PHARMACEUTICALS UPDATE

Dear Shareholder,

Welcome to 2020, in what should prove to be an exciting year for Medlab Clinical Ltd (ASX: MDC). This year, we expect Medlab's profile as a revenue generating research company with an aggressive product development pipeline, will be focused on the progress of our world leading cancer pain drug candidate NanaBis™. In this regard, we start 2020 with a number of progress updates and important catalysts expected.

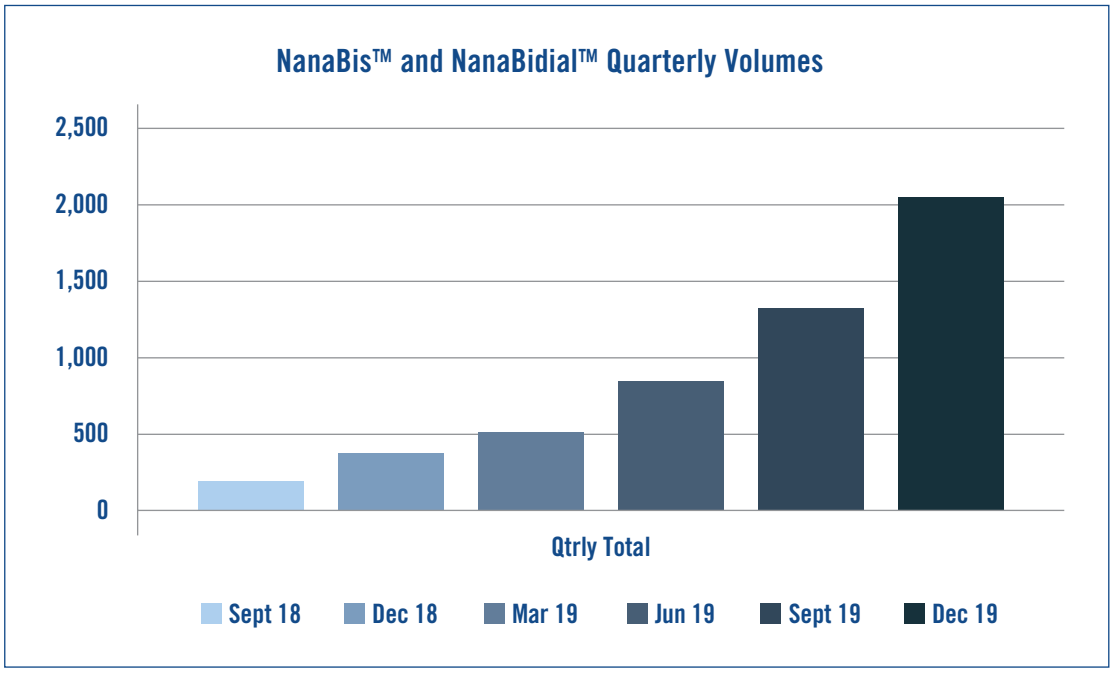
PHARMACEUTICALS HIGHLIGHTS

The Company has continued to achieve significant milestones:

- **Record quarterly revenue achieved in cannabis sales**, with an increase of approximately 50% over the previous best quarter and 400% over previous corresponding period.
- **Royal North Shore Hospital (RNSH) clinical trial has been completed** and are awaiting results. Encouraging initial feedback.
- **Impressive start to the NanaBis™ Observational Study**, prior to formal launch. Approximately 120 Australian Doctors and 230 patients have been recruited. The recruitment is ahead of the formal National rollout anticipated later this month.

Revenue and Volume Growth:

Revenues from our core cannabis-based medicines (NanaBis™ and NanaBidial™) are starting to feature more prominently in quarterly incomes. The 2 products are available in Australia via the Australian Government's compassionate programme (SAS).



The graph above illustrates the quarterly growth in the number of Cannabis bottles dispensed.

The key driver of revenues looking forward include the formal launch of the TGA approved Observational Study – this scheme allows patients a compassionate rate for access to the NanaBis™ product whilst providing data back to the Company for use in the Drug Registration process.

