	(8,647)	-	-	-	(8,647)
Other comprehensive income (loss)	-	-	-	(159)	-	(159)
Total comprehensive loss	-	(8,647)	-	(159)	-	(8,806)
<i>Transactions with owners:</i>						
Share grants for services	-	-	44	-	-	44
<b>Equity as at 31 December 2018</b>	<b>74,349</b>	<b>(43,805)</b>	<b>1,141</b>	<b>(102)</b>	<b>(27,535)</b>	<b>4,048</b>

The accompanying notes form part of the financial statements.

# Consolidated Statement of Cash Flows for the six-month period ended 31 December 2019

	Six months 31 Dec 2019 \$000	Six months 31 Dec 2018 \$000
<b>Cash flows from operating activities:</b>		
Receipts from customers	1,524	1,778
Receipts from grants	-	257
Interest received	3	72
Tax paid	-	(11)
Payments to employees	(1,172)	(5,513)
Payments to suppliers	(3,509)	(5,133)
<b>Net cash used in operating activities</b>	<b>(3,154)</b>	<b>(8,550)</b>
<b>Cash flows from investing activities:</b>		
Proceeds from short term cash investments	-	436
Purchase of property, plant and equipment	(72)	(235)
<b>Net cash used in investing activities</b>	<b>(72)</b>	<b>201</b>
<b>Cash flows from financing activities:</b>		
Proceeds from issue of Secured Debt Notes	2,926	-
<b>Net cash provided from financing activities</b>	<b>2,926</b>	<b>-</b>
Net increase (decrease) in cash	(300)	(8,349)
Cash at the beginning of the period	763	12,118
Effect of exchange rate changes on cash balances	(85)	324
<b>Cash at the end of the period</b>	<b>378</b>	<b>4,093</b>

*The accompanying notes form part of the financial statements.*

# Notes to the consolidated financial statements for the period ended 31 December 2019

## 1. General Information

Adherium Limited (the Company, Group or Adherium) is an Australian Securities Exchange listed company which develops, manufactures and supplies digital health technologies which address sub-optimal medication use and improve health outcomes in chronic disease.

### *Basis of Presentation*

This general purpose consolidated condensed financial report for the six months ended 31 December 2019 has been prepared in accordance with AASB 134 *Interim Financial Reporting and the Corporations Act 2001*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

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

As of December 31, 2019, the Group had net cash of \$378,000 (2018: \$4,093,000), recorded a loss before tax of \$4,481,000 (2018: \$8,647,000) and operating cash outflows of \$3,154,000 (2018: \$8,550,000) for the 6 months then ended. Subsequent to year end the Group has raised \$5,392,000 from the issuance of shares in a non-renounceable rights issue and related shortfall placements.

The Directors have approved cash flow forecasts. These forecasts indicate in order for the Group to meet its operating requirements for the 12 months from the date of authorisation of these financial statements, the Group must raise additional capital or alternative funding. The cash flow forecast indicates this additional funding would be required by the end of calendar year 2020.

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 raise additional capital or alternative funding until the Group is supported by cash flows from operations represents a material uncertainty that casts significant doubt over the Group's ability to continue as a going concern and therefore whether it will be able to realise its assets and discharge its liabilities in the normal course of business. Despite this uncertainty, the Directors are of the view that the Company will be successful in raising additional capital or alternative funding and accordingly have adopted the going concern basis for the preparation of this financial report.

This interim report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and operating, financing and investing activities of the consolidated entity as the full financial report. This interim financial report should be read in conjunction with the annual report of Adherium Limited for the year ended 30 June 2019 and considered together with any public announcements made by Adherium Limited in accordance with the continuous disclosure obligations of the *ASX Listing Rules*.

This interim financial report has been prepared using the same accounting policies as used in the annual financial statements of Adherium Limited for the year ended 30 June 2019 unless otherwise stated. This included accounting for convertible instruments under AASB 9 Financial Instruments, which was adopted by the Company in the year ended 30 June 2019. Where borrowings include a conversion option that does not meet the definition of equity, the portion of the borrowing that relates to the fair value of the conversion option is recognised as an embedded derivative. Changes in the fair value of the embedded derivative over time are recognised through profit and loss.

#### *New accounting standards adopted during the period*

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

The Group has applied the following for the first time in the current reporting period commencing 1 July 2019:

#### **AASB 16 Leases**

Effective for annual reporting periods commencing 1 January 2019, AASB 16 *Leases* replaces AASB 117 *Leases*. The new standard provides a single lessee accounting model, requiring lessees to recognise an asset (the right to use the leased item) and a financial liability to pay rentals across all leases. The only exemptions are where the lease term is 12 months or less, or the underlying asset has a low value. The right-of-use assets 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.

The Group has adopted AASB 16 *Leases* using the modified retrospective approach, meaning that comparatives have not been restated as permitted under the specific transition provisions in the standard.

On adoption of AASB 16 and throughout the current reporting period, the Group had no leases with a term greater than 12 months. Accordingly, no Right-of-Use assets or Lease Liabilities were recorded in the period to 31 December 2019.

## **2. 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 Company has therefore determined that one reportable segment exists for the Company's Halie<sup>®</sup> respiratory monitoring business.

