



1 November 2019

Lisa Banh
Australian Securities Exchange
Exchange Centre
20 Bridge Street
Sydney, NSW 2000

Dear Lisa

ASX APPENDIX 4C QUERY

We refer to the ASX Appendix 4C query we received issued by the ASX on Thursday 31 October 2019.

1. Medlab Clinical Limited (Company) expects to continue having negative operating cash flows for the time being.
2. We note that cash at the end of the quarter was \$6.942m but the Company received the 2019 R&D Tax Concession of \$2.1m shortly afterwards in October. With regards to future cash flow the Company anticipates an increase in collections in the short to mid-term through the expansion of the nutraceutical business (Australia and internationally) and the pharmaceutical business. At this point in time, the Company has not formally agreed on any capital raising but the Board will evaluate potential capital raising options. The Company is confident that it will be successful in being able to raise capital if required.
3. The Company expects to be able to continue its operations and to meet its business objectives. As outlined in recent ASX announcements:
 - The Company recently launched its nutraceutical business into Australian banner pharmacies resulting in growth in annual revenue by 46% in FY 2019.
 - On 10 October 2019, the Company announced the execution of a definitive agreement to expand nutraceuticals into the USA.
 - The first export order of Medlab's newest cannabinoid (NanoCBD™) of 1,500 units to Hong Kong received and deposit paid.
 - Significant growth (45% quarter on quarter) in the income derived from dispensing cannabis products under the Government's Special Access Scheme.

The above mentioned points provide significant growth opportunities for the Company and thereby producing future cash flows.

4. The Company is in compliance with the Listing Rules and, in particular, Listing Rule 3.1 and there is no further information that should be given to the ASX about its financial condition that has not already been released to the market.
5. These responses have been authorised and approved in accordance with the Company's published continuous disclosure policy by the Board of Directors.

Yours Sincerely

A handwritten signature in black ink, appearing to read 'Alan Dworkin', with a stylized, cursive script.

Alan Dworkin
Company Secretary



31 October 2019

Reference: 09964

Mr Alan Dworkin
Company Secretary
Medlab Clinical Limited

By email:

Dear Mr Dworkin

Medlab Clinical Limited ('MDC'): Appendix 4C Query

ASX refers to MDC's Appendix 4C quarterly report for the period ended 30 September 2019 lodged with the ASX Market Announcements Platform and released on 25 October 2019 (the 'Appendix 4C').

ASX notes that MDC has reported:

- negative net operating cash flows for the quarter of \$3,993,000;
- cash at the end of the quarter of \$6,942,000; and
- estimated cash outflows for the next quarter of \$4,600,000.

It is possible to conclude, based on the information in the Appendix 4C, that if MDC were to continue to expend cash at the rate indicated by the Appendix 4C, MDC may not have sufficient cash to continue funding its operations.

Request for Information

In view of that, ASX asks MDC to answer separately each of the following questions and provide the following confirmations in a format suitable for release to the market under Listing Rule 18.7A:

1. Does MDC expect that it will continue to have negative operating cash flows for the time being and, if not, why not?
2. Has MDC 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?
3. Does MDC expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
4. Please confirm that MDC is complying with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition under that rule that has not already been released to the market.
5. Please confirm that MDC's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of MDC with delegated authority from the board to respond to ASX on disclosure matters.

Please also provide any other information that MDC considers may be relevant to ASX forming an opinion on whether MDC is complying with Listing Rule 12.2 that a listed entity's financial condition must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **9.30 AM AEDT Monday, 4 November 2019**.

If we do not have your response by then, ASX will have no choice but to consider suspending trading in MDC's securities under Listing Rule 17.3. You should note that if the information requested by this letter is

information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, MDC's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market. Your response should be sent to me by e-mail at ListingsComplianceSydney@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rule 3.1 and 3.1A

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Exceptions to this requirement are set out in Listing Rule 3.1A. In responding to this letter, you should have regard to MDC's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. It should be noted that MDC's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in MDC's securities under Listing Rule 17.1. If you wish to request a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

Enquiries

If you have any queries or concerns about any of the above, please contact me immediately.

Regards

Lisa Banh
Senior Adviser, Listings Compliance (Sydney)