

ASX Announcement

Medibio Limited – 31 January 2019



Quarterly ASX Update and Cash Flows

Medibio Limited (ASX: MEB) (OTCQB: MDBIF)

31 January 2019

Quarterly Update and Message from Medibio Limited

Melbourne, Australia and Minneapolis, MN – 31 January 2019: Medibio Limited (MEB or the Company) (ASX: MEB)(OTCQB: MDBIF), a mental health technology company provides the following quarterly update:

Key highlights from the quarter

- Launched ilumen™ corporate health product
 - Announced contracts with AIAA and others for pilot programs
- Received \$3.1 million R&D Tax Incentive Refund
- Appointed David B. Kaysen as CEO and Managing Director
- Received FDA response to De Novo application
- Announced converting note and non-renounceable entitlement offer
- Announced changes to board of directors and cost reduction plans

COMPANY UPDATE

During the quarter, the Company released an updated investor presentation, which can be viewed [here](#).

Also during the quarter, the Company welcomed David B. Kaysen in the CEO and Managing Director role. The announcement, including his full bio, can be viewed [here](#).

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QUALITY & REGULATORY ADVANCEMENT

Medibio received the FDA's response to our De Novo application submission. The response requests clarification on 11 key points, which includes study methodology, intent of use, labelling and cybersecurity. This is an expected and complex process and our team has begun gathering the required information to provide the FDA a detailed response, within their designated timeframe, no later than 29 April 2019.

Parallel to that effort, Medibio will concentrate on reviewing and achieving other regulatory avenues for one or more current modules, which address various mental health conditions. We believe we are in a position to submit one or more 510(k) application(s) to the FDA.

The 510(k) process is a more common route, which should provide us with FDA clearance for specific pipeline products within the first four to five months of 2019. We expect to implement a commercialisation strategy in the U.S., based on 510(k) clearance, by end of 2019 calendar year.

PRODUCT ADVANCEMENT

In October 2018, we launched ilumen™, our second Corporate Health product, to coincide with Australia's Mental Health Month and World Mental Health Day.

A unique solution for corporate health programs seeking to offer support for mental wellness, ilumen™ provides participants with a two-part system for checking and monitoring symptoms of depression, anxiety, and stress. Coupling Medibio's key biometric data and a subjective assessment, users get a 'wellness snapshot' that they can track and make improvements to over time.

Employers have access to a de-identified, aggregate-level dashboard to support informed decision-making, improved team performance, and increased employee wellbeing. Many companies have healthcare plans in place to address physical health. Medibio's platform allows employers to extend support to cover mental health.

A contract signed by a large Australian employer offered access to ilumen™ to 8,000 personnel over a six-week engagement. The pilot commenced in October 2018.

In November, Medibio announced that it has signed an exclusive agreement with AIAA to undertake a pilot program with ilumen™. AIAA will have access to ilumen™ over a six-month period for its Australia and New Zealand employees. The contract commenced in November with full pilot expected to commence in February 2019.

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The Company continues to respond to inquiries and conduct exploratory meetings to follow up on interest in ilumen™ in Australia, U.S., and other international markets.

LEADERSHIP CHANGES

In November, Medibio welcomed David B. Kaysen as CEO and Managing Director. Mr. Kaysen brings more than 35 years of experience leading and managing both domestic and international emerging growth companies. He has achieved consistent and solid results with biopharmaceutical, medical device, and clinical software/IT companies. He is experienced in the FDA approval process, leading products to revenue growth, and has experience in Australia.

The following leadership changes were announced in December:

- From 31 December 2018, Mr. Christopher Indermaur ceased as Non-Executive Chairman of the Company in order to focus on other business interests.
- Mr. Peter Carlisle was appointed as Interim Chairman of the Board from 31 December 2018 until a new Chairman is elected by the Board.
- Mr Claude Solitario was appointed as a Non-Executive Director of the Company from 31 December 2018. Mr. Solitario brings 30 years of experience in the development of new and emerging technology, with a deep understanding of licensing and commercialisation of intellectual property. He is a founding shareholder of Medibio Ltd and one of its major shareholders. Mr Solitario also brings extensive financial background having served as a financial executive for many public and private companies.

COST REDUCTIONS

Effective 31 October 2018 and 20 December 2018, the Company implemented a reduction in force eliminating certain staff positions in its Minneapolis, MN headquarters.

During the quarter, the Company implemented a redundancy eliminating certain staff positions in its Perth, Australia offices.

Effective 1 January 2019, the Non-Executive Directors will no longer receive any cash compensation for their services. At a future date, it is the intention of the Board to implement an equity-based compensation plan for all Non-Executive Directors for their services.

Effective 1 January 2019, Brian Mower ended his tenure as the Company's CFO. At that time, the Company Controller, Steve Sathre, took on the role of interim CFO. As of 8 February 2019, Mr. Sathre will end his tenure with the Company, accepting a position with another organisation. An

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appropriate Company Controller will be named prior to Mr Sathre's departure, allowing for smooth transition and management of financial responsibilities for the Company. Both Mr. Mower and Mr. Sathre have agreed to provide as-needed consulting and support during this transition period.