## **3. Revenue**

Revenue in the six months to 31 December 2019 comprised \$900,000 for device sales and monitoring services (December 2018: \$305,000) and \$515,000 for new product design and engineering services (December 2018: \$681,000).

#### 4. Finance income (expense)

	Six months 31 Dec 2019 \$000	Six months 31 Dec 2018 \$000
Interest received	3	65
Finance expense on Secured Debt/Convertible Notes	(1,512)	-
Fair value loss (gain) on Notes conversion features	562	-
	<u>(947)</u>	<u>65</u>

#### 5. 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 and options over ordinary shares) 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.

	Six months 31 Dec 2019 \$000	Six months 31 Dec 2018 \$000
Profit (loss) after income tax attributable to equity holders	<u>(4,481)</u>	<u>(8,647)</u>
Weighted average shares outstanding (basic)	175,023,407	174,273,932
Weighted average shares outstanding (diluted)	175,023,407	174,273,932
Basic and diluted loss per share	<u>(2.6) cents</u>	<u>(5.0) cents</u>

#### 6. Property, plant and equipment

During the period, the Group acquired assets with a cost of \$17,000 (2018: \$207,000) in relation to manufacturing tooling.

#### 7. Convertible Notes

During the period to 31 December 2019 the Company issued Secured Debt Notes with a face value of \$2,926,000 and maturity date of 31 January 2020. The terms of the Notes included conversion features, which were subject to shareholder approval. These entitled the noteholders to convert the Notes and accrued interest to ordinary shares and options at a discount to the market price of the ordinary shares, or for the Notes and accrued interest to mandatorily convert to shares and options should the Company raise \$2.5m or more of capital prior to maturity. Shareholder approval of the conversion features was received in November 2019.

The Notes were accounted for as two separate liability components from their issue dates - 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 Notes, settlement is assumed to take place on 29 January 2020 with interest accruing at 9% to that date. At 31 December 2019 the carrying value of the Notes debt component at amortised cost was \$2,445,000.

The calculation of the fair value of the embedded derivative conversion option took into account the probability of shareholders approving the conversion features, the market price of the ordinary shares, potential discount options, and the fair value of options that would be granted on conversion. The fair value of the embedded derivative conversion option as at 31 December 2019 was estimated at \$1,431,000.

## 8. Share Capital

	Ordinary Shares	\$000
Share capital as at 30 June 2018	174,273,932	74,349
Cancellation of shares issued in employee share plan	(7,258,581)	-
Share capital as at 30 June 2019	167,015,351	74,349
Shares issued in employee share plans	7,016,635	-
Shares issued to Directors in lieu of fees	5,691,427	161
Share capital as at 31 December 2019	179,723,413	74,510

## 9. Related party transactions

Details of all related party transactions have been disclosed in the annual report for the year ended 30 June 2019. There have been no other new significant related party transactions during the interim period to 31 December 2019.

## 10. Contingencies and commitments

The Company had no contingencies or commitments to purchase any property, plant or equipment at 31 December 2019 (June 2019: nil).

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

	31 Dec 2019 \$000	30 Jun 2019 \$000
Not later than one year	24	74
Later than one year and not later than five years	-	-
Later than five years	-	-
	24	74

## 11. Events occurring after the balance sheet date

Subsequent to balance sheet date, Adherium completed a 1:1 non-renounceable rights issue and related shortfall placements, issuing 179,723,419 ordinary shares for cash of \$5,392,000. This capital raising met the threshold to mandatorily convert the Convertible Notes, and accordingly 137,597,321 ordinary shares and 27,519,467 options were issued to discharge the Convertible Notes on 29 January 2020.

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

# Directors' Declaration

In the opinion of the Directors of Adherium Limited:

- (a) The financial statements and notes set out on pages 5 to 12 are in accordance with the Corporations Act, including:
  - (i) Giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the financial period ended on that date; and
  - (ii) Complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
- (b) There are reasonable grounds to believe the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



**Mr T Lynch**  
**Chairman**

Dated this 27<sup>th</sup> day of February 2020

# Independent Auditor's Review Report



## Independent auditor's review report to the members of Adherium Limited

### *Report on the half-year financial report*

We have reviewed the accompanying half-year financial report of Adherium Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of changes in equity, consolidated statement of cash flows and consolidated statement of profit or loss and other comprehensive income for the half-year ended on that date, selected other explanatory notes and the directors' declaration.

### *Directors' responsibility for the half-year financial report*

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

### *Auditor's responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Adherium Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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# Independent Auditor's Review Report



## *Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Adherium Limited is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half-year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

## *Material uncertainty related to going concern*

We draw attention to Note 1 of the consolidated financial statements, which indicates the Group incurred a loss before tax of \$4,481,000 (2018: \$8,647,000) and operating cash outflows of \$3,154,000 (2018: \$8,550,000) for the half-year ended 31 December 2019.

The Group's ability to continue as a going concern is dependent on whether the Group can raise additional capital until the company is supported by cash flows from operations. These conditions along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our report is not modified in respect of this matter.

A handwritten signature in black ink that reads 'PricewaterhouseCoopers' in a cursive script.

PricewaterhouseCoopers

A handwritten signature in black ink that reads 'Scott Walsh' in a cursive script.

Scott Walsh  
Partner

Sydney  
27 February 2020

