ADHERIUM LIMITED

ABN 24 605 352 510
ASX: ADR

APPENDIX 4E

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2023

Adherium Limited provides the following information under listing rule 4.3A:

Details of the reporting period and the previous corresponding period

- Reporting period 12 months ended 30 June 2023
- Previous corresponding period 12 months ended 30 June 2022

Results for announcement to the market

	12 months 30 June 2023 $000	12 months 30 June 2022 $000	Change $000	Change %
Revenue from ordinary activities	3,195	529	2,666	504.0%
Profit (loss) from ordinary activities after tax attributable to members	(9,858)	(10,044)	186	1.9%
Net profit (loss) for the period attributable to members	(9,852)	(9,994)	142	1.4%
Dividends: Amount per Ordinary Share Franked amount per Ordinary Share	Nil Nil	Nil Nil		
Record date for determining entitlements to the dividends	N/A	N/A		
Net tangible asset backing per Ordinary Share	0.2 cents	0.2 cents		

Commentary on results

During the 12 months to 30 June 2023, Adherium built on its strong development program of the Hailie® sensor and software platform for both asthma and chronic obstructive pulmonary disease (COPD) medication inhalers by achieving its fourth US FDA 510(k) cleared next generation Hailie® sensor. Adherium is executing a clear strategy and growing market recognition of the digital remote patient monitoring opportunity as it advances the commercialisation of the Hailie® solution. The progress in executing our strategy in the 2023 financial year has seen significant developments which are building towards the future success of Adherium.

Financial commentary

- Revenue to 30 June 2023 was $3,195,000, compared with $529,000 in the prior year. The increase occurred across both sensors sales and engineering services on increased customer orders and new project income.

- Research and development activities to 30 June 2023 amounted to $4,725,000 compared with $5,877,000 in the prior year, the decreased expenditure reflecting the shift from external third parties to an internal development team and reduced employee expenses as the Company seeks to drive commercialisation.

- Sales and Marketing costs were $4,006,000 to 30 June 2023, compared with $944,000 in the prior year. This increase was a result of the investment in the partner platform integrations, expansion of activity in the United Stated and the United Kingdom in bringing the product to market.

- Administrative expenses decreased from $5,363,000 in year ended 30 June 2022 to $4,854,000 in the year ended 30 June 2023. Administrative payroll decreased from $1,654,000 in the prior year to $1,319,000 reflecting the focus on resource management. Non-cash costs included asset depreciation and amortisation expense of $191,000 compared to $186,000 in the prior year and net unrealised currency losses of $21,000 compared to an unrealised currency gain of $34,000 in the prior year relating to intercompany loan balances.

- In addition to the changes noted above, the loss for the year after tax was $9,858,000 compared to $10,044,000 in 2022. Key components of the decreased loss were the increase in revenue, decreased R&D spend, increase in interest income, movement in payroll that offset the increase in Sales and Marketing costs.

- Adherium ended the year to 30 June 2023 with cash of $9,077,000 compared to $5,283,000 in the prior year.

Dividends

The board has not declared dividends or made dividend payments in the periods ended 30 June 2022 and 2023. The Company does not have any dividend or distribution reinvestment plans in operation.

Details of entities over which control has been gained or lost

There have been no changes in control over entities in the year ended 30 June 2023.

Details of associates and joint venture

Adherium does not have any associates or joint ventures.

Audit status

This Appendix 4E and the included financial information are based on the audited financial statements, published on 30 August 2023 and prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board. The 30 June 2023 Annual Report has been audited and is not subject to audit dispute or qualification.

Dated at Melbourne, Victoria this 30th day of August 2023.

Signed in accordance with a resolution of the Directors:

Lou Panaccio

Chairman

Adherium Limited

2023 ANNUAL REPORT

adherium

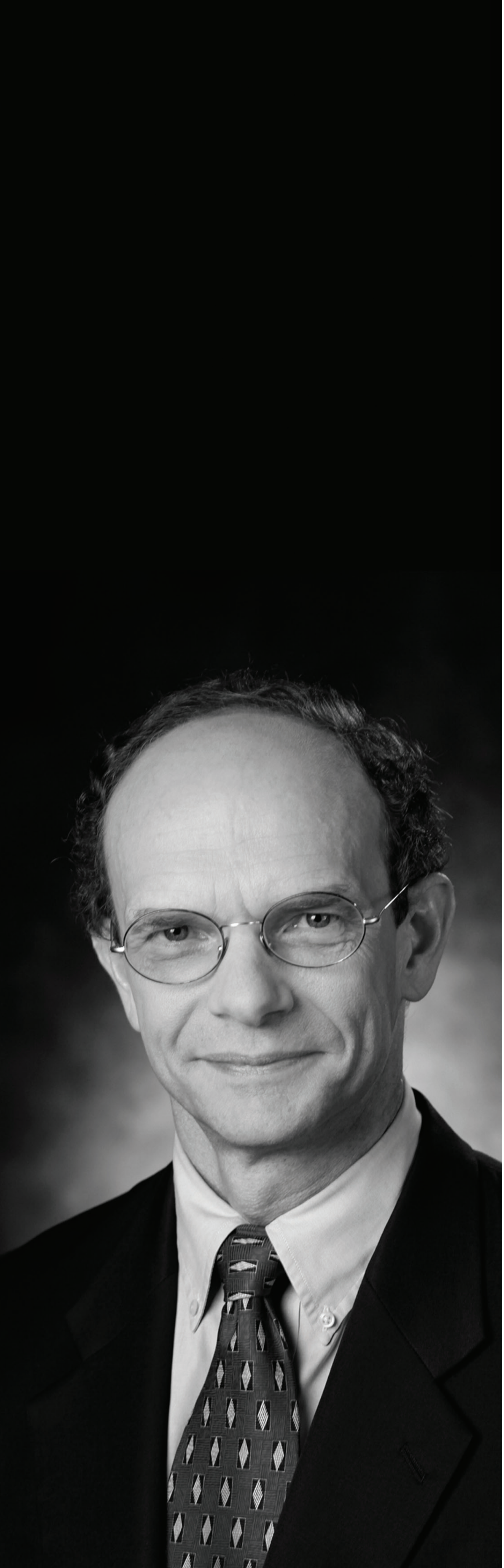
Adherium Limited ABN 24 605 352 510

Company Overview

Adherium Limited is a digital health company providing solutions for improving patient treatment with remote monitoring and data solutions. Its Hailie® system is transforming management of chronic respiratory conditions, especially asthma and chronic obstructive pulmonary disease. Hailie improves patient health through better adherence and self-management while enabling doctors to be paid for remote work and saving costs across health systems by avoiding hospital admissions. Adherium's clinically proven sensors, app and powerful data platform provide remote, real-time, personalised information to patients and clinicians. Adherium is increasing sales in US and other markets by pursuing partnerships with major hospital systems, medical groups and insurers. For more information, visit **www.adherium.com**.

Contents

Chairman's and CEO's Report



Dear Shareholders,

We are pleased to present the Chairman's and CEO's Report for the year ending 30 June 2023. It has been a transformational year at Adherium marked by major commercial, regulatory and operational advancements. With 25 million patients diagnosed with asthma in the US alone along with another 26 million diagnosed with COPD, the addressable market for lifelong, chronic respiratory disease in our primary market is 51 million patients. Remote patient monitoring is especially important to caring for the 8.5 million patients in the severe and difficult to treat category as our targeted serviceable market. Our unwavering commitment to improving outcomes and quality of life for those patients remains at the heart of all our endeavours.

