

ASX ANNOUNCEMENT

Quarterly Activities and Appendix 4C for the Quarter Ending 30 June 2020

iQ3Corp Ltd (“iQ3” or “Company”) (ASX:IQ3), releases its Quarterly Activity Report and associated Appendix 4C (Quarterly Cashflow Report) to the market.

Business Activities for the Quarter

In FY20, iQ3 has continued to develop its existing portfolio of clients and has also taken on new strategic projects and collaborations with US business partners. Taking on these new projects and partners in the US has resulted in signing several significant contracts that lead to a robust pipeline of work for the next 12-36 months, which is being progressively realised as the economy rebounds.

The Company has performed solidly during the quarter, seizing opportunities presented by the current challenging market conditions. The Company also realised various cost saving initiatives during the quarter, which has resulted in positive cash inflow of \$203K in Q4 FY20 compared to net cash outflow of \$1,333K in Q3 FY20.

The key highlights are:

- An increase of 65% in receipts from customers for Q4 FY20 when compared to Q4 FY19 (Q4 FY20: \$1,605K; Q4 FY19: \$975K)
- An increase of 351% in operating cash inflows for Q4 FY20 achieved through increased receipts from customers, supplemented by various cost saving initiatives. This is an increase of \$158K compared to Q4 FY19 (Q4 FY20: net operating cash inflow of \$203K; Q4 FY19: net operating cash inflow of \$45K)
- Firm cash position for Q4 FY20 of \$227K. This is an increase of \$184K when compared to Q3 FY20

During the quarter, management has completed a strategic partnership with a related party, providing it access to an additional \$3 million in liquidity to strengthen its position (refer to details in item 7). The additional funding relates to a working capital facility with an interest rate of 9% per annum, maturing on 30 June 2022.

Payments to Related Parties and their Associates (Refer section 6 of Appendix 4C)

During the quarter, the Company paid \$419K in relation to overhead reimbursement costs, consulting fees and directors’ remuneration to its related parties and their associates.

END

About iQ3

iQ3Corp is a dedicated life science corporate finance and advisory firm.

www.iq3corp.com

About The iQ Group Global

The iQ Group Global is a consortium of companies that finds, funds and develops innovative bioscience intellectual property to create life-changing medical innovations. Through our unique business model, we mitigate industry-inherent risks to accelerate the commercialisation of bioscience assets and maximise value for investors.

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Authorized by: Dr George Syrmalis, Chairperson, 29th July 2020

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

iQ3Corp Limited

ABN

63 160 238 282

Quarter ended ("current quarter")

30 June 2020

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	1,605	7,209
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(102)	(620)
(c) advertising and marketing	(2)	(49)
(d) leased assets	-	-
(e) staff costs	(1,025)	(5,129)
(f) administration and corporate costs	(414)	(2,360)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid	(49)	(109)
1.6 Income taxes paid		
1.7 Government grants and tax incentives	190	190
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	203	(867)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	5	(13)
(d) investments	(19)	(75)
(e) intellectual property		
(f) other non-current assets		

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from disposal of:		
	(g) entities		
	(h) businesses		
	(i) property, plant and equipment		
	(j) investments		
	(k) intellectual property		
	(l) 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	(14)	(88)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities		
3.5	Proceeds from borrowings	-	927
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	-	927

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	43	253
4.2	Net cash from / (used in) operating activities (item 1.9 above)	203	(867)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(14)	(88)

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	927
4.5	Effect of movement in exchange rates on cash held	(5)	2
4.6	Cash and cash equivalents at end of period	227	227

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	227	43
5.2	Call deposits		
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)	227	43

6. Payments to related parties of the entity and their associates

- | | | Current quarter
\$A'000 |
|-----|---|------------------------------------|
| 6.1 | Aggregate amount of payments to related parties and their associates included in item 1 | 400 |
| 6.2 | Aggregate amount of payments to related parties and their associates included in item 2 | 19 |

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Quarterly cash flow report for entities subject to Listing Rule 4.7B

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>		
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	3,000	332
7.2 Credit standby arrangements		
7.3 Other (please specify)		
7.4 Total financing facilities	-	-

7.5 Unused financing facilities available at quarter end 2,668

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

During the quarter, management has entered into a strategic partnership with a related party, iQX Limited (NSX:IQX), providing it access to additional \$3 million in liquidity to strengthen its position. The additional funding relates to a working capital facility with an interest rate of 9% per annum, maturing on 30 June 2022.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	203
8.2 Cash and cash equivalents at quarter end (Item 4.6)	227
8.3 Unused finance facilities available at quarter end (Item 7.5)	2,668
8.4 Total available funding (Item 8.2 + Item 8.3)	2,896
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	14.26

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A as item 8.5 is greater than 2 quarters

2. Has the entity 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?

Answer: N/A as item 8.5 is greater than 2 quarters

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A as item 8.5 is greater than 2 quarters

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.

Date: 29th July 2020

Authorised by: Dr George Syrmalis, Chairperson

(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.