
1. UPDATED FINANCIAL INFORMATION

Due to the revised Offer under the First Supplementary Prospectus and the time that has elapsed since the Prospectus was lodged with ASIC, ASIC has requested the Updated Financial Information be provided to investors and lodged with ASIC by way of this Second Supplementary Prospectus prior to the closing of the Offer.

The Updated Financial Information should be read together with the other information in the Prospectus (including the First Supplementary Prospectus and this Second Supplementary Prospectus) and with the Investigating Accountants Report at Appendix 2.

The remaining terms of the Offer and the rights attaching to the CDIs and New Options are unchanged.

1.1 Update to Historical Consolidated Statement of Operations

The table below presents the reviewed historical consolidated Statements of Operations for the 6 months ended 30 June 2022 (H1 FY2023) and 30 June 2021 (H1 FY2022).

\$'000	H1 FY2022 Reviewed	H1 FY2023 Reviewed
Revenue	536	1,142
Cost of revenue	(375)	(736)
Gross profit	161	406
R&D expenses	(1,188)	(1,121)
General and administration expenses	(738)	(1,033)
Sales & marketing expenses	(26)	(92)
Loss from operations	(1,791)	(1,840)
Net interest expense	(250)	(648)
Other expense	(278)	(78)
Net loss	(2,320)	(2,566)

1.2 Update to Historical Consolidated Cash Flows

The table below presents the reviewed historical consolidated Statements of Cash Flows for the 6 months ended 30 June 2022 (H1 FY2023) and 30 June 2021 (H1 FY2022).

\$'000	H1 FY2022 Reviewed	H1 FY2023 Reviewed
Cash flows from operating activities		
Reported net loss	(2,320)	(2,566)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation expense	39	5
Depreciation and amortisation	120	154
Loss on change in fair value of derivative liability	287	73
Amortisation of debt discount	175	450
Amortisation of debt issuance costs	20	65
Changes in operating assets and liabilities:		
Trade receivables	(199)	(9)
Inventories	(163)	(268)
Prepayments and other current assets	(289)	229
Other assets	-	26
Trade payables	150	282
Accrued expenses	(3)	2
Accrued interest	48	134
Lease liability	-	(74)
Deferred revenue	1,093	(243)
Net operating cash flows	(1,042)	(1,740)
Investing cash flows		
Purchase of property and equipment	(5)	-
Net cash used in investing activities	(5)	-
Net operating and investing cash flows	(1,047)	(1,740)
Financing cash flows		
Net proceeds from convertible notes	-	578
Proceeds from promissory note	278	-
Proceeds from exercise of warrants	-	56
Payment of series C offering costs	(1)	-
Offering costs paid	(16)	(82)
Net proceeds from loan	-	150
Payment of loan	(150)	-
Net financing cash flows	111	702
Net cash flows	(936)	(1,038)
Cash at beginning of period	2,685	1,250
Closing cash	1,749	212

1.3 Revised Pro Forma Balance Sheet

The table below sets out the audited historical balance sheet as at 31 December 2021, the reviewed historical balance sheet as at 30 June 2022, the pro forma adjustments that have been made to the reviewed balance sheet (further described in Section 1.2) and the pro forma balance sheet as at 30 June 2022. An unaudited convenience translation in Australian dollars of the Pro Forma Historical consolidated balance sheet as at 30 June 2022 has also been included (the indicative foreign exchange rate applied is A\$1.00 : US\$0.63).