As pleasing as the revenue growth being made through SAS sales is, we stress that these sales are a step along the path rather than a commercialisation strategy in itself – our advanced primary goal is achieving drug registration status and we expect global revenue opportunities in achieving that status to be far more material than any measure of success under the SAS.

NanaBis™ – Research and Development

- **Royal North Shore Hospital Clinical Trial completed in Dec 2019 - MDC** is very pleased to announce that pre-Christmas 2019, the Cancer pain trial at RNSH where patients were treated with NanaBis™ has completed.
- MDC emphasises that this is a significant milestone, with preliminary data very encouraging and currently being used to develop Phase 3 trial protocols which will be used both in Australia and in the US, as MDC plans to go to US FDA to obtain IND approvals later this year.

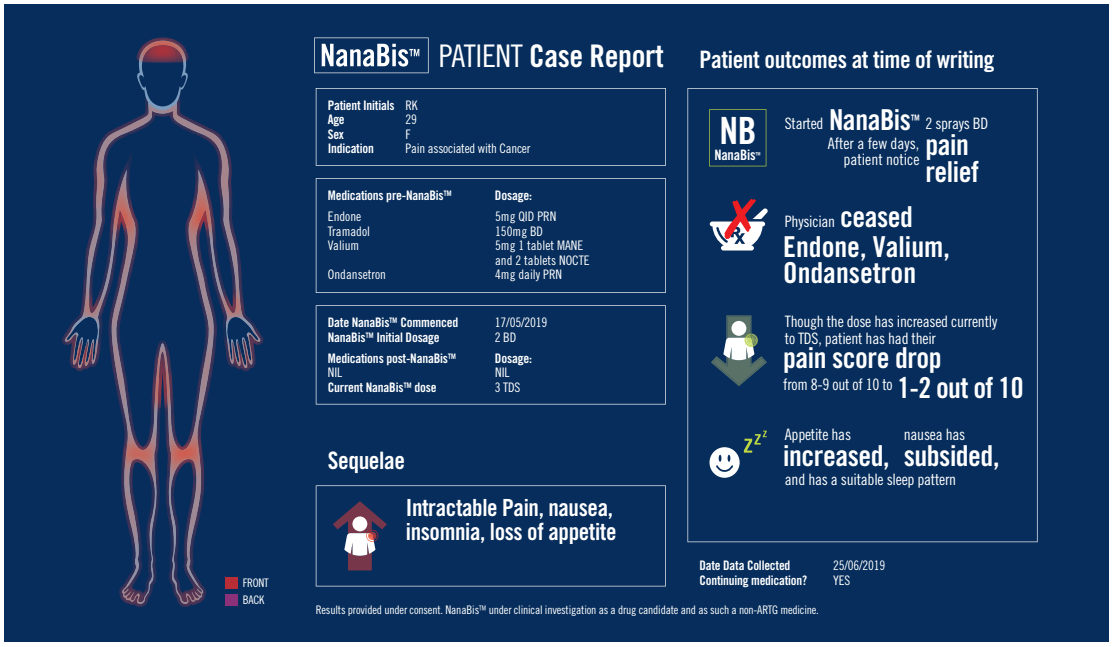
Our most noted and accelerated program, NanaBis™ continues to traverse global drug registration pathways with the ultimate endpoint being an approved global drug for Cancer pain.

The highly significant data from the recently completed Phase 2 Clinical Trials at Royal North Shore Hospital is expected by the end of February 2020 and will be a major milestone in the program to achieve a cannabis based cancer pain drug registration and the significant commercial opportunities that would deliver. We continue to believe our programme in this field is world leading and especially hard to replicate without the years of research and development already delivered by Medlab.

Significant steps in this programme start 2020 with:

- RNSH trial completed, awaiting final pathology on last 8 patients with results expected by end of February 2020.
- Medical publication to follow.
- Global conferences to discuss the findings of the trial are already being booked to include Australia, USA and Europe
- Phase 3 clinical trials are in design, to which we are expecting in 2020 to:
  - Go to Australian Ethics for trial approval
  - Go to USFDA for IND status
  - Commence Phase 3 trials in both Australia and USA
- Observational Study for the accumulation of real-world data for regulatory use will formally launch with strong uptake expectations.
- Manufacturing is being scaled up to meet increased demand from:
  - Australian SAS approved use.
  - Observational Study.
  - Phase 3 in both Australia and USA.