The commercial strategy is focused on signing up scalable partners and customers to reach cash flow positive at less than 80,000 patients represents only one percent of the US 8.5 million serviceable patient market. With remote patient monitoring reimbursement available in the US, Adherium gets paid for generating and transmitting respiratory data. Our go-to-market strategy includes medical groups and remote monitoring companies with revenue from device sales and recurring monthly data fees and hospital systems and insurer channels with revenue from devices, data and value-based risk-share agreements. In our prior updates we highlighted Adherium's intention to ramp up commercialisaton of our technology portfolio; we are pleased to report that we have made major strides in this direction. The Hailie® platform is the culmination of over 20 years of research and development and clinical validation, and Adherium is uniquely positioned in the right environment with the right technology to deliver significant value to patients, clinicians and shareholders.

COVID-19 created a pivotal shift in the healthcare landscape, accelerating the adoption of medical technology and changing the ways patients engage with their healthcare providers. Telemedicine and remote monitoring are now firmly ingrained into healthcare worldwide. The value placed on remote patient care is reflected in specific reimbursement codes now available in the US to allow clinicians to proactively access new remote patient care options. Adherium's mission has always been to be the leading digital solution for remote respiratory monitoring through the integration of devices and data to optimise outcomes from user to payor. It is a result of this foresight that Hailie® sensors continue to be the only drug agnostic 510(k) approved sensors in the market capable of tracking physiological data. Hailie® technology is clinically proven to improve adherence and self-management that allow timely interventions and tailored treatment plans to greatly improve health outcomes while reducing the frequency of exacerbations and hospital admissions. Preventable hospitalisations in the US alone cost its health system US$34 billion annually and add unnecessary strain to already stretched clinicians.

Our commercial strategy remains resolute, focused on revolutionising healthcare by emphasising outcomes-based models. Adherium's partnership initiatives have gained substantial momentum, enabling us to make meaningful strides in patient care.

We have a clear commercial path. We seek to collaborate with large scale, value driven partners that share our outcomes-based model of patient care, while taking advantage of the favourable US reimbursement environment. Our initial focus is on the significant US market while leveraging additional market opportunities in the UK and Australia.

We have continued to make strong progress in our commercial strategy and have secured several strategic partnerships and established a pipeline of prospective customer contracts with medical groups, hospital systems and insurers. We believe this strategy enables Adherium to rapidly grow while improving healthcare outcomes for the most patients. A testament to this strategy is Adherium's latest partnership with Allergy Partners, the largest allergy and asthma practice in the US with more than 300,000 asthma patients across 130 sites. Allergy Partners will integrate Adherium's Hailie® platform into its care approach. This further solidifies our presence in the remote patient monitoring space.

Our partnership with CareCentra continues with the integration of Hailie® to its AI-driven behaviour shaping platform MyMoBeMap™, which analyses data to identify health risks to alert patients and clinicians of possible exacerbations that might result in emergency admissions. This combined with behavioural influencing is a new dimension of insights targeted toward changing patient care from reactive to preventative. We believe this will become the new standard of respiratory care and look forward to updating the market with our progress.

A key component in the commercial strategy is partnering with hospital systems and insurers where we can align incentives to create value-based, risk-share contracts. This approach not only drives meaningful scale but also focuses on health outcomes rather than just services delivered. This shift in healthcare models reinforces our commitment to driving transformative change.

In the UK, Adherium was awarded $880,000 by the NHS to deploy the Hailie® digital inhaler solution for asthma management of high-risk children aged 5-16 years in a primary care setting. We are partnering with our UK distribution partner Helicon Health to deliver this project. In June Adherium was selected by the Victorian Government to join a delegation to attend London Trade Week to showcase our company to an international audience, meet UK healthcare key stakeholders and to connect with existing and prospective customers. In Australia we are exploring opportunities in new models of care such as virtual hospitals where remote patient monitoring can be expanded to include asthma and COPD management.

Several key publications revealed the long-term cost effectiveness of digital inhaler adherence technologies in difficult to treat asthma while others looked at treating patients with digital inhalers to develop predictive models for asthma exacerbations and response to biologics using data collected from these devices. These studies reinforce the strategic path the company is now following and into the future as AI gathers pace and software as a medical device (SaMD) becomes the next stage of the Hailie® platform.

Our strategic partnerships run in parallel with the expansion of our regulatory footprint to drive Adherium's market reach forward. In our pursuit of regulatory excellence we are proud that we achieved three additional US FDA 510(k) clearances during the year for our new, next-generation Hailie® sensors with physiological parameters that connect to GlaxoSmithKline (GSK) Ellipta® dry powder inhalers, GSK Ventolin®, Advair® and Flovent® pMDIs and the Teva Pharmaceutical Industries pMDIs. This strengthens our regulatory footprint and underscores our commitment to being a drug agnostic, respiratory digital health provider.

Now following a total of four US FDA 510(k) market clearances of the next generation Hailie® sensors, Adherium progressed to 79% coverage for sensors capturing physiological data such as inhalation flow rate, and 91% coverage for adherence tracking of US top 20 branded inhaler medications by sales volume. Hailie® is the only FDA 510(k) cleared drug agnostic digital sensor available today to offer physiological data insights on inhaler technique.

In January 2023, we also received UK Medicines and Healthcare products Regulatory Agency (MHRA) and Australian Therapeutic Goods Administration (TGA) approval to commercially distribute the next-generation Hailie® sensors.

Further in January 2023 we commenced commercial production and market release of our GSK Ellipta® sensors. Our Hailie® platform continues to evolve, demonstrating clinical effectiveness with impressive adherence rates and reduced exacerbations. Updates to the Hailie® portal this year included a new dynamic patient triage dashboard based on a severity matrix and prioritises those that need assistance and a new patient dashboard that can provide individual billing reports and overall improvements to the real-time management of the Hailie® end user.

The Hailie® app and portal software platform provide real-time feedback to patients and physicians, leveraging data to influence behaviour and drive interventions. This approach has been shown to reduce hospital admissions and improve quality of life for patients.

With each patient onboarded onto the Hailie® platform we generate revenue from the sensor sales and recurring data fees for use of the Hailie® platform to generate and transmit data. This continued expansion snowballs our momentum towards becoming cash flow positive.

This financial year we successfully completed a capital raise involving a Share Purchase Plan, during which Adherium raised $13.81 million in funds from new and existing institutional, sophisticated and retail investors, and included cornerstone investments from existing shareholders Trudell Medical and BioScience Managers Translation Fund 1. The funds will be used to pursue Adherium's commercial opportunities and in turn improve its value proposition to patients, customers and shareholders.

Key appointments this year include Mr Daniel Kaplon as Chief Financial Officer in October 2022. His wealth of experience in healthcare and operations strengthens our senior management team.

The past 12 months have seen Adherium achieve important milestones in commercial partnerships, regulatory advancements and operational execution. The year ahead will continue our focus on driving scale as we establish and build upon existing and new customer relationships.

Our commitment to transforming healthcare remains steadfast and our focus on outcomes-based models is reshaping the industry. As we continue to pioneer innovative solutions for respiratory care, we know we are making a lasting impact on patient well-being.

We strongly believe the Hailie® platform has the potential to transform patient care on a large scale. Adherium seeks to be a leader in digital health and our strategic path is clear. We thank the Adherium team for their weighty efforts this year in realising the company's commercial, regulatory and operational goals. To our partners and shareholders, thank you for your continued support and belief in our vision for a new standard of healthcare. The coming year is full of opportunities for Adherium and we look forward to sharing our progress. Together, we are creating a world where every breath counts

Lou Panaccio
Non-Executive Chairman

Rick Legleiter
Group CEO

"Adherium progressed to 79% coverage for sensors capturing physiological data such as inhalation flow rate, and 91% coverage for adherence tracking of US top 20 branded inhaler medications by sales volume."

