ASX Announcement

# Medlab Clinical Appendix 4C and Business update – Q4 2022

**SYDNEY, July 29, 2022** - Medlab Clinical Ltd (ASX:MDC) (Medlab, the Company), an Australian biotech using delivery technology to enhance medicines effectiveness is pleased to provide a business update and quarterly cash flow report for the period ended 30 June 2022 (Q4 2022).

**Key Financial highlights**:

- **Cash receipts from customers** of **$0.5M** for the June quarter, with full year **cash operating revenues** of **$6.2M**
- June month cash burn was **$1.6M** (mainly driven by new product development charges) with the June quarter cash burn at **$3.4M.** This includes **$0.7M for NanaBis™ drug development work** in US facility for FDA application spent in June month and circa **$1M** for the June quarter.
- **Cash position** as at end of June 2022 was **$5.2M**, with sufficient cash and significant **global partnering opportunities** anticipated to generate revenue, supporting future cash flow. **$3.5M R&D grant** expected in Sept-Oct, not included in the current cash balance.
- Expecting licencing revenue from potential partnering deals in the next quarter, with royalties expected November.

The EGM on 28th July 2022 passed the resolutions designed to facilitate our dual listing on the Nasdaq:

- Resolution 1 passed with **99.18%** of votes in the affirmative
- Resolution 2 passed with **99.27%** of votes also in affirmative

If shareholders wish to talk to executives about the Nasdaq move, we will be available on Monday 1st August, morning on 0405 229 402 from 9am-11am.

We know for some shareholders; this move is difficult to understand.

The Nasdaq listing will help us get to the next stage, a share raising to US investors which with the R&D grant facility will give us sufficient funds to do what is what is needed to successfully lodge the federal drug application for NanaBis™. This will significantly increase our company's value.

Concurrently [to NanaBis] we are doing the CMC (chemistry, manufacturing, control package) for the TGA application for NanoCBD™ which we hope to do in conjunction with a major pharmaceutical house. This plus the pursuit of licencing deals with pharmaceutical, nutritional, and topical companies for our patented nanotechnology are our core activities which will be our focus.

**Observation Study for NanaBis™**

It is important that we gain patient experience with NanaBis™, we now have over 1,200 where their doctors are cooperating and providing us their patient data. We would like to get more patients if people want to know how to go about this, please call our consultant on (02) 8317 5453.

We have placed on our website some patient's summaries of their very positive experiences on NanaBis™.

**4.7C.3 Ruling**

Pursuant to ASX Listing Rule 4.7C.3, the Company advises that during the quarter, payments made to related parties and their associates in the aggregate amount of **$0.2M**. As already noted in item 6 of Appendix 4C, these payments were for Director fees and wages, tax consultancy services by Hall Chadwick (Director-related entity of Mr Drew Townsend) and wages to related parties of Dr Sean Hall (CEO).

**- ENDS -**

**Authorisation & Additional information**
This announcement was authorised by the Board of Directors of Medlab Clinical Limited.

**About Medlab Clinical:**

Medlab Clinical LTD (ASX:MDC) is pioneering the development and Commercialisation of a delivery technology, allowing for enhanced medical properties, including increased efficacy, safety, patient compliance and stability. Medlab's pipeline comprises several small and large molecules from repurposing generic medicines to enhancing the delivery of immunotherapies.

Patented lead drug candidate NanaBis™ has been developed for cancer bone pain as a viable alternative to opioid use. Data to date, strongly suggests NanaBis™ may be equally effective in non-cancer neuropathic pain.

NanoCelle®, the patented delivery platform is wholly owned by Medlab and developed in Medlab's owned OGTR Registered Laboratory.

NanoCelle® is designed to address known medication problems, addressing global unmet medical needs. Medlab operates in Australia (Head Office), USA, and the UK.

For more information, please visit www.medlab.co

**Medlab** – *better medicines, better patient care*

**For further information contact:**

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# Appendix 4C

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

| **Name of entity** | |
|---|---|
| MEDLAB CLINICAL LIMITED | |
| **ABN** | **Quarter ended ("current quarter")** |
| 51 169 149 071 | 30 June 2022 |

| **Consolidated statement of cash flows** | | **Current quarter $A'000** | **Year to date (12 months) $A'000** |
|---|---|---|---|
| **1.** | **Cash flows from operating activities** | | |
| 1.1 | Receipts from customers | 483 | 6,171 |
| 1.2 | Payments for | | |
| | (a) research and development | (1,289) | (3,381) |
| | (b) product manufacturing and operating costs | - | - |
| | (c) advertising and marketing | (40) | (619) |
| | (d) leased assets | (254) | (918) |
| | (e) staff costs | (1,476) | (6,599) |
| | (f) administration and corporate costs | (770) | (3,865) |
| 1.3 | Dividends received (see note 3) | - | - |
| 1.4 | Interest received | 10 | 20 |
| 1.5 | Interest and other costs of finance paid | (9) | (46) |
| 1.6 | Income taxes paid | - | - |
| 1.7 | Government grants and tax incentives | 28 | 3,371 |
| 1.8 | Other (provide details if material) | | |
| | (a) payments for inventory | (50) | (2,710) |
| | (b) IP costs | (87) | (450) |
| **1.9** | **Net cash from / (used in) operating activities** | **(3,454)** | **(9,026)** |

