



27 October 2017

MYFIZIQ LIMITED APPENDIX 4C COMMENTARY 30 SEPTEMBER 2017

Highlights:

- **Partnership with leading US-based fitness app Fitocracy announced**
- **JV vehicle, Body Composition Technology Pte Ltd, established and ready to deliver**
- **Major technical milestone achieved in the completion of a new server-less, multi-tenancy backend infrastructure**

The Board of MyFiziq Limited (ASX:MYQ) (“**MyFiziq**” or the “**Company**”) is pleased to provide shareholders with an overview of the quarterly activities from the period ending 30 September 2017.

Vlado Bosanac, Chief Executive Officer of MyFiziq said: “The technical and partner milestones achieved during this quarter have been extremely exciting for the Company. They have provided us with the funding and the assurance that our revolutionary body tracking application is able to meet the markets demand and consumer expectations. We have been actively engaged with the fitness industry and we look forward to bringing further news to our shareholders with the engagement of leading industry partners.”

Fitocracy Partnership

As released to the ASX on the 15th September 2017, the Company announced that it had implemented its first strategic partnership with one of the world’s leading fitness applications Fitocracy. The US-based Fitocracy platform boasts a user base of over 2 million and has partnered with some of the top performance and fitness brands over the years including Arnold Schwarzenegger and Red Bull.

Through the partnership, the Company is working to implement the MyFiziq revolutionary body tracking application to the Fitocracy community in calendar year 2018, with an initial target of 500,000 Fitocracy users subscribing to the MyFiziq solution, the partnership can provide potential revenue of up to US\$9M per annum.

Gold Quay and JV Update

During the quarter, the Company due diligence has been completed and finalised all formal documentation under its joint venture (“JV”) with Singapore based, Gold Quay Capital Pte Ltd (“Gold Quay”) and other investors.

The JV vehicle, Body Composition Technologies Pte Ltd (“BCT”), has now been established and registered in Singapore as the incorporated joint venture vehicle through which the investment and development of the body composition diagnostic technologies will occur.



The JV allows the Company, through BCT, to enter into the Medical and Insurance applications vertical and provides the Company with licence fees of up to \$2 million and the joint venture with \$3 million of development capital. On the 12th of October 2017, the Company announced that the initial \$350,000 had been received with the remaining balance expected in November 2017.

Operations

During the September quarter, MyFiziq delivered a major technical milestone with the completion and migration to a new server-less, multi-tenancy backend infrastructure. Below provides further detail on this achievement.

AWS backend architecture migration complete

MyFiziq announced that it has successfully migrated its core Avatar Creation Process to Amazon Web Services' (AWS) compute service, AWS Lambda. The migration enables MyFiziq's state-of-the-art code to execute concurrently on highly available computer infrastructure and run only when required therefore reducing the overhead and cost of managing and provisioning servers.

With near instantaneous scaling capabilities, AWS Lambda allows MyFiziq and its partners to handle large amounts of requests without the need to either over-provision a fleet of servers or worry about the delayed processing time that automatic scaling can incur.

As part of the migration all the original code base has been rewritten to take advantage of event driven micro-services which are being deployed via a continuous integration pipeline. These core changes will allow MyFiziq to rapidly deploy new tenant accounts and make production amendments with zero downtime to its customers.

Improved internal analytics pipeline

Data capture is crucial for MyFiziq to refine and improve both frontend user experiences and backend results as MyFiziq continues to scale.

Therefore, a bespoke analytics pipeline has also been deployed as part of the new solution. Utilising AWS's interactive query service Amazon Athena and AWS Kinesis Firehose, MyFiziq can accumulate and process large streams of critical business data in real-time for business insights. In addition, MyFiziq also have the capability to query historical data and gain deeper analytical insights, again only paying for the compute time used.

Multi-tenancy service integration

Further to optimising its avatar creation functionality, MyFiziq has implemented additional AWS services to ensure ease of integration for MyFiziq's partners and their applications.



Primarily the app's user authentication service has been migrated to AWS Cognito. A key reason for the shift is to allow for authentication via federated identity providers and provisioning secure access for Partners via Security Assertion Markup Language (SAML).

The MyFiziq team is also utilising AWS Cloudformation, AWS Cloudfront, AWS, Cloudwatch, AWS Cloudtrail, AWS X-Ray and AWS IoT services to assist with its core business objectives.