Director's Report

2023 at a Glance

Revenue

$3.195m

▲ 504%

Cash

$9.077m

▲ 71.8%

Commercial

Commercial developments with CareCentra, UK NHS and Allergy Partners

Number of new FDA 510(k) clearances

3 sensors

2022: 1 sensor

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 2023, 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 66.
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 George Baran, MBA. Age 63.
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 Phamasystems, 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 74.
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 60.
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 Correvio 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 65.
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). 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 and Pharmamark Nutrition (nutritional foods). 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 James Ward-Lilley, BA (Hons), MBA was an Independent Non-Executive Director until his resignation on 30 November 2022.

Company Secretary

Mr Brett Tucker, B.Com. CA Age 38.
Company Secretary
Appointed 4 May 2023.

Mr Tucker holds a Bachelor of Commerce from the University of Western Australia and has completed the Chartered Accountant program. With over 10 years' experience in governance and equity capital markets, he has been a company secretary for numerous ASX listed and unlisted public & private companies across a range of industries, including technology and healthcare.

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	9	8	7	7	1	1
James Ward-Lilley	6	4	-	-	-	-
George Baran	9	8	-	-	-	-
Jeremy Curnock Cook	9	8	-	-	1	1
William Hunter	9	4	-	-	-	-
Bruce McHarrie	9	7	7	7	-	-

 # 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 2023 as noted:

Committee	Membership
Audit & Risk	Bruce McHarrie (Chair), Non-Executive Director Lou Panaccio, Non-Executive Director James Ward-Lilley, Non-Executive Director (until resignation 30 November 2022)
Nomination & Remuneration	Jeremy Curnock Cook (Chair), Non-Executive Director Lou Panaccio, Non-Executive Director (appointed 25 February 2022) James Ward-Lilley, Non-Executive Director (until resignation 30 November 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 2023 was $9,858,000.

No dividends were paid, declared or recommended during the year ended 30 June 2023.

Review of Operations

During the 12 months to 30 June 2023, Adherium built on its strong development program of the Hailie® sensor and software platform for both asthma and chronic obstructive pulmonary disease (COPD) medication inhalers by achieving its fourth US FDA 510(k) cleared next generation Hailie® sensor. Adherium is now well placed with a clear strategy and growing market recognition of the digital remote patient monitoring opportunity as it advances the commercialisation of the Hailie® solution.

The progress in executing our strategy in the 2023 financial year has seen significant developments which are building towards the future success of Adherium.

Capital Raising Activities

- In the course of the year a total of $13.8 million was raised by a placement and a share purchase plan which was completed in January 2023. The raising was strongly supported by existing investors including BioScience Managers Translational Fund 1, Trudell Medical and several investors new to Adherium. These funds will be directed towards commercialisation and the Research and Development roadmap.

These funds are to support the commercialisation objectives namely in sales, marketing and business development, together with continued product development and working capital.

US and UK Partnerships

- Collaboration agreement with US-based Allergy Partners to transform asthma management for its more than 300,000 patients across 130 sites in 20 states. Allergy Partners is the largest allergy and asthma practice in the USA.
- The CareCentra partnership integrating the Hailie® platform for major hospital systems is entering its next phase for digital sensors to be deployed to patients. The outcomes are expected to support value propositions around improved patient outcomes, reduced costs to treat, and access to reimbursement.
- Being awarded by the UK NHS a pathfinder service development project valued at $880,000 to deploy the Hailie® digital inhaler solution for asthma management of high-risk children aged 5-16 years in a primary care setting and partnering with our UK distribution partner, Helicon Health in delivering this project.
- Following the announcement in August 2022 of a partnership agreement with Dulcian Health to integrate and deploy the Hailie®, platform integration gathers pace and is approaching a soft launch.

These agreements represent significant progress in Adherium's path to commercialisation, particularly in the US market. Adherium is entering a new stage of business roll-out and committed to creating a world where every breath counts.

Key Regulatory Achievements

- In July 2022, Adherium announced it had received U.S. Food and Drug Administration (FDA) 510(k) clearance to market its second next generation Hailie® sensor with physiological parameters for monitoring asthma and COPD medication use. That sensor, designed for use with the GlaxoSmithKline (GSK) Ellipta® dry powder inhaler follows on from the first FDA 510(k) clearance in September 2021 for Astra Zeneca's Symbicort® pMDI inhaler.
- Having submitted an application in August 2022, Adherium announced in November 2022 that it received FDA 510(k) clearance for its third sensor to connect GSK Ventolin®, Advair® and Flovent® pMDI users with its new, next-generation Hailie® sensor with physiological parameters.
- In January 2023, the Company received Australian Therapeutic Goods Administration (TGA) approval to commercially distribute its next-generation Hailie® sensor for both the GSK and AstraZeneca inhaler medications.
- Adherium announced in March 2023, it has received FDA 510(k) clearance for the next-generation Hailie® sensor for use with Teva Pharmaceutical Industries (Teva) pMDIs.

The regulatory strategy has progressed with now four US FDA 510 (k) clearances for its Hailie® sensor equipped with physiological parameters. Hailie® is the only FDA 510(k) cleared drug agnostic digital sensor available today to offer physiological insights on inhaler technique.

Senior Management and Board Appointments

- In October 2022, Daniel Kaplon was appointed as Chief Financial Officer based in Melbourne, Australia. With over 25 years of experience in healthcare and manufacturing related companies as well as co-founding two medical device start-ups, Mr Kaplon bring finance, operations and commercial expertise in both ASX-listed and large private companies.

With this appointment, Adherium looks to capitalise on the commercial opportunities of the Hailie® sensor and integrated digital platform, having in place the right team and regulatory foundation.

Financial commentary

- Revenue to 30 June 2023 was $3,195,000, compared with $529,000 in the prior year. The increase occurred across both sensors sales and engineering services on increased customer orders and new project income.
- Research and development activities to 30 June 2023 amounted to $4,725,000 compared with $5,877,000 in the prior year, the decreased expenditure reflecting the shift from external third parties to an internal development team.
- Sales and Marketing costs were $4,006,000 to 30 June 2023, compared with $944,000 in the prior year. This increase was a result of the investment in the CareCentra platform integration, expansion of activity in the United Stated and the United Kingdom in bringing the product to market.
- Administrative expenses decreased from $5,363,000 in year ended 30 June 2022 to $4,854,000 in the year ended 30 June 2023. Administrative payroll decreased from $1,654,000 in the prior year to $1,319,000 reflecting the focus on resource management. Non-cash costs included asset depreciation and amortisation expense of $191,000 compared to $186,000 in the prior year and net unrealised currency gains of $21,000 compared to an unrealised currency loss of $34,000 in the prior year relating to intercompany loan balances.
- In addition to the changes noted above, the loss for the year after tax was $9,858,000 compared to $10,044,000 in 2022. Key components of the decreased loss were the increase in revenue, decreased R&D spend, increase in interest income, and reduced payroll that offset the increase in Sales and Marketing costs.
- Adherium ended the year to 30 June 2023 with cash of $9,077,000.

Managing the risks associated with our strategy

In developing, refining and executing on our strategy the Company constantly assesses the key risks to our business and puts in place controls and strategies to mitigate these risks in an appropriate manner. The Company is aware of the macro-economic risks impacting the environment that we operate, as well as the risk factors that pertain to medical device companies and other factors impacting Adherium. Where the risk relates to factors within the control of management, we make further comments. These risk factors are not exhaustive and other risks may impact the value of the investment that shareholders in the Company.

Business risks

Retention of Key Personnel

The Company's success depends on retaining its key management personnel, and attracting suitably qualified, new personnel. There is no guarantee that Adherium will be able to attract and retain suitably qualified management and technical personnel. A failure to do so could materially and adversely affect the Company, its operating results and financial prospects.

Limited Cash

The Company will have to raise more money to finance technology development, commercialisation and deployment of its products and other longer-term objectives. Such fundraising may dilute Shareholders, may be on terms unfavourable to the Company or may not be available at all.

Commercialisation

The Company's business operations are at pivotal stage of commercialisation which has yet been proven at scale. The Company's success will depend on the Company's ability to implement its business plan and the ability to commercialise the Company's products.

