ASX Announcement

Medlab Clinical Appendix 4C and Business update – Q1 2022

SYDNEY, October 29, 2021 - Medlab Clinical Ltd (ASX: MDC) (Medlab, the Company), an Australian biotech using delivery platforms to enhance medicines effectiveness is pleased to provide a business update and quarterly cash flow report for the period ended 30 September 2021 (Q1 2022).

Highlights

- Medlab signs agreement to **divest the AU only nutraceuticals business to PharmaCare** Laboratories, due for completion 1st November 2021.
- NanaBis™ **Observational Study demonstrates continual improvement** in pain scores over a 6- and 12-month period with 155 Australian patients.
- USA Patent and Trademark Office issues **"Notice of Allowance" for NanoCelle®**.
- **Depression Patent Orotate** approved and granted by US Patent Office.
- Medlab CEO (Dr. Sean Hall) has been invited to present at the **Jefferies Conference, in the UK** in mid-November 2021, supported by Edison (US) coverage. This will be commissioned virtually via video recording production.
- Cash position at end **of September 30, 2021, at $9.75M.**
- Approximately $5M expected in November from PharmaCare purchase and R&D Grant payment. Monthly expense reduction of approximately $150K per month.

Medlab AU nutraceuticals business sold to PharmaCare

On 20th October 2021, it was announced to the market that Medlab had sold the AU only nutraceuticals business to PharmaCare for approximately $1.6M and a further minimum of either $0.5M or 5% of net sales (whichever is greater) in two future earn-out instalments. Due diligence has been completed and the transaction is expected for completion 1st November 2021.

This will provide Medlab with approximately $2M annual savings in operational expenses and better align its focus on areas of strategic growth. Medlab will continue to own the IP for the nutraceutical brands utilising the NanoCelle® technology and Medlab reserves the right commercialise international nutraceutical opportunities.

NanaBis™ Observation Study Update (Good results, may reduce the number of patients required for P3 studies)

- An interim analysis of 155 patients have now completed 6- and 12-month NanaBis™ administration, demonstrating continual improvement in pain scores over the period
- 46.3% (926 of 2,000) of participants have now been recruited in the study
- 55% reduction in pain scores with NanaBis™ with significant quality of life improvements reported in areas of "general activities", "sleep" and "mood"
- Observational study outcomes remain consistent with prior update and Phase I/II study, with positive results across all criteria to date
- Medlab is addressing a key understanding as to long term use of cannabinoids
- Positive results reported across all criteria

Dr Sean Hall, CEO of Medlab said, "The result of the latest report continues to support the safety, tolerability and efficacy of NanaBis™ for pain management in a real-world setting. This remains consistent with the growing body of clinical and real-world evidence supporting NanaBis™. Furthermore, we are encouraged by the growing evidence which gives us greater confidence in the quality of data and outcomes reported.

NanaBis™ is being developed as a non-opioid alternative for the treatment of cancer-induced bone pain. NanaBis™ is an equimolar formulation comprised of THC and CBD, which has been optimised for use as a sub- micron (nano-sized) nanoparticle drug with ease of dosing using Medlab's proprietary drug delivery platform, NanoCelle®.

The primary purpose of the Observational Study is to provide Real World Evidence (RWE). With a body of clinical and real-world evidence in hand, it is expected that the total number of patients required in clinical trials required for the regulatory approval for NanaBis™ could be reduced, thus possibly reducing the time, cost and duration of clinical trials required for approval.

NanoCelle® "Issue of Allowance" by US Patent Office

Pursuant to the Notice of Allowance, fees associated with the patent have been paid and MDC is expecting to receive GRANT Status with US patent numbers and expiry dates within the next 4 weeks.

Dr Sean Hall, CEO of MDC said "after approximately 4 years, this is an exceptional outcome. NanoCelle® is a core asset of the company, and the United States represents the largest and last territory we [as a company] were awaiting an outcome. Our expectation is that the Patent expiry will follow the rest of the western world and be set to 2036."

ENDS

Authorisation & Additional information
This announcement was authorised by the Board of Directors of Medlab Clinical Limited.

About Medlab Clinical:
Medlab Clinical LTD (ASX: MDC) is pioneering the development and commercialisation of a delivery platform, allowing for enhanced medical properties, including increased efficacy, safety, patient compliance and stability.

Medlab's pipeline comprises several small and large molecules from repurposing generic medicines to enhancing the delivery of immunotherapies. Patented lead drug candidate NanaBis™ has been developed for cancer bone pain as a viable alternative to opioid use. Data to date, strongly suggests NanaBis™ may be equally effective in non-cancer neuropathic pain.

NanoCelle®, the patented delivery platform is wholly owned by Medlab and developed in Medlab's owned OGTR Registered Laboratory.

NanoCelle® is designed to address known medication problems, addressing global unmet medical needs. Medlab operates in Australia (Head Office), USA, and the UK.
For more information, please visit www.medlab.co

Medlab – *better medicines, better patient care*

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Appendix 4C

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

Name of entity	
MEDLAB CLINICAL LIMITED	
ABN	**Quarter ended ("current quarter")**
51 169 149 071	30 September 2021

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (3 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	2,013	2,013
1.2	Payments for		
	(a) research and development	(682)	(682)
	(b) product manufacturing and operating costs	-	-
	(c) advertising and marketing	(294)	(294)
	(d) leased assets	(169)	(169)
	(e) staff costs	(1,966)	(1,966)
	(f) administration and corporate costs	(1,201)	(1,201)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	3	3
1.5	Interest and other costs of finance paid	(15)	(15)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	0	0
1.8	Other (provide details if material)		
	(a) payments for inventory	(1,242)	(1,242)
	(b) IP costs	(87)	(87)
1.9	**Net cash from / (used in) operating activities**	**(3,641)**	**(3,641)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(1)	(1)
	(d) investments	-	-

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) 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**	**(1)**	**(1)**

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	-	-
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)		
	(a) repayment of lease liability	-	-
3.10	**Net cash from / (used in) financing activities**	**0**	**0**

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	13,432	13,432
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,641)	(3,641)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1)	(1)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	(39)	(39)
4.6	**Cash and cash equivalents at end of period**	**9,750**	**9,750**

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	9,750	13,432
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)**	**9,750**	**13,432**

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	288
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
Director and associates fees/wages		

7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	-	
7.2	Credit standby arrangements	-	
7.3	Banking facility	2,000	738
7.4	**Total financing facilities**	2,000	738

7.5	**Unused financing facilities available at quarter end**	1,262

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.

A debtor finance facility secured over debtors was established with Scottish Pacific Business Finance in November 2017 (renewed June 2019). The facility is over a 24-month term with a discount charge of 8.04% and is for $2m and matures June 2021

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	(3,641)
8.2	Cash and cash equivalents at quarter end (item 4.6)	9,750
8.3	Unused finance facilities available at quarter end (item 7.5)	1,262
8.4	Total available funding (item 8.2 + item 8.3)	11,012
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	3.02

Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.

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

8.6.1 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

8.6.2 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

8.6.3 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

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

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 October 2021** .....

Authorised by: ..... **By the Board of Directors** .....
(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.