ACN 010 126 708

ASX Release
31 January 2018

BUSINESS UPDATE DECEMBER QUARTER 2017

(Accompanying APPENDIX 4C)

Highlights

- Further positive University of Ghent publication confirms DOPlify® as world leading WGA (Whole Genome Amplification) product and demonstrates performance for liquid biopsy
- Patent on target sequence enrichment for specific genes with relevance to broad applications including IVF and liquid biopsy progresses through publication
- PG-Seq™ initial clinical validation receives positive feedback and strong customer interest in the early access program

Adelaide, 31 January 2018: RHS Limited (ASX: RHS) ("RHS" or the "Company") announces its fourth quarter cash flow report for the quarter ending 31 December 2017, together with a business update.

Company highlights for the current quarter, ending 31 December 2017 were:

- The Company has received high levels of commercial interest in its products and capabilities in the IVF market, particularly following presentations and exhibits in October at the American Society of Reproductive Medicine (ASRM) conference in San Antonio, USA. This interest has advanced our significant business and commercial discussions with a number of multinationals. RHS is progressing its external strategic collaborations in the IVF, cancer and prenatal applications using our products and expertise. The collaborations are advancing towards formal relationships for co-development of new products and applications; RHS will update business matters as appropriate.
- Conference presentations held in the December quarter highlighted the results from the co-development of non-invasive PGT-A (Preimplantation Genetic Testring for Aneuploidy) by RHS and Repromed (Monash IVF Group Ltd)., This showed a 93% concordance between culture media and biopsy, which is the highest correlation reported globally. This technical advance is expected to significantly increase the uptake of PGT-A. Further updates on the commercial relationship and product plans between RHS and Monash IVF Group can be anticipated during the coming months.
- A second independent study by the University of Ghent comparing single cell Whole Genome Amplification (WGA) kit performance was published in December, confirming that DOPlify® is internationally competitive and demonstrating its application for cell-based cancer screening using liquid biopsy. The second publication reinforces the earlier study published by the same group in July 2017, and reaffirms the Company's own assertion that DOPlify® is arguably the best WGA product worldwide. For further information refer to the ASX Announcement dated 11th December 2017.

- Progression of the Company's patent on target sequence enrichment (TSE) for specific genes of interest to published PCT. The patent claims a method that allows specific targeting of genes of clinical interest with applications including combined embryo screening for aneuploidy (PGT-A) and inherited genetic disorders (PGT-M). Importantly, the TSE patent is similarly applicable to screening circulating tumour cells in liquid biopsy. The patent accompanies RHS' registered trademark application for DOPlify®, our novel WGA kit and adds to the earlier registration of EmbryoCellect®.
- Cash on hand at 31 December 2017 was $0.85 Million. The Company received cash revenue of $44K with a quarterly decline due to decreases in PGT-A services, primarily attributable to seasonal reductions in clinical services by RHS and our customers. RHS continues to see a rapid shift to Next Generation Sequencing (NGS) based PGT-A, for which PG-Seq™ provides a complete workflow starting with DOPlify® for WGA, through to bioinformatics for result analysis and interpretation. RHS looks forward to the launch of the PG-Seq™ early access program to drive a significant increase in revenues, and the Company is buoyed by initial positive feedback from the external clinical validation trials. The list price of PG-Seq™ is targeted at AUD$12,500 per kit, which provides 96 tests at approximately AUD$130 per test. The March quarter has begun on positive terms and the Company anticipates a strong revenue quarter coupled with progress in ongoing commercial discussions.
- Continued control of operating costs with gross operating cash outflows for the quarter of ($523k) compared to ($649K) in Q3, ($596K) in Q2 and ($502K) in Q1 and a quarterly average for the 2016 year of ($464K). Net operating cash outflows for the quarter totalled ($512K). RHS submitted an Export Market Development Grant application for 2016/17 in the current quarter and is preparing its R&D Tax Incentive application for the 2017 calendar year, which can be anticipated to be received, if successful, in the June quarter.
- RHS was pleased to be awarded Corporate LiveWire's Innovation & Excellence Award 2018 for Most Innovative in Healthcare Research. This award reinforces RHS' role as an innovative company focussed on developing products to enable healthcare advances.

Subsequent to 31 December 2017;

- RHS commercial and scientific teams are readying for full commercial launch of PG-Seq™ with the first external clinical validation study complete and the second underway and expected to be completed during the March quarter. The validation studies compare separate biopsies from the same embryo using the current market leading product VeriSeq from Illumina and RHS' PG-Seq™. The outcomes measured are the correlation of results between the two kits and their relative performance and ease of use. These two studies preceed the commencement of RHS' early access program, wherein 5 clinics are already reviewing the program agreement. Initial feedback from the validation studies has been positive with the first study achieving 100% aneuploidy concordance. Further detailed analysis is underway and an update will be reported at the completion of both trials. PG-Seq™ incorporates our WGA product DOPlify® followed by sample preparation for NGS and software for analysis and reporting. The kit is priced comparatively to VeriSeq and has been extensively validated using cell lines of known chromosomal content. The advantages of PG-Seq™ include being able to analyse twice to four times as many samples leading to lab efficiencies with reduced hands on time and increased capacity without the need to upgrade equipment. The throughput is expected to dovetail well with the anticipated increased throughput needed for non-invasive PGT-A. Furthermore, the RHS patented TSE method allows combined PGT-A for chromosome copy number detection with PGT-M for inherited genetic disease detection.
- In parallel with validation of PG-Seq™ on the most commonly used sequencer in IVF clinics, RHS has validated PG-Seq™ on the significantly cheaper Illumina MiniSeq sequencer. This provides a lower capex option to clinics looking to commence genetic testing in-house. RHS is also actively developing products for sequencing on the competitor sequencers from ThermoFisher.
- RHS has seen an increase in PGT-A services in late January as clinics recommence their IVF consultations following the December holiday season.

