



ASX ANNOUNCEMENT

25 March 2020

Corporate and Operations Update from the CEO

CardieX Limited (ASX: CDX) (CardieX, the Company) provides the following corporate update from the CEO:

In light of recent events I wanted to update shareholders on a number of events and activities regarding the Company. Whilst the current situation is obviously impacting operations, we continue to operate remotely in order to execute against our vision, business plan, partnerships, and especially our new product development initiatives.

More than ever the world has awakened to the need for better health practices and ongoing monitoring of vital signs. Indeed, hypertension management and remote patient monitoring are at the forefront of these practices given the predictive role of hypertension in patients who are more likely to contract COVID-19 ("CV").

Our product development directly addresses these needs, in order to provide unique and necessary vital signs monitoring of patients, by way of our proprietary and FDA approved technology. Although our new project development timeline will likely be impacted in the near term we remain on track to launch in 2021 the world's only consumer and clinical grade vital signs monitoring device that provides the highest predictive indication of hypertension and other vascular diseases.

It's a challenging time for all of us but it's also one of opportunity, as everything CardieX has been working towards gains more relevance and market opportunity.

Impact of COVID-19 ("CV") on General Operations

We currently operate out of 4 jurisdictions:

- Our Sydney research & development team undertakes our engineering, AI, and algorithmic development relating to our existing devices as well as development activities in respect of our wearable partnerships. This office is now working remotely and is maintaining full productivity in terms of their current work output, project tasks and milestones. All our engineering data is housed on remote secure servers that are fully available to all team members who are collaborating via video and remote project management tools.
- Our Irvine, California executive & marketing team is now working remotely pursuant to the California government mandate to all residents of the State to remain at home. Given the nature of this team's day-to-day activities they are fully capable of working remotely during this period with little material impact on their respective responsibilities.



- Our Chicago based sales office also is maintaining a remote work environment with different impacts on our sales markets based on the nature of our customer base. See below “*CV Sales Impact*” for more detail.
- Finally, our China operations and business development team is also continuing to work remotely. From what I am being told from the China team, that country is slowly returning to relative normalcy and we are continuing forward with our development and engineering efforts - specifically relating to our wearable partnership with Mobvoi.

General Operations Restructuring

Coinciding with the impact and timing of CV we had also been working on an internal restructuring so as to increase the efficiencies of our internal operations. This has been accelerated both by the impact of CV as well as the strengthening \$USD over the last month.

This has included:

1. ***Consolidation of some administrative roles in the Chicago office:*** This has mainly affected staff in sales administration and data management where we identified areas that could be made more efficient on an ongoing basis through the elimination of certain roles;
2. ***Closing of our European sales office:*** We had 2 staff members in the European market who were principally responsible for management of our distribution partnerships as well as a small amount of direct sales. This area of our business will now be run and managed out of our Chicago office. Shareholders will remember that we undertook a similar restructure with our APAC sales operations in 2018 where we also transitioned those responsibilities to the Chicago office.

This had very minimal impact on APAC sales while at the same time, significantly reducing opex in the APAC region. A key part of this transition was moving from a “in-person” sales model to a virtual sales model by way of video communication and digital training tools.

We expect in the current environment that all companies will need to move more towards this form of sales model in the future – even in a post-CV environment - and we have actively been putting these sales procedures in place since 2018 for all markets;

3. ***Consolidation of Sales Territories:*** We recently were joined by Dick Harris, a seasoned med-tech sales executive with significant industry experience across a wide range of device and healthcare companies – most notably, Welch Allyn – one of the worlds largest blood pressure monitor companies.