| | | | |
|---|---|---|---|
| **2.** | **Cash flows from investing activities** | | |
| 2.1 | Payments to acquire or for: | | |
| | (a) entities | - | - |
| | (b) businesses | - | - |
| | (c) property, plant, and equipment | - | (15) |
| | (d) investments | - | - |

| Consolidated statement of cash flows | | Current quarter $A'000 | Year to date (12 months) $A'000 |
|---|---|---|---|
| | (e) intellectual property | - | - |
| | (f) other non-current assets | - | - |
| 2.2 | Proceeds from disposal of: | | |
| | (a) entities | - | - |
| | (b) businesses | - | 825 |
| | (c) property, plant, and equipment | - | - |
| | (d) investments | - | - |
| | (e) intellectual property | - | - |
| | (f) other non-current assets | - | - |
| 2.3 | Cash flows from loans to other entities | - | - |
| 2.4 | Dividends received (see note 3) | - | - |
| 2.5 | Other (provide details if material) | - | - |
| **2.6** | **Net cash from / (used in) investing activities** | **-** | **810** |

| | | | |
|---|---|---|---|
| **3.** | **Cash flows from financing activities** | | |
| 3.1 | Proceeds from issues of equity securities (excluding convertible debt securities) | - | - |
| 3.2 | Proceeds from issue of convertible debt securities | - | - |
| 3.3 | Proceeds from exercise of options | - | - |
| 3.4 | Transaction costs related to issues of equity securities or convertible debt securities | - | - |
| 3.5 | Proceeds from borrowings | - | - |
| 3.6 | Repayment of borrowings | - | - |
| 3.7 | Transaction costs related to loans and borrowings | - | - |
| 3.8 | Dividends paid | - | - |
| 3.9 | Other (provide details if material) | | |
| | (a) repayment of lease liability | - | - |
| **3.10** | **Net cash from / (used in) financing activities** | **0** | **0** |

| Consolidated statement of cash flows | | Current quarter $A'000 | Year to date (12 months) $A'000 |
|---|---|---|---|
| **4.** | **Net increase / (decrease) in cash and cash equivalents for the period** | | |
| 4.1 | Cash and cash equivalents at beginning of period | 8,634 | 13,432 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (3,454) | (9,026) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | - | 810 |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | - | - |
| 4.5 | Effect of movement in exchange rates on cash held | 11 | (25) |
| **4.6** | **Cash and cash equivalents at end of period** | **5,191** | **5,191** |

| 5. | Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | Current quarter $A'000 | Previous quarter $A'000 |
|---|---|---|---|
| 5.1 | Bank balances | 5,191 | 8,634 |
| 5.2 | Call deposits | - | - |
| 5.3 | Bank overdrafts | - | - |
| 5.4 | Other (provide details) | - | - |
| **5.5** | **Cash and cash equivalents at end of quarter (should equal item 4.6 above)** | **5,191** | **8,634** |

| 6. | Payments to related parties of the entity and their associates | Current quarter $A'000 |
|---|---|---|
| 6.1 | Aggregate amount of payments to related parties and their associates included in item 1 | 219 |
| 6.2 | Aggregate amount of payments to related parties and their associates included in item 2 | - |

Director and associates fees/wages

| 7. | **Financing facilities**<br>*Note: the term "facility' includes all forms of financing arrangements available to the entity.*<br>*Add notes as necessary for an understanding of the sources of finance available to the entity.* | **Total facility amount at quarter end $A'000** | **Amount drawn at quarter end $A'000** |
|---|---|---|---|
| 7.1 | Loan facilities | - | |
| 7.2 | Credit standby arrangements | - | |
| 7.3 | Banking facility | 2,000 | |
| 7.4 | **Total financing facilities** | **2,000** | |

| | | |
|---|---|---|
| 7.5 | **Unused financing facilities available at quarter end** | **2,000** |

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

A debtor finance facility secured over debtors was established with Scottish Pacific Business Finance in November 2017 (renewed June 2021). The facility is over a 24-month term with a discount charge of 8.04% and is for $2m and matures August 2022

| 8. | **Estimated cash available for future operating activities** | **$A'000** |
|---|---|---|
| 8.1 | Net cash from / (used in) operating activities (item 1.9) | (3,454) |
| 8.2 | Cash and cash equivalents at quarter end (item 4.6) | 5,191 |
| 8.3 | Unused finance facilities available at quarter end (item 7.5) | 2,000 |
| 8.4 | Total available funding (item 8.2 + item 8.3) | 7,191 |

| | | |
|---|---|---|
| 8.5 | **Estimated quarters of funding available (item 8.4 divided by item 8.1)** | *2.1* |

*Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.*

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

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

Answer: Yes, entity expects to have future funding to meet future net operating cash flows.

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

Answer: Yes, entity has proposed EGM for shareholder to raise finance on US markets.

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

Answer: Yes, based on future licencing agreements, $12M R&D funding and will consider other financing arrangements.

*Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.*

## Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Date: ..... **29th July 2022** .....

Authorised by: ..... **By the Board of Directors** .....
(Name of body or officer authorising release – see note 4)

**Notes**

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

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

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

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

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