\$'000	As at 31-Dec-21 Audited (US\$'000)	As at 30 June 2022 Reviewed (US\$'000)	Minimum Subscription pro forma as at 30-June-22 (US\$'000)	Minimum Subscription pro forma as at 30-June-22 (A\$'000)	Maximum Subscription pro forma as at 30-June-22 (US\$'000)	Maximum Subscription pro forma as at 30-June-22 (A\$'000)
Current assets						
Cash and cash equivalents ¹	1,253	212	2,040	3,238	2,632	4,177
Trade receivables	762	771	771	1,224	771	1,224
Inventories	105	372	372	591	372	591
Prepayments and other assets	319	172	64	102	64	102
Total current assets	2,439	1,527	3,247	5,155	3,839	6,094
Non-current assets						
Property, plant and equipment	66	58	58	91	58	91
Operating lease assets	225	167	167	265	167	265
R&D assets	19	19	19	31	19	31
Right of use assets ²	-	626	626	993	626	993
Other assets	46	20	20	32	20	32
Total non-current assets	356	890	890	1,412	890	1,412
Total assets	2,795	2,417	4,137	6,567	4,729	7,506
Current liabilities						
Trade payables ³	132	502	411	652	502	797
Accrued expenses	76	78	78	124	78	124
Accrued interest	207	341	-	-	-	-
Convertible notes ⁴	-	2,881	-	-	-	-
Deferred revenue	893	650	650	1,031	650	1,031
Total current liabilities	1,308	4,452	1,139	1,807	1,230	1,952
Non-current liabilities						
Convertible notes ⁴	1,926	-	-	-	-	-
Borrowings	-	150	150	238	150	238
Derivative liability	1,906	2,030	-	-	-	-
Lease liabilities ²	-	639	639	1,014	639	1,014
Total non-current liabilities	3,832	2,819	789	1,252	789	1,252

Total liabilities	5,140	7,271	1,928	3,059	2,019	3,204
Net assets	(2,345)	(4,854)	2,209	3,508	2,710	4,302
Shareholder's equity						
Share capital	22,969	23,030	28,518	45,266	29,019	46,061
Reserves	-	-	-	-	-	-
Accumulated losses	(25,314)	(27,884)	(26,309)	(41,758)	(26,309)	(41,759)
Total shareholder's equity	(2,345)	(4,854)	2,209	3,508	2,710	4,302

1. Cash and cash equivalents: Cash balance has reduced due to the organic cash burn of the business and timing differences. The majority of the trade receivables balance has been received post balance sheet date.
2. Right of use assets and lease liabilities: The Company adopted ASU2016-02, Leases (topic 842) as of 1 January 2022 using the full retrospective method. Refer to Appendix 1 for further information.
3. Trade payables: The increase in trade payables is largely attributable to working capital management and timing differences.
4. Convertible notes: The convertible notes have been reclassified from a non-current liability to a current liability.

1.4 Pro forma adjustments

The following transactions and events contemplated in this Second Supplementary Prospectus which are to take place on or before completion of the Offer, referred to as the Pro Forma Adjustments, are presented as if they, together with the Offer, had occurred on or before 30 June 2022 and are set out below.

With the exception of the pro forma transactions noted below no material transactions have occurred between 30 June 2022 and the date of this Second Supplementary Prospectus, which the Directors consider require disclosure.

Subsequent event transactions:

- 1.4.1 Remaining proceeds received of approximately \$68,000 (A\$108,000) in relation to the Bridge Financing which was not receipted prior to 30 June 2022. This was received in July 2022.
- 1.4.2 The accrual of interest in relation to the Convertible Notes and Bridge Financing notes for the period from 1 July 2022 until the Offer date for a total of \$158,000.
- 1.4.3 The conversion of principal and interest outstanding on all Convertible Notes into 41,760,457 Shares. This will include an adjustment to fair value the derivative liability at the conversion date, with any excess amounts being recorded against retained earnings. A total of \$11,756 (A\$17,038) of convertible notes and accrued interest will be repaid in cash.

Pro forma transactions:

- 1.4.4 The completion of the Offer on a Minimum Subscription basis, raising approximately c.\$3.15 million (A\$5.0 million) and involving the issue of 22,272,723 CDIs (22,272,723 shares);
- 1.4.5 Expenses associated with the Offer on a Minimum Subscription basis (including advisory, legal, accounting and administrative fees as well as printing, advertising and other expenses), charged against share capital. The total amounts to an estimated \$1.0 million (c.A\$1.6 million). As at 30 June 2022 the Company has paid \$17,000 (A\$27,000) of Offer costs with a further \$91,000 (A\$144,444) recorded against other assets and trade payables. A total of \$133,628 (A\$212,00) has been paid at Prospectus date;
- 1.4.6 The issue of an additional 4,545,454 CDIs (4,545,454 shares) to raise an additional c.\$0.63 million (A\$1.0 million) (Maximum Subscription);

- 1.4.7 Payment of additional cash offer costs of \$39,000 (A\$61,000) on a Maximum Subscription basis with a total of \$1.1 million (A\$1.7 million) being capitalised to share capital; and
- 1.4.8 Repayment and conversion of the Bridge funding note and associated interest with \$375,600 (A\$596,000) to be repaid in cash with the remainder converted to shares.