Competition

There can be no assurance that the Company will be able to match or compete with the efforts or funding of competitors that release competing products to market. Adherium is focussed on maintaining and developing strong relationships with health care providers and payors, being able to innovate and respond to changing market needs.

Cybersecurity

The Company's products, services and systems may be used in critical company, customer or third-party operations, or involve the storage, processing and transmission of sensitive data, including valuable intellectual property, other proprietary or confidential data, regulated data, and personal information of employees, customers and others. Successful breaches, employee malfeasance, or human or technological error could result in, for example, unauthorised access to, disclosure, modification, misuse, loss, or destruction of company, customer, or other third party data or systems; theft of sensitive, regulated, or confidential data including personal information and intellectual property; the loss of access to critical data or systems through ransomware, destructive attacks or other means; and business delays, service or system disruptions or denials of service. Adherium has in place various protections in order to take all reasonable steps to protect its data from unauthorised access, loss or modification.

Regulatory Approvals and Restrictions

The regulatory requirements for Adherium's Hailie® solution and any other developed products will depend on the local policies of the ministry of health or similar government agency in the jurisdictions in which it intends to operate (for example TGA in Australia and FDA in the US, etc.) and may be different from country to country. In some countries, Adherium's products may be subject to continuing regulation including quality assurance, ongoing monitoring and reporting, and restrictions on promoting or advertising its products. Some of these regulations change over time and are enforced unpredictably. Meeting such regulatory compliance may prove expensive and may reduce Adherium's profitability. Failure by the Company to comply with applicable regulations may subject it to enforcement actions such as warning letters, fines, or other penalties. Such failure may also attract negative publicity to Adherium and could harm Adherium's reputation and adversely impact its ability to develop its business. There is also the risk that company IP is challenged or not adequately protected.

Liability and Lawsuits

Medical device companies can be subject to claims alleging negligence, product liability, breach of warranty or malpractice that may involve large claims and significant defence costs whether or not such liability is imposed. These claims may be brought by individuals seeking relief for themselves or, increasingly, by groups seeking to represent a class. There are no such claims against the Company.

Other Risks

This list of risk factors above is not an exhaustive list of the risks faced by Adherium or by investors in the Company. The risk factors described in this Section as well as risk factors not specifically referred to above may in the future materially affect the financial performance of the Company and the value of its Shares.

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 2023.

Events since the end of the Financial Year

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 and CEO's Report on pages 2 to 5.

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 2023 is:

Director	Ordinary Shares	Options over Ordinary Shares
Lou Panaccio	20,000,000	10,000,000
George Baran*	1,103,080,272	350,485,950
Jeremy Curnock Cook	2,992,539	-
William Hunter	3,412,539	-
Bruce McHarrie	3,077,392	-

** 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 cease 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
$0.010000	1,350,000,000	1,350,000,000	31 March 2024
$0.010000	31,500,000	31,500,000	31 March 2024
$0.021900	27,519,467	27,519,467	29 January 2027
$0.040000	17,176,559	17,176,559	14 April 2027
Outstanding at 31 August 2023	**1,426,196,026**	**1,426,196,026**	

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:

Name	SARs	Value	Date
Rick Legleiter	148,977,337	$1,043,373	20 September 2021

During the year ended 30 June 2023 and to the date of this report no Directors of the Company or any other key management personnel of the Group were granted options. The following Directors received options in relation to share subscriptions during the year:

Name	Total Number of Options	Exercise Price	Expiry Date
Lou Panaccio	10,000,000	$0.01	31 March 2024
George Baran[1]	340,000,000	$0.01	31 March 2024

1. The registered holder of the options is Trudell Medical Limited, in which the director has a 33.33% beneficial interest.

Details of fully paid ordinary shares issued on exercise of options in the year to 30 June 2023 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 2022 and 2023. Fees were paid to RSM in the year ended 30 June 2023, prior to their appointment as auditor for the preparation of an Independent Expert's Report relating to the capital raise.

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

Details of key management personnel

Remuneration governance

Executive remuneration policy and framework

Relationship between remuneration and Group performance

Non-Executive director remuneration policy

Details of remuneration of key management personnel

Service agreements

Details of share-based compensation

Equity instruments held by key management personnel

Other transactions with key management personnel

Remuneration Report (Audited)

The Directors present the Group's 2023 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 2023.

(i) Non-Executive and Executive Directors

- Lou Panaccio — Non-Executive Chairman (appointed 25 February 2022)
- 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)
- James Ward-Lilley — Non-Executive Director (resigned 30 November 2022)

(ii) Other key management personnel

- Rick Legleiter — Chief Executive Officer (appointed 13 May 2021)
- Daniel Kaplon — Chief Financial Officer (appointed 10 October 2022)
- Geoff Feakes — Chief Technology Officer (appointed 3 August 2020)

(iii) Changes since the end of the reporting period

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.

In the previous year ended 30 June 2022, the Company issued Stock Appreciation Rights (SARs) to its CEO as a long-term incentive focused 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. There were no SARs issued during the year to 30 June 2023.

Three tranches of SARs were issued, the first vesting immediately in September 2021 and the remaining two tranches vesting over the the next two 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 pursues commercialisation having gained relevant regulatory approvals for its technologies, 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 2023 the Group incurred a loss after tax of $9,858,000 (0.2 cent loss per share). In the year to 30 June 2023 the Company's shares traded between 0.2 and 1.1 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 2023.

The table below sets out summary information about the Group's earnings and movements in shareholder wealth for the past five (5) years to 30 June 2023:

	30 June 2023	30 June 2022	30 June 2021	30 June 2020	30 June 2019
Total revenue $000s	3,195	524	401	2,218	2,779
Net loss before tax $000s	(9,858)	(10,044)	(15,036)	(11,397)	(11,794)
Net loss after tax $000s	(9,858)	(10,044)	(15,036)	(11,397)	(11,794)
Share price at start of year	$0.007	$0.017	$0.024	$0.029	$0.120
Share price at end of year	$0.003	$0.007	$0.017	$0.024	$0.029
Basic/diluted loss per share	(0.2) cents	(0.5) cents	(1.7) cents	(3.6) cents	(6.8) cents

(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 2023	Short Term Benefits			Post-Employment Benefits
	Salaries & Fees $	Bonus $	Insurance & Other $	Superannuation $
Directors' remuneration				
Lou Panaccio	100,000	-	-	10,500
James Ward-Lilley[1]	20,833	-	-	-
George Baran	50,000	-	-	-
Jeremy Curnock Cook	50,000	-	-	-
William Hunter	50,000	-	-	-
Bruce McHarrie	50,000	-	-	5,250
Sub-total Directors	**320,833**	**-**	**-**	**15,750**
Executives' remuneration				
Rick Legleiter	275,017	28,938	-	28,877
Daniel Kaplon[2]	189,345	23,668	-	19,881
Geoff Feakes	241,308	48,525	-	25,337
Mark Licciardo[3]	6,504	-	-	-
Rob Turnbull[4]	167,959	37,930	-	6,867
Brett Tucker[5]	10,400	-	-	-
Sub-total executives	**890,533**	**139,060**	**-**	**80,963**
Total key management personnel	**1,211,366**	**139,060**	**-**	**96,713**

1. On 30 November 2022 James Ward-Lilley resigned as a director.
2. Daniel Kaplon was appointed CFO on 10 October 2022.
3. Mark Licciardo resigned as Joint Company Secretary on 4 July 2023.

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.