QUARTERLY CASH ACTIVITY & CASH POSITION

We are mindful of the cash position and have taken cost reduction actions, including termination of vendor contracts and reduction in staff, to reduce net future quarterly cash outlays. The Company will continue to evaluate spending at all levels of the organisation while maintaining an adequate infrastructure to support organizational goals.

In October, the Company received \$3,146,835 from the Australian Taxation Office under the Research and Development Tax Incentive Program. The cash refund is related to expenditure on eligible Australian and Overseas R&D activities conducted during the financial year ended 30 June 2018.

The Company received firm commitments from sophisticated and professional investors to subscribe for approximately 125,000,000 Convertible Notes at \$0.02 per note (Notes) under which the Company will receive approximately \$2.5 million, before set-offs and issuance costs, in two tranches under a Convertible Note Deed Poll. (Convertible Note Deed Poll). The first tranche was received in December 2018 and the second tranche was received in January 2019.

The Company also announced a non-renounceable pro-rata rights issue of 1 fully paid ordinary share (New Share) for each 1 Share held by eligible shareholders seeking to raise approximately \$4.05 million (Entitlement Offer) before issuance costs. The proceeds from the issue of Notes and shareholder participation in the Entitlement Offer will be used to fund the costs of the Entitlement Offer, advance its 510(k) regulatory approval, progress its De Novo submission, technology development, product commercialisation and for the Company's working capital requirements. The Entitlement Offer is expected to close in February 2019.

The Company's cash position at 31 December 2018 was A\$2.2 million. In December 2018, the Company received approximately A\$0.5 million (net of issuance costs) upon the issuance of approximately 30 million first-tranche convertible notes under the Convertible Note Deed Poll mentioned above. The remaining cash inflows of approximately A\$0.2 million were from customers' payments, GST refunds and interest payments. The Company had A\$3.3 million cash outflows during the quarter. The quarter-over-quarter decrease in cash outflows reflects the Company's renewed focus on core activities and the impact of cost reduction strategies discussed above. Included in the cash expenditures was A\$0.2M for costs associated with the departures of former employees. The remaining expenditures were related to recurring business activities, including the development of products, business integration and expenses incurred for regulatory filings. The Company anticipates additional cash inflows from the second tranche of convertible notes and the entitlement offer outlined above. Anticipated cash available for use by the Company is A\$6.8 million.

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– ENDS –

About Medibio Limited

Medibio (ASX: MEB) (OTCQB: MDBIF) is a mental health technology company that has pioneered the use of objective biometrics to assist in the screening, diagnosing, monitoring and management of depression and other mental health conditions. The company offers comprehensive mental health solutions for business through its Corporate Health programs and is developing products to serve both the consumer and regulated healthcare provider markets. The company was founded in Australia, with offices located in Melbourne (Vic), Perth (WA), and U.S. offices in Minneapolis, MN. Medibio is listed on the Australian Securities Exchange Ltd and trades on the OTCQB Venture Market. Investors can find additional information on www.otcmarkets.com and www.asx.com.au.

Further Information:	Website: www.medibio.com.au
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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

Medibio Limited

ABN

58 008 130 336

Quarter ended ("current quarter")

31 December 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	184	380
1.2 Payments for		
(a) research and development	(534)	(1,207)
(b) product manufacturing and operating costs	(5)	(19)
(c) advertising and marketing	(91)	(352)
(d) leased assets	-	-
(e) staff costs	(1,772)	(4,026)
(f) administration and corporate costs	(914)	(2,575)
1.3 Dividends received (see note 3)		
1.4 Interest received	6	44
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	3,147	3,147
1.8 Other (GST refund)	58	77
1.9 Net cash from / (used in) operating activities	79	(4,531)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(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	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	-	-

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	576	576
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	(36)	(36)
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	540	540

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
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	1,542	6,123
4.2 Net cash from / (used in) operating activities (item 1.9 above)	79	(4,531)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4 Net cash from / (used in) financing activities (item 3.10 above)	540	540
4.5 Effect of movement in exchange rates on cash held	(10)	19
4.6 Cash and cash equivalents at end of quarter	2,151	2,151

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	887	679
5.2 Call deposits	1,264	863
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)	2,151	1,542

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	109
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	

Payments to directors and director related entities quarter ended 31 December 2018.

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	

N/A

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	-	-
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.		

N/A

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	(625)
9.2 Product manufacturing and operating costs	(5)
9.3 Advertising and marketing	(20)
9.4 Leased assets	-
9.5 Staff costs	(850)
9.6 Administration and corporate costs	(1,000)
9.7 Other	-
9.8 Total estimated cash outflows	(2,500)

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	-	-

Additional Information

On 15 October 2018, the Company received \$3,146,835 from the Australian Taxation Office under the Research and Development Tax Incentive Program.

On 18 December 2018, the Company received \$607,885 (before set-offs and issuance costs) upon the issuance of 30,394,240 convertible notes.

On 31 January 2019, the Company received \$2,145,446 (before set-offs and issuance costs) upon the issuance of 107,272,280 convertible notes.

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: 31 January 2019

Print name: Melanie Leydin

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.