Given Dick’s experience we have expanded his role to include the Western States of the USA as well, as some high value research sales markets. This has enabled us to “right-size” the sales team responsible for those markets. We believe this restructuring will have a positive impact on sales in those markets overall while also reducing the costs associated with those sales;

4. ***Restructuring of Marketing Team:*** As a direct result of CV we have taken internal steps to reduce fixed staff costs in areas of marketing that are impacted by the current situation and



foreseeable future – most notably by moving our conference and event marketing to a variable expense model, which may be quickly upgraded as required;

5. **Restructuring and retention of China Operations Team:** While it would seem a natural response to the current situation to reduce our staff in the Chinese market we believe our medium to longer term prospects in doing so would be materially affected – especially given the business development efforts and partnerships that we continue to develop in wearables and smart devices (most notably, with Mobvoi), as well as new product development initiatives. However in saying that we have also recently implemented structural and operational changes in that market that have reduced our China in-country opex by approximately 23% on an ongoing basis; and
6. **Renegotiation of Contractors:** Finally, we have taken steps to restructure costs with certain external contractors with savings of approximately 20%.

Together, all of the above have a significant positive impact on our ongoing opex and cash reserves while at the same time putting in place efficiencies driven towards maintaining our development and business development efforts and maximizing product sales.

CV Sales Impact

The whole world is being impacted by CV and will be for some time. As noted above we have actively been working on a significant internal restructuring that will not only reduce our ongoing opex, but will also position us more efficiently going forward for our current sales and development efforts.

Our ATCOR Medical business operates in 4 principal markets and each of them are uniquely affected:

1. **Direct sales of XCEL central pressure waveform device to specialist practitioners (mainly Cardiologists/Nephrologists):** We believe this market will slow for the foreseeable future until practitioners return to their clinics and we can re-establish sales connections. Given this is the smallest revenue contributor to the ATCOR business the impact should not be significant.
2. **Sales to Research Institutions:** We have continued through this week and last to receive inbound sales enquiries from Universities and research institutions on a similar basis that we receive in the normal course of business. Most of the impact on this market segment (if any) will most likely be due to revenue recognition in 2020 if payments are delayed due to an administrative backlog.
3. **Clinical Trial Sales and Data Management Services:** We have continued to receive payment over the last weeks for all contracted revenue including initial payment this last week of approx. \$AUD700k for the Bayer trial recently announced to the ASX. In addition, in respect of additional potential new clinical trial contracts we have received no indication to date that those are not moving forward as planned.
4. **Licensing revenue from the sale of our ATCOR chipset to third party OEM manufacturers:** At this point we do not have enough data or other information in respect of how the current market environment will impact this sales segment. We expect it to be nominal.



In addition, we have previously indicated that we were targeting a 50% increase in revenues for the 2020 financial year to \$AUD6M - and until recent events we were on track to meet that target. It is now unlikely that this target will now be fully reached given:

1. The impact of potential timing delays in recognizing certain revenues and the possibility of delayed payments (mainly from research institutions) given administrative backlogs;
2. A potential slowdown in direct sales to specialist practitioners over Q3/Q4; and
3. The potential for delayed clinical trial revenues – although at this point we have no indication of this occurring. To the contrary, as stated above, all current and anticipated new clinical trial activities continue to move forward and we continue to receive all current contracted revenue.

Importantly, we still remain on track for a record sales year in 2020, partly assisted by the strength in the \$USD; but also on a comparative currency basis for the 2019 year.

Other Business Development Activities

1. New Product Development - The Importance of Monitoring Hypertension in Pandemics.

As stated above we are currently developing two new vital signs monitors that will incorporate our FDA cleared technology for monitoring vital signs relating to hypertension and other vascular diseases such as Alzheimer's and dementia. Supporting these devices is a SaaS platform for clinicians allowing them to remotely monitor patients as well as a consumer app which allows patients to share data with their physicians. All these products have been more fully described in previous releases and announcements and we view these products having a major role in the public health ecosystem going forward – especially given the likelihood of patients being impacted more by viruses such as COVID-19 if they also have hypertension.

Indeed, Bloomberg News reported last week that doctors have identified hypertension as “a key danger factor” that leads to distress and death in patients with the coronavirus. In January, for example, nearly half of the fatalities in one group of COVID-19 sufferers occurred in individuals with high blood pressure.