	Incentive Share-based Payments			
Severance $	Value of Options/SARs/ Loan Funded Shares[5] $	Total $	Performance Related Remuneration %	Fixed Remuneration %
-	-	110,500	-	100%
-	14,252	35,085	41%	59%
-	-	50,000	-	100%
-	-	50,000	-	100%
-	-	50,000	-	100%
-	-	55,250	-	100%
-	**14,252**	**350,835**		
-	131,070	463,902	34%	66%
-	-	232,894	10%	90%
-	58,365	373,535	29%	71%
-	-	6,504	-	100%
106,404	12	319,172	12%	88%
-	-	10,400	-	100%
106,404	**189,447**	**1,406,406**		
106,404	**203,700**	**1,757,241**		

4. Rob Turnbull resigned as General Manager on 22 December 2022 and as Joint Company Secretary on 4 May 2023.
5. Brett Tucker as appointed as Company Secretary on 4 May 2023.

	Incentive Share-based Payments			
Severance $	Value of Options/ Loan Funded Shares[6] $	Total $	Performance Related Remuneration %	Fixed Remuneration %
-	-	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.

(g) Service agreements

Joint Company Secretary - Mr Mark Licciardo
Mr Licciardo provides company secretarial and corporate governance services under a service arrangement between the Company and Acclime Corporate Services Australia Pty Ltd, a company associated with Mr Licciardo. This arrangement concluded on 6 July 2023 on the resignation of Mr Licciardo.

Joint Company Secretary - Mr Rob Turnbull
Mr Turnbull provides company secretarial and corporate governance services under a service arrangement between the Company and Mercurium Ltd, a company associated with Mr Turnbull. This arrangement concluded on 4 May 2023 on the resignation of Mr Turnbull.

Company Secretary - Mr Brett Tucker
Mr Tucker provides company secretarial and corporate governance services under a service arrangement between the Company and Automic Company Secretarial Pty Ltd, a company associated with Mr Tucker. This arrangement commenced on 4 May 2023 following the resignation of Mr Turnbull.

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]
Rick Legleiter	No fixed term	6 months	A$275,000
Geoff Feakes	No fixed term	4 months	A$241,280
Daniel Kaplon	No fixed term	4 months	A$260,000

1. The notice period applies without cause equally to either party unless otherwise stated.
2. Base salaries quoted are annual as at 30 June 2023; 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 2023.

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 2023 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 2023 the board made no offers to key management personnel under the Plans.

Short-Term Incentive scheme (STI)
In the year to 30 June 2023, the Company issue shares to key management personnel under individual employment agreements as follows:

Key Management Personnel	Date	Shares	Price	Value
Geoff Feakes	8 December 2022	2,991,989	$0.004054	$12,130
Rob Turnbull[1]	8 December 2022	2,750,751	$0.004054	$11,152
		5,742,740		**$23,282**

1. Resigned as General Manager on 22 December 2022.

Stock Appreciation Rights (SARs)
In the year ended 30 June 2023, the Company issued Stock Appreciation Rights (SARs) to its CEO as a long-term incentive is as follows:

Key Management Personnel	SARs	Base Price	Term	Vesting	Total Value[1]	2023 Expense Allocation
Rick Legleiter	69,168,049	$0.016	10 years	Immediate	$670,930	-
Rick Legleiter	53,206,192	$0.016	10 years	2 years[2]	$260,710	$131,070

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 $0.064 and $0.096 in the following two years respectively.

For the year ended 30 June 2023, SARs expense allocation was $131,070 (2022: $831,723) and on 20 September 2022, 26,603,096 SARs lapsed.

(i) Equity instruments held by key management personnel

Shareholdings
The numbers of ordinary shares in the Company held during the year to 30 June 2023 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	-	20,000,000	-	20,000,000
James Ward-Lilley	3,599,611	-	-	3,599,611[3]
George Baran	423,080,272	680,000,000	-	1,103,080,272[4]
Jeremy Curnock Cook	2,992,539	-	-	2,992,539
William Hunter	3,412,539	-	-	3,412,539
Bruce McHarrie	3,077,392	-	-	3,077,392
Geoff Feakes	22,238,116	25,000	2,991,989[2]	25,255,105
Rob Turnbull	2,597,035	-	2,750,751[2]	5,347,786[3]
Adherium ESP Ltd (trustee directors)[1]	35,849,066	-	2,970,039[2]	38,819,105

1. Ordinary shares held on behalf of employees in the capacity of trustee of the Company's Employee Share Plan (Trustee directors: Bruce McHarrie, Geoff Feakes, Daniel Kaplon).
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 2023 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	Exercised	Lapsed	Balance at the end of the year	Vested	Vested and exercisable	Vested and unexercisable
James Ward-Lilley[1]	10,000,000	-	-	-	10,000,000	10,000,000	10,000,000	-
George Baran[2]	10,485,950	340,000,000	-	-	350,485,950	350,485,950	350,485,950	-
Lou Panaccio	-	10,000,000	-	-	10,000,000	10,000,000	10,000,000	-
William Hunter	1,500,000	-	-	1,500,000	-	-	-	-

1. Resigned 30 November 2022.
2. 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 2023.

End of audited Remuneration Report.

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

Lou Panaccio
Non-Executive Chairman

Melbourne
30 August 2023

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Adherium Limited and its controlled entities for the year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RSM AUSTRALIA PARTNERS

B Y CHAN
Partner

Dated: 30 August 2023
Melbourne, Victoria

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Financial Statements

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2023

	Notes	June 2023 $000	June 2022 $000
Continuing Operations			
Sales	5	3,195	529
Cost of sales		(670)	(207)
Gross profit		2,525	322
Other income - R&D tax credit	7	1,838	2,807
Manufacturing support		(833)	(1,012)
Research and development costs		(4,725)	(5,877)
Sales and marketing costs		(4,006)	(944)
Administrative expenses		(4,854)	(5,363)
Operating loss		(10,055)	(10,067)
Finance income		203	24
Finance expense		(6)	(1)
Finance income (cost) - net		197	23
Loss before income tax		(9,858)	(10,044)
Income tax credit (expense)	7	-	-
Loss for the period attributable to equity holders		(9,858)	(10,044)
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		6	50
Other comprehensive income for the period, net of tax		6	50
Total comprehensive loss for the period		(9,852)	(9,994)
Total comprehensive loss attributable to: Equity holders of Adherium Limited		(9,852)	(9,994)
Basic and diluted loss per share	8	(0.2) cents	(0.5) cents

The accompanying notes form part of the financial statements.

Consolidated Statement of Financial Position as at 30 June 2023

	Notes	June 2023 $000	June 2022 $000
ASSETS			
Current assets			
Cash and cash equivalents	*9*	9,077	5,283
Trade and other receivables	*10*	1,968	1,593
Inventories	*11*	1,239	1,071
Prepayments		228	272
Total current assets		12,512	8,219
Non-current assets			
Property, plant and equipment	*12*	127	227
Intangible assets	*13*	-	1
Right-of-use assets	*13*	42	86
Total non-current assets		169	314
Total assets		12,681	8,533
LIABILITIES			
Current liabilities			
Trade and other payables	*14*	2,768	1,697
Income received in advance	*15*	655	1,214
Lease liabilities	*19*	44	42
Total current liabilities		3,467	2,953
Non-current liabilities			
Lease liabilities	*19*	-	43
Total non-current liabilities		-	43
Total liabilities		3,467	2,996
EQUITY			
Share capital	*16*	123,617	110,523
Accumulated deficit		(93,287)	(83,429)
Other reserves		(21,116)	(21,557)
Total equity		9,214	5,537
Total liabilities & equity		12,681	8,533

The accompanying notes form part of the financial statements.

Consolidated Statement of Changes in Equity for the year ended 30 June 2023

	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 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)
Transactions with owners:						
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
Loss for the period	-	(9,858)	-	-	-	(9,858)
Other comprehensive income	-	-	-	6	-	6
Total comprehensive loss	-	(9,858)	-	6	-	(9,852)
Transactions with owners:						
Shares and options issued in placements and SPP	13,815	-	-	-	-	13,815
Share and option grants for services	23	-	434	-	-	457
Share issue costs	(744)	-	-	-	-	(744)
Equity as at 30 June 2023	123,617	(93,287)	5,749	669	(27,535)	9,214

The accompanying notes form part of the financial statements.