Chief Technology Officer, Terence Stupple said:

“My primary objective when I joined MyFiziq in 2015 was to deliver an interface that had all the elements required to attract both consumers and partners. The move to a serverless event driven microservice was a key milestone and I'm extremely proud of my team in delivering this outcome. AWS Lambda gives us the ability to support multiple partners and millions of users, safe in the knowledge that availability, security and performance are being managed by the Amazon Web Services Team. We now have a cost-effective and compute efficient backend solution that is extensible, scalable and delivers improved accuracy and repeatability of results.”

Image capture optimisation

Following extensive testing MyFiziq have been able to prove that it is possible to reduce the impact of participant's breathing patterns during the image capture process by using iPhone burst technology. From Version 1.6.0 onwards the MyFiziq app includes burst image capture to mitigate potential outliers created by breathing or movement during image capture.

Senior Developer Phillip Cooper elaborates:

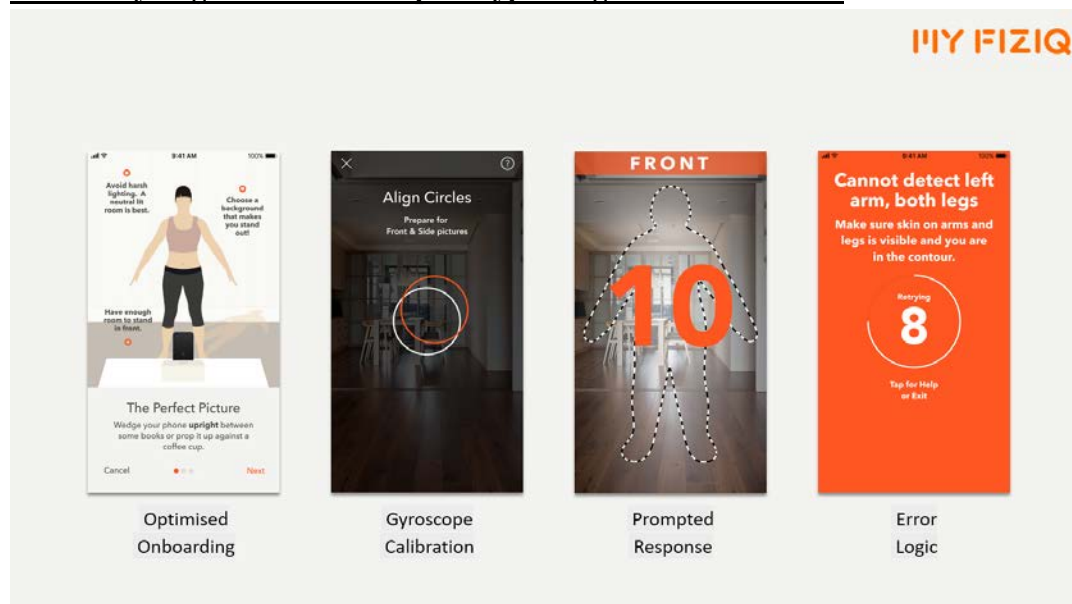
“Using burst mode in the device presented new challenges to us however by optimising our image format, we maintained an acceptable payload for cloud processing. The asynchronous nature of the new AWS backend architecture means we can process multiple attempts concurrently and then use a mathematical model to normalise the dataset and adjust accordingly if outliers are detected.”

Single user interface

MyFiziq is announces the appointment of Ryan Snowden as Experience and Interaction Designer for MyFiziq. Ryan and the MyFiziq technical team are currently designing and prototyping a new single user interface for inclusion in the MyFiziq SDK with a target release of December 2017.

“We have received feedback from both users and potential partners that they would prefer a ‘*single user*’ version of the app where a second person is not required to capture the image.” explained Ryan. “Our analytics data supports this feedback and so we are in the process of prototyping and testing some conceptual designs using the front camera that will enable users to simply place their device on a tabletop, follow some simple directions and create an avatar by themselves.”

Some early single user interface prototype designs are shown here:



Machine learning and computer vision now in-house

Following a successful partnership with German machine learning experts Sensape, MyFiziq has expanded its internal Machine Learning and Computer vision team with the additions of Neeraj Dhungel and Iman Abbasnejad as Computer Vision and Machine Learning Engineers.

Senior Technology Engineer, Dr Amar El-Sallam said:

“With our new machine learning experts now on-board we will be able to refine our existing techniques as well as work towards additional predictive models that will further improve our accuracy and repeatability results.