1.5 Pro forma cash and cash equivalents

Table 5: Pro forma cash and cash equivalents summary

\$'000	Ref.	Minimum Subscription	Maximum Subscription
		Jun-22	Jun-22
Reviewed cash and cash equivalents as at 30 June 2022		212	212
Subsequent event transactions			
Bridge convertible notes	1.2.1	68	68
Repayment of convertible notes and accrued interest (cash portion)	1.2.3	(12)	(12)
Pro forma transactions			
Offer	1.2.4 & 1.2.6	3,150	3,780
Offer costs	1.2.5 & 1.2.7	(1,003)	(1,041)
Bridge financing repayment	1.2.8	(375)	(375)
Pro forma cash and cash equivalents		2,040	2,632

Nightingale expects that it will have sufficient cash to fund its operational requirements and business objectives following the Offer to at least July 2024.

1.6 Pro forma capital structure

Table 6: Pro forma capital structure as at 30 June 2022

	No. of shares/CDIs	Share capital (\$'000)	Accum. Losses (\$'000)	SBP reserve (\$'000)	Net assets (\$'000)
As at 30 June 2022	64,112,905	23,030	(27,884)	-	(4,854)
Subsequent events					
Convertible note accrued interest	-	-	(158)	-	(158)
Convertible Note conversion	41,760,457	3,235	1,980	-	5,215
Pre offer capital structure	105,873,362	26,265	(26,062)	-	203
Pro forma transactions in relation to the minimum offer					
Public offer	22,727,273	3,150	-	-	3,150
Lead Manager and Corporate Adviser shares	400,000	-	-	-	-
Offer costs	-	(1,020)	-	-	(1,020)
Conversion/repayment of bridge funding note	-	123	(247)	-	(124)
Total	129,000,635	28,518	(26,309)	-	2,209
Pro forma					

transactions in relation to the maximum offer					
Public offer	27,272,727	3,780	-	-	3,780
Lead Manager and Corporate Adviser shares	400,000	-	-	-	-
Offer costs	-	(1,149)	-	-	(1,149)
Conversion/repayment of bridge funding note	-	123	(247)	-	(124)
Total	133,546,089	29,019	(26,309)	-	2,710

¹ If all investors under the Bridge Financing convert to CDIs, an additional 5,262,626 will be issued for a total of 158,660,288 CDIs at the Minimum Subscription on a fully diluted basis or 165,478,470 at the Maximum Subscription on a fully diluted basis. Refer to section 9.6 of the Prospectus for further details.

1.7 Indebtedness and Capitalisation

The below table sets out the indebtedness and capitalisation of Nightingale as at 30 June 2022, before and after having adjusted for the amended pro forma impact of the Offer, which replaces Table 7 in section 6.11 of the Prospectus.

TABLE 7: INDEBTEDNESS AND CAPITALISATION AS AT 30 JUNE 2022

\$'000	Before completion of the offer	Minimum Subscription After completion of the offer	Maximum Subscription After completion of the offer
Cash and cash equivalents	212	2,040	2,632
Convertible notes	(2,881)	-	-
Borrowings	(150)	(150)	(150)
Derivative liability	(2,030)	-	-
Total net indebtedness	(4,849)	1,890	2,482
Share capital	23,030	28,518	29,019
Reserves	-	-	-
Accumulated losses	(27,884)	(26,309)	(26,309)
Total equity	(4,854)	2,209	2,710
Total capitalisation and indebtedness	(9,703)	4,099	5,192

1.8 Investigating Accountant's Report

The Historical Financial Information has been reviewed in accordance with the Australian Standard on Assurance Engagements ASAE 3450 Assurance Engagements involving Fundraising and/or Prospective Financial Information by the Investigating Accountant, who's Independent Limited Assurance Report on the Historical Financial Information is contained in Appendix 2. Investors should note the scope and limitations of that report.

1.9 30 June 2022 Half Year Accounts

The Company's 30 June 2022 half year financial statements, including the review report, are attached at Appendix 1.