Consolidated Statement of Cash Flows for the year ended 30 June 2023

	Notes	June 2023 $000	June 2022 $000
Cash flows from operating activities:			
Receipts from customers		2,356	809
Research and development tax incentive receipts		1,638	1,997
Interest received		203	24
Interest paid		(6)	(1)
Payments to employees		(6,921)	(5,918)
Payments to suppliers		(6,549)	(6,521)
Net cash provided from (used in) operating activities		(9,279)	(9,610)
Cash flows from investing activities:			
Purchase of property, plant and equipment		(41)	(279)
Net cash used in investing activities		(41)	(279)
Cash flows from financing activities:			
Proceeds from the issue of shares		13,815	-
Payment of capital raising costs		(744)	-
Net cash provided from financing activities		13,071	-
Net increase (decrease) in cash		3,752	(9,889)
Cash at the beginning of the year		5,283	15,178
Effect of exchange rate changes on cash balances		42	(6)
Cash at the end of the year	*9*	9,077	5,283
Reconciliation with loss after income tax:			
Loss after income tax		(9,858)	(10,044)
Non-cash and non-operating activities items requiring adjustment:			
Depreciation	*12*	145	181
Amortisation of intangible and right-of-use assets	*13*	46	5
Property, plant and equipment (gain) loss on disposal		-	(1)
Share-based compensation expense		492	1,145
Shares granted for services		23	351
Foreign exchange (gain)		(19)	33
Changes in working capital:			
Trade and other receivables		(302)	(1,185)
Inventories		(147)	(144)
Trade and other payables		906	(528)
Income received in advance		(566)	577
Net cash provided from (used in) operating activities		(9,279)	(9,610)

The accompanying notes form part of the financial statements.

Notes to the Consolidated Financial Statements for the year ended 30 June 2023

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 2023 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 30 August 2023.

2. Basis of Preparation

This general purpose consolidated financial report for the twelve months ended 30 June 2023 has been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the Group incurred a loss of $9,858,000 and had net cash outflows from operating activities of $9,279,000 for the year ended 30 June 2023.

These factors indicate a material uncertainty which may cast significant doubt as to whether the Group will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The Directors believe that there are reasonable grounds to believe that the Group will be able to continue as a going concern, after consideration of the following factors:

- The Group is anticipating additional customer contracts and associated sales revenues over the next 12 months
- The Group is anticipating the receipt of a research and development claim of $1,377,000 in December 2023 *(refer note 7)*
- The Group intends to further reduce payroll and operational costs; and
- The Group has a proven track record of raising funds and is confident of being able to raise further funds, if required.

Accordingly, the Directors believe that the Group will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the Group does not continue as a going concern.

(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 recogniton 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) 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.

(iii) Recognition of deferred tax assets

As at 30 June 2023, the Company has not recognised as an asset tax loss 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 and monitoring services

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. Monitoring services are billed monthly in arrears based on contracted terms and conditions.

(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 in 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 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 include 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 2023 $000	June 2022 $000
New Zealand and Australia	85	200
South-East Asian Countries	42	110
Other Countries	-	4
	127	314

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

Location of customer sales	June 2023 $000	June 2022 $000
New Zealand and Australia	27	7
Europe	2,632	355
North America	536	167
	3,195	529

b) Major customers

Revenues are derived from major external customers as follows:

Major customers	June 2023 $000	June 2022 $000
Customer A group entities	1,507	396

5. Revenue

Income from continuing operations:	June 2023 $000	June 2022 $000
Sensor sales and monitoring services	1,881	294
New product design and engineering services	1,314	235
	3,195	529

Revenue by geographic location is disclosed in note 4.

6. Expenses

Loss before income tax includes the following specific expenses:	June 2023 $000	June 2022 $000
Fees paid to PricewaterhouseCoopers for:		
- audit of the financial statements	-	99
- interim report review	48	40
Fees paid to RSM for:		
- audit of the financial statements	50	-
- interim report review	-	-
Fees paid to PricewaterhouseCoopers for non-audit services:		
- fees in respect of other advice and services	-	-
Fees paid to RSM for non-audit services:		
- fees in respect of other advice and services	20	-
Total fees to PricewaterhouseCoopers and RSM	118	139
Depreciation and amortisation	191	186
Directors' remuneration		
- director fees	337	361
- share-based compensation	14	42
Total Directors' remuneration	351	403
Employee benefits expense		
- wages and salaries	6,469	5,641
- superannuation expense	426	302
- share-based compensation	393	1,102
Total employee benefits expense	7,288	7,045
Foreign exchange loss (gain)	(19)	33
Operating lease costs	98	139

7. Income tax

	June 2023 $000	June 2022 $000
Current tax	-	-
Deferred tax	-	-
Income tax expense	-	-
Numerical reconciliation of income tax expense to prima facie tax payable (receivable):		
Loss before income tax	(9,858)	(10,044)
Tax calculated at domestic tax rates	(2,624)	(2,877)
Tax effects of:		
Expenses not deductible for tax purposes	(276)	(388)
Under (over) provision in prior year	688	895
Deferred tax assets not recognised (note 17)	2,212	2,370
Income tax expense	-	-

The weighted average applicable tax rate was 27% (2022: 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 recognised an amount of $1,838,000 in relation to the R&D Tax Incentive Offset scheme for income tax year 2023. As at 30 June 2023, $1,377,000 was accrued for the 2023 income tax year (2022: $1,173,000).

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 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 2023 $000	June 2022 $000
Profit (loss) after income tax attributable to equity holders	(9,858)	(10,044)
Weighted average shares outstanding (basic)	4,083,068,279	2,173,918,843
Weighted average shares outstanding (diluted)	4,083,068,279	2,173,918,843
Basic and diluted loss per share	(0.2) cents	(0.5) cents

9. Cash and cash equivalents

	June 2023 $000	June 2022 $000
Cash at bank and on hand	1,042	315
Deposits at call	8,035	4,968
	9,077	5,283

10. Trade and other receivables

	June 2023 $000	June 2022 $000
Trade receivables and accruals	602	302
Allowance for expected credit losses	(63)	-
R&D tax credit receivable	1,377	1,173
GST and other taxes receivable	15	62
Security deposits	37	56
	1,968	1,593

Allowance for expected credit loss
The consolidated entity has recognised a loss of $63,000 in profit or loss in respect of the expected credit losses for the year ended 30 June 2023.

The ageing of receivables and allowance for expected credit losses provided for above are as follows:

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	June 2023 %	June 2022 %	June 2023 $000	June 2022 $000	June 2023 $000	June 2022 $000
Not overdue	-	-	109	-	-	-
0 to 3 months overdue	-	-	430	283	-	-
3 to 6 months overdue	100%	-	8	12	8	-
Over 6 months overdue	100%	-	55	7	55	-
			602	302	63	-

	June 2023 $000	June 2022 $000
Opening balance	-	-
Additional provisions recognised	(63)	-
Receivables written off during the year as uncollectable	-	-
Unused amount reserved	-	-
Closing balance	(63)	-

11. Inventories

	June 2023 $000	June 2022 $000
Raw materials and components	835	981
Provision for obsolescence	(69)	(21)
Finished goods	473	111
	1,239	1,071

12. Property, plant and equipment

	Manufacturing Equipment $000	Computer Equipment $000	Fixtures & Fittings $000	Office Equipment $000	Total $000
As at 1 July 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
Movements in the year ended 30 June 2023					
Opening net book value	125	80	13	9	227
Additions	20	22	1	-	43
Disposals	-	-	-	-	-
Depreciation	(89)	(50)	(2)	(4)	(145)
Foreign currency translation	2	-	-	-	2
Closing net book value	58	52	12	5	127
As at 30 June 2023					
Cost	1,050	250	24	59	1,384
Accumulated depreciation	(993)	(198)	(12)	(54)	(1,257)
Net book value	58	52	12	5	127