To illustrate the potential of NanaBis™, I offer this case study:



NanoCBD™

Our newest cannabinoid product, using CBD from hemp. The core differentiation for our CBD product is:

1. Use of our proprietary delivery platform NanoCelle™ – delivering a smaller dose more efficiently via the buccal membrane to alternatives such as drops to the mouth.
2. NanoCBD™ is manufactured in a US FDA drug facility offering a trusted product with a significant "quality statement".

NanoCBD™ revenues are expected for the first time in the March quarter 2020 with introduction to Australia via the TGA SAS scheme. Elsewhere, Medlab remains closely monitoring offshore regulatory environments and will seek to offer the product, via local partnerships where possible. Our adoption of approved drug facility manufacturing and clinical trials philosophy to product development puts us in a strong position to comply with changing regulations for CBD globally as this market develops.

NanoCelle™

On the back of our Pharmaceuticals product development, our NanoCelle™ delivery platform offers commercial optionality from allowing other drug manufacturers to adopt under licence. NanoCelle™ is the proprietary delivery platform developed by MDC that allows:

- Use of nanoparticles for faster absorption.
- For increased absorption of ingredients – potentially allowing low dosages.
- Bypassing the human gastrointestinal environment – potentially reducing side effects.
- Increased product stability.
- Versatility as it can be used across a number of ingredients.
- For drug quality with good safety and repeatability in clinical results.

Currently NanoCelle™ is deployed in several nutraceuticals, and about 23 pharmaceutical potentials including NanaBis™ and NanoCBD™ mentioned above. It is of particular applicability to poorly absorbed drugs and offering innovation for otherwise generic drugs.

The global drug delivery commercial opportunity is exceptionally large – especially for providing product enhancement in the universe of generic drugs. We will notify the market of all progress in this regard during 2020.

SUMMARY

In summary, for 2020 we are absolutely focused on the opportunity with our Pharmaceuticals business and progress of our Cannabinoid based drug candidates – led by the cancer pain drug NanaBis™. Further progress through clinical trials will mark significant achievements toward the commercial opportunity that a registered drug would represent.

Otherwise, we do have early revenue coming in from the SAS for pharmaceuticals and nutraceuticals from direct and partner sales.

Our Nutraceuticals business is expanding into new revenue territories including the US, UK and Asia where we should see revenue flow over the next few months without material operating or capital expenditure. The first US initiative was launched as proposed last month. The Australian nutraceuticals business is likely to rationalise somewhat after a year of expansion with large wholesale distribution partners and focus on better performing products – we will be driven by product quality, margin and not by market share.

We also have licensing opportunities for our NanoCelle™ delivery platform. We will keep the market updated on any contract success in the path to licensing this technology.

In the commericalisation of inhouse developed technologies, we also have further revenue opportunities from royalties on blood assays developed as part of our clinical trials protocols and now available for commercial use in other clinical trials and therapeutic monitoring – we will comment further on this as progress is made.

Last, clearly there are a number of catalysts to watch out for, they signify progression – this progression is important as it serves as stepping stones to our ultimate goal, new approved drugs with significant global potential.

To our shareholders, thank you for being part of this journey, moving forward, I sincerely hope that together we achieve something truly remarkable.

For and on behalf of the Board

Dr Sean Hall
Managing Director

ISSUED FOR: **MEDLAB CLINICAL LTD (ASX: MDC) – www.medlab.co**

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ABOUT MEDLAB www.medlab.co

Medlab Clinical is an Australian based medical life science company, developing therapeutic pathways for diagnosed chronic diseases. It is advanced in developing therapies for pain management, depression and obesity as well as earning revenue from sale of nutritional products in Australia and the United States. In pain management Medlab is developing cannabis-based medicines. The Medlab developed nano-particle medicine delivery system, NanoCelle™, is being applied to its medicines, nutritional products and off-patent drugs like statins. Medlab has a growing patent portfolio.

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