Our current solution uses a combination of techniques comprising computer vision and machine learning predictions in the cloud to enable us to accurately return body circumferences.

In the short term, our team is focussing on optimising models to run in both the cloud and on user devices. Apple’s Metal platform provides additional compute opportunities via the user’s GPU which we are keen to utilise, especially with the release of the iPhone 8 and iPhone X models.”

Corporate

On 27th of October 2017, the Company announced the appointment of Mike Melby to the MyFiziq board of directors. Mike brings a wealth of knowledge and skills to the Board of MYQ through his experience as an investment banker and private equity professional. After founding and exiting two technology companies (Pay Divvy LLC – acquired by Higher One / NYSE:ONE in 2013 and TapIt LLC – acquired by VC-backed Phunware in 2012), Mike joined NeV to acquire and operate leading health club brands around the world. Mike has demonstrated global success investing (over \$100M+) in the fitness industry and building one of the fastest growing gym chains in the world.



Quarterly Financials

During the quarter, the Company entered into a \$2 million convertible loan facility with NCMAO Investments Pty Ltd as Trustee for NCMAO Investments Trust. This facility was put in place to ensure that the Company had cover for short term working capital requirements. At the date of this report, the Company has not drawn down on the facility. It is important to note should the company draw down on the facility the minimum conversion price to the loan provider is \$0.30 a share.

Furthermore, MYQ has received a \$521,730 reimbursement this week under the Australian government R & D tax incentive scheme. This brings MYQ current available funds (cash at bank and convertible loan facility) to \$2.7m which comfortably covers the company's forecast cash burn for the following 12 months. MYQ is expecting a further payment of \$1.15m (excluding GST) by way of License payment from Body Composition Technologies in November.

Operational cash outflows were approximately \$971,000 for the September 2017 quarter. Whilst higher than previous quarters, the amount was below what was previously forecast for the September quarter. The quarter contained some annual payments, such as payroll tax, together with increased expenditure due to timing of payments.

At the end of the quarter, the Company had approximately \$180,000 in cash. In October 2017, \$350,000 of the \$1.5 million licence fee from Gold Quay was received with the balance expected to be received in November 2017.

On behalf of the board

Vlado Bosanac
Executive Director and Chief Executive Officer

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

MyFiziq Limited

ABN

85 602 111 115

Quarter ended ("current quarter")

September 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	13	13
1.2 Payments for		
(a) research and development	(92)	(92)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(34)	(34)
(d) leased assets	-	-
(e) staff costs	(556)	(556)
(f) administration and corporate costs	(313)	(313)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	2
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (rental income)	9	9
1.9 Net cash from / (used in) operating activities	(971)	(971)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(12)	(12)
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
(d) intellectual property	4	4
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) 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	(8)	(8)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
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)	-	-
3.10 Net cash from / (used in) financing activities	-	-

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	1,160	1,160
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(971)	(971)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(8)	(8)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	181	181

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	181	460
5.2	Call deposits	-	700
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)	181	1,160

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter
\$A'000**

(161)

-

\$146k - Directors fees/salaries including superannuation

\$ 15k - Legal fees paid to Steinepreis Paganin, an entity associated with Mr Peter Wall

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter
\$A'000**

-

-

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	2,000	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

On 20 September 2017 the Company entered into a convertible loan agreement with NCM AO Investments Pty Ltd as Trustee for NCM AO Investments Trust. The maximum facility limit is \$2m and interest accrues daily on each advance at a rate of 8% per annum. On the termination date of 31 December 2019, any advances plus accrued interest that have not yet been repaid will, subject to receipt of shareholder approval, be convertible into shares at an issue price equal to the greater of \$0.30 per share or the 14 trading day volume weighted average price of the Company's shares as traded on ASX prior to the termination date.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development (including patents)	(110)
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing	(80)
9.4 Leased assets	-
9.5 Staff costs	(505)
9.6 Administration and corporate costs	(370)
9.7 Other (provide details if material)	(15)
9.8 Total estimated cash outflows	(1,080)

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	n/a	n/a
10.2 Place of incorporation or registration		
10.3 Consideration for acquisition or disposal		
10.4 Total net assets		
10.5 Nature of business		

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.



Sign here:
(Company Secretary)

Date: 27 October 2017

Print name: Kevin Hart

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.