- In the December quarter, RHS was awarded grant funding for further development and customisation of software for use with PG-Seq™ from TechInSA through the HWA Lab program. This will allow RHS to tailor the PG-Seq™ software interface and introduce analysis modules specific to RHS' products and protocols, including combining PGT-A and PGT-M analysis in one package and allowing embryo identification using the mitochondrial genome sequence. These additional product features have received positive market feedback and the upgraded software will be released later in 2018 as a second generation PG-Seq™ kit.
- RHS is pleased to add the Vietnamese company AMB Vietnam Trading and Service Ltd to its distributor list. AMB have already been working alongside RHS and secured our first DOPlify® sales into the territory. Vietnam represents approximately 30,000 IVF cycles with most genetic testing being performed by a small number of service labs.

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About RHS

RHS is a developer of advanced single cell genomic technologies focussed on improving health and research outcomes, based on deep technical experience in the field. DOPlify® is a platform product for whole genome amplification (WGA) of single or small numbers of cells. DOPlify® is applicable to the global Next Generation Sequencing (NGS) market. PG-Seq™, RHS' NGS workflow and EmbryoCellect®, RHS' microarray workflow, both incorporate DOPlify® and have been specifically designed for the genetic screening of IVF embryos.

RHS Ltd.
ACN 010 126 708
ASX: RHS

Issued Capital
89.9 million shares
7.4 million options

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Dr David Brookes (Chairman)
Sue MacLeman
Johnathon Matthews
Dr Michelle Fraser (CEO)

Finance Officer & Company Secretary
Raymond Ridge

+Rule 4.7B

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

RHS LIMITED

ABN	**Quarter ended ("current quarter")**
84 010 126 708	31 Dec 2017

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	44	206
1.2	Payments for		
	(a) laboratory supplies used in research and development	(56)	(181)
	(b) product manufacturing and operating costs	(46)	(142)
	(c) advertising and marketing	(29)	(224)
	(d) leased assets	(34)	(132)
	(e) staff costs	(356)	(1,159)
	(f) administration and corporate costs	(69)	(491)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	12	16
1.5	Interest and other costs of finance paid	(2)	(12)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	258
1.8	Other (provide details if material)	24	27
1.9	**Net cash from / (used in) operating activities**	**(512)**	**(1,834)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) property, plant and equipment	-	(19)
	(b) businesses (see item 10)	-	-
	(c) investments	-	-

Consolidated statement of cash flows		Current quarter $A'000	Year to date (12 months) $A'000
	(d) intellectual property	-	-
	(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**	**-**	**(19)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of shares	-	1,500
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	-	(108)
3.5	Proceeds from borrowings	-	30
3.6	Repayment of borrowings	(21)	(74)
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**	**(21)**	**1,348**

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	**1,386**	**1,358**
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(512)	(1,834)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(19)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(21)	1,348

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (12 months) $A'000**
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of quarter**	**853**	**853**

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	38	59
5.2	Call deposits	815	1,327
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)**	**853**	**1,386**

6.	**Payments to directors of the entity and their associates**	**Current quarter $A'000**
6.1	Aggregate amount of payments to these parties included in item 1.2	104
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

Executive director salary, directors fees and superannuation.

7.	**Payments to related entities of the entity and their associates**	**Current quarter $A'000**
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

8.	**Financing facilities available** *Add notes as necessary for an understanding of the position*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
8.1	Loan facilities	119	119
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.

The loan facility is equipment financing through NAB at an effective interest rate of 7.22% (secured over the equipment).

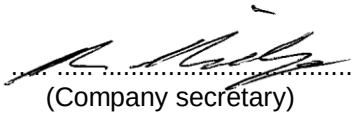
9.	**Estimated cash outflows for next quarter**	**$A'000**
9.1	Research and development	(30)
9.2	Product manufacturing and operating costs	(18)
9.3	Advertising and marketing	(50)
9.4	Leased assets	(32)
9.5	Staff costs	(371)
9.6	Administration and corporate costs	(301)
9.7	Other (equipment loan repayments)	(13)
9.8	**Total estimated cash outflows**	**(815)**

10.	**Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)**	**Acquisitions**	**Disposals**
10.1	Name of entity	-	-
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:  Date: ..31 January 2018.....
(Company secretary)

Print name: .....Ray Ridge.....

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.