13. Intangible and right-of-use assets

	Software $000	Right-of-Use Asset $000	Total $000
As at 30 June 2021			
Cost	299	-	299
Accumulated amortisation	(296)	-	(296)
As at 30 June 2021 - 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	86
Movements in the year ended 30 June 2023			
Opening net book value	1	86	87
Additions	-	-	-
Disposals	-	-	-
Amortisation	(1)	(45)	(46)
Foreign currency translation	-	1	1
Closing net book value	-	42	42
As at 30 June 2023			
Cost	295	91	386
Accumulated amortisation	(295)	(49)	(344)
Net book value	-	42	42

14. Trade and other payables

	June 2023 $000	June 2022 $000
Trade payables	958	304
Accruals	806	506
Other payables	35	31
Employee benefits	969	856
	2,768	1,697

15. Income received in advance

	June 2023 $000	June 2022 $000
Income received in advance	**655**	**1,214**
Customer prepaid revenue held as stock	655	1,214

16. Share capital

	Ordinary Shares	$000
Share capital as at 1 July 2021	601,906,334	87,682
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	-	(809)
Share capital as at 30 June 2022	2,208,251,092	110,523
Shares issued in employee share plans	22,414,483	-
Shares issued in placements	2,700,000,000	13,500
Shares issued in share purchase plan	63,000,000	315
Shares issued for services	5,742,740	23
Share issue costs	-	(744)
Share capital as at 30 June 2023	4,999,408,315	123,617

(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 $0.04	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 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	17,176,589	$ 0.0400	4.8	13,843,225	$ 0.0400	-
Granted	-	$ -				
Exercised	-	$ -				
Lapsed	-	$ 0.0400		3,333,334		
Outstanding at 30 June 2023	17,176,559	$ 0.0400	3.8	17,176,559	$ 0.0400	-

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 2023	Restricted as at 30 June 2023	Share price at grant date
8 November 2016	900,000	$0.500	-	900,000	$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	978,856	1,099,887	$0.028
21 October 2020	5,876,711	$0.040	5,876,711	5,876,711	$0.026
21 October 2020	4,500,000	$0.050	3,000,000	4,500,000	$0.026
26 November 2021	68,490,750	$0.016	-	68,490,750	$0.013
29 August 2022	19,444,444	$0.009	-	19,444,444	$0.009
22 June 2023	990,913	$0.026	990,013	990,013	$0.003
22 June 2023	990,913	$0.052	-	990,013	$0.003
22 June 2023	990,913	$0.078	-	990,013	$0.003

(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 key management personnel as a long-term incentive. At the time, 69,168,049 SARs vested at grant date. On 20 September 2022, 26,603,096 SARs lapsed, and 53,206,192 SARs will vest in two equal tranches over two years subject to the achievement of target VWAPs of $0.064 and $0.096 over the next two years respectively for the Company's ASX listed shares.

In 2022, 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%. In the year to 30 June 2023, $131,070 (2022: $839,723) was recognised as compensation expense.

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

On 26 September, 28 October 2022 and 12 December 2022, the Company issued 167,077,165 options, 1,106,672,835 options and 76,250,000 options respectively to placement investors, with an exercise price of $0.01 and expiry date of 31 March 2024.

On 12 December 2022 and 25 January 2023, the Company issued 23,000,000 options and 8,500,000 options respectively pursuant to an entitlement shortfall offer, with an exercise price of $0.01 and expiry date of 31 March 2024.

17. Deferred Income Tax

	June 2023 $000	June 2022 $000
Movements:		
Deferred tax asset (liability) at the beginning of the year	-	-
Credited (charged) to the income statement (note 7)	2,212	2,370
Change in unrecognised deferred tax assets	(2,212)	(2,370)
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 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	-	-	-	-
Credited (charged) to the income statement	23	(83)	2,565	2,505
Effect of exchange rate changes	2	5	355	362
Change in unrecognised deferred tax assets	(25)	78	(2,920)	(2,867)
As at 30 June 2023	-	-	-	-

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 recognised deferred income tax assets of $21,815,000 (2022: $18,896,000) in respect of losses amounting to $71,009,000 (2022: $61,280,000) that can be carried forward against future taxable income. The Company also did not recognise further deferred income tax assets of $753,000 (2022: $805,000) in respect of other timing differences amounting to $2,586,000 (2022: $2,774,000).

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 2023 $000	June 2022 $000
Directors		
- director fees and other legislated superannuation	337	361
- share-based compensation	14	42
CEO and management		
- short-term benefits	1,136	1,111
- post-employment benefit contributions	81	224
- share-based compensation	189	937
	1,757	2,675

Key management personnel and their associates did not subscribe for share capital in the Company in the years ended 30 June 2022 and 2023.

(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 2023 $000	June 2022 $000
Financial assets		
Loans and receivables classification:		
Cash and cash equivalents	9,077	5,283
Trade receivables (net)	539	302
Other receivables	1,658	1,563
Total financial assets	11,274	7,148
Financial liabilities		
Measured at amortised cost:		
Trade and other payables	2,768	1,697
Lease liabilities	44	85
Total financial liabilities	2,812	1,782

(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 $19,000 is included in results for the period ended 30 June 2023 (2022: $33,000 loss).

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

	June 2023 $000	**June 2022 $000**
Assets		
New Zealand Dollars	592	395
US dollars	478	335
UK pound	445	23
Liabilities		
New Zealand Dollars	791	729
US dollars	302	126
UK pound	317	75
Japanese Yen	-	153

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.

Decrease (increase) in loss after income tax	**June 2023 $000**	**June 2022 $000**
10% strengthening of Australian dollar against:		
New Zealand dollars	(42)	27
US dollars	(25)	(28)
UK pound	(22)	8
10% weakening of Australian dollar against:		
New Zealand dollars	(79)	(34)
US dollars	29	34
UK pound	27	(10)

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 180 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 (2022: 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 2023 $000	June 2022 $000
Counterparties with external credit rating:		
• A-2	429	123
Counterparties without external credit rating:		
• existing customers (more than 6 months) with no defaults in the past	173	179
Total trade receivables	602	302

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 2023 for trade and other receivables was determined to be $63,000 (2022: 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 71% of accounts receivable are with one counterparty (2022: 41%). The customer has an external credit rating of A-1.

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 2023			
Trade and other payables	2,768	-	-
Lease liabilities	11	33	-
As at 30 June 2022			
Trade and other payables	1,697	-	-
Lease liabilities	10	32	43

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 2023. This lease is a two-year lease with a two-year right of renewal. The lease liabilities recognised in the balance sheet are:

	June 2023 $000	June 2022 $000
Lease Liabilities		
Lease liabilities (current)	44	42
Lease liabilities (non-current)	-	43
Total lease liabilities	44	85

The total cash outflow for leases in 2023 was $143,000 (2022: $145,000).

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 2023. During the year ended 30 June 2023 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 $6,179,000 (2022: $5,367,000 impairment) The information presented here has been prepared using consistent accounting policies as presented in Note 1.

	Parent June 2023 $000	Parent June 2022 $000
Statement of Financial Position		
Current assets	9,154	6,257
Non-current assets	28	45
Total assets	9,182	6,302
Current liabilities	1,164	783
Non-current liabilities	-	-
Total liabilities	1,164	783
Net assets	8,018	5,519
Contributed equity	123,617	110,523
Accumulated deficit	(122,443)	(110,413)
Reserves	6,843	5,409
Total equity	8,018	5,519
Statement of Profit and Loss and Comprehensive Income		
Loss after tax	(12,030)	(10,497)
Total comprehensive loss	(12,030)	(10,497)

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 2023	June 2022
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 2023 $000	June 2022 $000
Not later than one year	7	54
Later than one year and not later than five years	-	-
Later than five years	-	-
	7	54

23. Events occurring after balance date

Subsequent to the balance sheet date, there was a buy-back of 7,535,769 shares on 9 August 2023 for nil consideration. The buyback was due to extinguishment of Employee Share Plan loans totalling $612,171 originally advanced by the Company for purchase of ESP Shares due to award expiry.