Our project timeline called for the public demonstration of these new devices at the Consumer Electronic Show (“CES”) in January, 2021. We continue to work towards meeting that schedule although this will be impacted by events in China - including the return to production capability of the manufacturing industry in that country – as well as the return of the conference/events industry back to normal. In any event we are confident these devices will be available in the US market in Q4 2021 together with full clearance from the FDA – at which point we will also be seeking clearances for these new devices in all other major geographic markets.

2. Blumio Joint Development Agreement.

Our ATCOR Medical subsidiary has a 50/50 JDA with Blumio, Inc for the co-development of a radar-based sensor for 24-hour monitoring of a patients heart health (known as a “ABPM Monitor”). We also own a 7.5% equity stake in Blumio by way of a Convertible Note. We continue to work remotely on meeting the milestones and engineering tasks under this Agreement. Release of the commercial



development kit for the Blumio sensor is anticipated in Q2 2021.

3. Mobvoi Joint Development Agreement.

This Agreement provides for the co-development of a new range of smart watches incorporating our FDA cleared technology for monitoring heart health as well as other consumer health data. Mobvoi is Google's in-country partner in China for Google's "Wear OS" operating platform. As outlined below we continue to work remotely on all activities and engineering tasks related to this partnership.

Our next milestone in the Mobvoi partnership is late April when we plan on delivering the results of our engineering and wearable sensor testing that we have been developing internally and testing in collaboration with Macquarie University. As mentioned above, all these tasks and internal efforts can continue to be moved forward remotely as we have now received all the data that we require to finish this milestone from Macquarie University.

4. inHealth Medical.

inHealth provides telehealth services in partnership with leading US health insurance companies, medical device companies and private health practices. CardieX currently owns 7.5% of inHealth with a conversion right combined with an option to increase to 50.5% and majority ownership at the end of Q4, 2020. Telehealth services are expected to increase based on the increase in remote monitoring of patients and "self isolation" requirements as a result of CV. We will shortly be making a determination as to whether we increase our ownership of inHealth pursuant to our rights under the Convertible Note and Option Agreement.

Funding Status

Over the last few months we have undertaken the following funding strategy in order that we may continue executing against our product development strategy:

1. In December 2019 we raised \$1.5 million, (including a commitment from major shareholder C2 Ventures for \$0.5 million, which is subject to shareholder approval); and
2. In March 2020 we completed a \$1.5 million R&D loan facility with Mitchell Asset Management.

Over the balance of 2020 we are focused on delivering a number of key technology, product, and market development milestones that we believe will provide tangible share value inflection points for the Company. Further capital may be raised as these milestones and potential value inflection points are achieved from both strategic and other investors.

Thank you for your continuing support and my best wishes to you and your families through this difficult time.

Yours sincerely,

Craig Cooper
Chief Executive Officer & Managing Director
CardieX Limited



Authorised for release by:

Jarrold White
Company Secretary & Group Chief Financial Officer

For more information please contact:

Investor Relations
Peter Taylor
peter@nwrcommunications.com.au

About CardieX

CardieX is a global health technology company that develops digital and device-based solutions for large-scale population health disorders. The Company's XCEL device is the world leader in measuring "central blood pressure" which is considered essential for the management of hypertension and related disorders.

CardieX also has a joint venture partnership with Blumio, Inc in Silicon Valley for the development of a radar-based blood pressure sensor incorporating CardieX technology. In November 2018 CardieX entered into an agreement with inHealth Medical, Inc allowing CardieX to acquire up to 50.5% of inHealth by way of a convertible note.

In September 2019 CardieX signed a joint development agreement with Mobvoi Information Technology Co. Ltd (Google's official Wear OS partner in China) to jointly develop an ecosystem of "smart heart" and other consumer health applications for the Google Wear OS platform in China based on CardieX subsidiary, ATCOR, software and algorithms.