On 6 July 2023, Mr Mark Licciardo resigned as Joint Company Secretary of the Company.

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

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Directors' Declaration

The Directors declare that the financial statements and notes set out on pages 26 to 49 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 2023 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 Chief Financial Officer to the Directors in accordance with section 295A of the Corporations Act 2001 for the year ended 30 June 2023.

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

On behalf of the board.

Lou Panaccio
Non-Executive Chairman

Melbourne
30 August 2023

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INDEPENDENT AUDITOR'S REPORT
To the Members of Adherium Limited

Opinion

We have audited the financial report of Adherium Limited (the Company) and its controlled entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

i. giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year then ended; and

ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

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 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 and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (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.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

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 of $9,858,000 during the year ended 30 June 2023 and net cash outflows from operating activities of $9,279,000. As stated in Note 2, these events or conditions, along with other matters as 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.

RSM

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 of the current period. These 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. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed this matter</th></tr>
<tr><td colspan="2">Inventory valuation
Refer to Note 11 in the financial statements</td></tr>
<tr><td>The Group has inventory with a carrying value of $1,239,000 as at 30 June 2023.
• The existence and valuation of inventory is considered a key audit matter, due to the materiality of the balance, and the significant judgements involved in:
• Assessing the net realisable value of inventories; and
• The determination of a provision for obsolescence.</td><td>Our audit procedures included:
• Testing inventory costing by verifying costs against supporting documentation;
• Verifying that inventory is being held at the lower of cost and net realisable value;
• Assessing the reasonableness of the Group's inventory methodology for determining the provision for obsolescence; and
• Evaluating management assumptions and estimates applied to the provision for obsolescence through analysis of historical sales levels.</td></tr>
<tr><td colspan="2">Accounting for research and development tax credit
Refer to Note 10 in the financial statements</td></tr>
<tr><td>The Group has recognised a research and development tax credit receivable of $1,377,000.

This is a key audit matter as judgement is applied by management in assessing the likelihood that the taxation authorities will accept the claims the group has made.</td><td>Our audit procedures included:
• Testing the research and development costs that form part of the claim for reasonableness;
• Evaluating the basis on which management made their judgements over the likelihood that the claim would be successful;
• Assessing the appropriateness of the Group's disclosures relating to the research and development tax claim.</td></tr>
</table>

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2023, but does not include the financial report and the 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, 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 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 this 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/ar2_2020.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report
We have audited the Remuneration Report included in pages 15 to 24 of the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Adherium Limited and its controlled entities, for the year ended 30 June 2023, 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.

RSM AUSTRALIA PARTNERS

B Y CHAN
Partner

Dated: 30 August 2023
Melbourne, Victoria

ASX Additional Information

Distribution of Equity Securities

Twenty Largest Holders of Quoted Equity Securities

Substantial Shareholders

Voting Rights

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 16 August 2023. This information excludes any proposed security issues announced by the Company on 16 August 2023.

(a) Distribution of equity securities

Ordinary share capital
As at 16 August 2023 there were 4,991,872,546 ASX quoted ordinary shares held by 1,007 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	7,597	33
1,001 - 5,000	219,888	63
5,001 - 10,000	456,224	54
10,001 - 100,000	18,024,331	375
100,001 and over	4,973,164,506	482
Total	4,991,872,546	1,007

There were 551 shareholders holding less than a marketable parcel of ordinary shares at a price of $0.0040, totalling 21,644,876 ordinary shares.

Unquoted options over ordinary shares
As at 16 August 2023 there were 1,426,196,026 options over ordinary shares held by 51 holders.

The Company has the following classes of unlisted options over ordinary shares:

Class	Number	Holders
OP5 - Options exercisable at $0.01 expiring on 31 March 2024	1,381,500,000	43
OP6 - Options exercisable at $0.0219 expiring on 29 January 2027	27,519,467	6
OP7 - Options exercisable at $0.04 expiring on 14 April 2027	17,176,559	2

The following holders hold greater than 20% or more of the above classes, not including options acquired under a security incentive plan:

Holder	Number	Class
Trudell Medical Ltd	340,000,000	OP5
Phillip Asset Management Limited <Bioscience Trans Fund 1>	303,003,700	OP5

b) Twenty largest holders of quoted equity securities as at 16 August 2023

	Ordinary Shares	
Shareholders	Units	% Units
Phillip Asset Management Limited[1]	1,106,007,400	22.16
Trudell Medical Ltd	1,103,080,272	22.10
Citicorp Nominees Pty Limited	505,974,061	10.14
HSBC Custody Nominees (Australia) Limited	481,052,381	9.64
K One W One Ltd	180,503,018	3.62
Merrill Lynch (Australia) Nominees Pty Ltd	145,095,725	2.91
Neweconomy Nominees Pty Ltd <900 Account>	121,721,696	2.44
Brispot Nominees Pty Ltd <House Head Nominee A/C>	85,213,876	1.71
Warbont Nominees Pty Ltd <Unpaid Entrepot A/C>	70,000,000	1.40
JMID Pty Ltd <JAM Superfund A/C>	65,000,000	1.30
Buttonwood Nominees Pty Ltd	60,000,000	1.20
UBS Nominees Pty Ltd	55,986,539	1.12
Andrew Rhys Jackson	50,000,000	1.00
One Funds Management Limited <Asia Pac Health Fund II A/C>	48,808,957	0.98
Quantamatics Pty Ltd	38,186,966	0.76
Summatix Pty Ltd	35,496,341	0.71
Adherium ESP Trustee Limited	32,183,336	0.66
BNP Paribas Noms (NZ) Ltd <DRP>	28,516,873	0.57
Planet Innovation Pty Ltd	26,666,667	0.53
Mr Carlsen Wilson Henry Marks + Mrs Edwina Mary Marks	25,000,000	0.50
Total top 20 holders of fully paid ordinary shares	4,264,494,108	85.42

1. Phillip Asset Management Limited – combined holding of BioScience Trans Fund 1 A/C and BioScience MTF1 A/C.

(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	28/10/2022	1,106,007,400
Trudell Medical Ltd	04/11/2022	1,103,080,272
Regal Funds Management Pty Ltd and subsidiaries and associates	26/09/2022	234,359,947
UBS Group AG and its related bodies corporate	16/02/2023	274,416,431
Bank of America Corporation and its related bodies corporate	16/02/2023	268,645,768

(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 George Baran
Mr Jeremy Curnock Cook
Dr William Hunter
Mr Bruce McHarrie

Company Secretary

Mr Brett Tucker

Registered Office

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

Australian Office
(Principal Administrative Office)

Level 14, 333 Collins Street
Melbourne 3000, Australia

Website

www.adherium.com
www.hailie.com

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

RSM Australia Pty Ltd
Level 21, 55 Collins Street
Melbourne VIC 3000, 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


9:41
Insights
Peak Inhalation
60 L/min
Breo
17 Jan, 8:00 PM
Inhalation Duration
0.98 sec
Breo
17 Jan, 8:00 PM
Inhalation Volume
1.24 L
Breo
17 Jan, 8:00 PM
Orientation
Breo
17 Jan, 8:00 PM
Note: The technique data is provided to you for information purposes only. Always follow the instructions for use specific to your inhaler type.
Dashboard
Adherence
Insights
Peak Flow
Inhalers

adherium

www.adherium.com