



ASX Announcement

Medlab Clinical Appendix 4C Administrative Clarification – Q2 2023

SYDNEY, February 01 2023 - Medlab Clinical Ltd (ASX:MDC) (Medlab, the Company), an Australian biotech using delivery technology to enhance medicines effectiveness is providing a clarification to paragraph 8.6 – available funding for futures quarters in the Appendix 4C Quarterly Cash Flow Report.

Please refer below updated answers to 8.6.1, 8.6.2 and 8.6.3 in the attached Appendix 4C.

US Nasdaq IPO delay due to market conditions requires the Company to make interim changes

Dear Shareholder,

Attached is our 4C, and whilst we are very happy with the progression the Company has made and the significant milestones achieved, we had hoped to disclose NASDAQ deal success with this announcement and provide strong financial optic.

Unfortunately, timing is everything, and right now we have been advised the US markets are simply not responsive. We note only five healthcare IPOs were completed in Q4 2022, with extremely generous terms (discounts, warrants, pricing resets, etc) and significant devaluation post IPO, averaging 41.3%.

Several months ago, we obtained shareholder approval to go to NASDAQ with several pre-set conditions, that are/were used to shape our overall US transactional, further the ASX has a time condition on these resolutions which expire 27 Jan 2023.

We appreciate the markets are tough and the volatility is beyond anyone's control, and that this is a temporary set-back. Right now, be assured, the Company is working on delivering a financial solution inclusive of both cost reductions and suitable financing mechanisms.

Regardless of this set-back, and the need to pivot our financial strategy, the prize is compelling. We have a validated and unique delivery platform that improves bioavailability of our medicines, as per our patent. Recently, we announced the interim readout for the NanaBis MEDCARE study, the data points strongly suggesting a very viable pain medicine which can rival opioid use in cancer pain patients. It is data like this that encourages and inspires us; in this particular case, a possible alternative to opioids, a multi-billion-dollar market.

As a company we believe in quality medicines that serve those with unmet needs, for many of us, we have personally experienced the trauma of cancer and the co-morbidities like pain that are all too often associated. There is a real market need for better pain management.

Thank you for being part of this journey.



Key Financial Highlights for Quarter

- **Cash receipts** have increased to \$563K in the Dec Quarter (this includes \$275K royalty payment from Pharmicare Laboratories Pty Ltd). In addition, the Company received \$33K Export Grant.
- The Company is utilising the internal MSL field force for contract services and are exploring further opportunities.
- **R&D Expenditure** of \$1,339K included \$275K spent on drug development work for NanaBis at USA registered drug development facility.
- The Company continues to review operations, cash flow and resource requirements (including the closure of the Alexandria site).
- With the business having a more streamlined Biotech focus, a greater portion of labour and overheads are now eligible for R&D grant receipts.
- **Cash as of 31st December** was \$2,757K.
- The Company continues to manage cash flow carefully. The **operating cash burn** in Dec Quarter has reduced to \$2,842K (excl. Pharmicare) vs. \$3,672K (excl. R&D Receipt) in Sep Quarter.

4.7C.3 Ruling

Pursuant to ASX Listing Rule 4.7C.3, the Company advises that during the quarter, payments made to related parties and their associates in the aggregate amount of **\$269K**. As already noted in item 6 of Appendix 4C, these payments were for Director fees and wages, tax consultancy services by Hall Chadwick (Director-related entity of Mr Drew Townsend) and wages to related parties of Dr Sean Hall (CEO).

- 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 use of NanoCelle® a proprietary, patented delivery technology using water soluble nanoparticles®, allowing for enhanced medical properties, including increased efficacy, safety, patient compliance and stability.

Medlab's investigative drug pipeline comprises several small and large molecules from repurposing generic medicines to enhancing the delivery of immunotherapies.

Patented lead drug candidate NanaBis™ is being 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. 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

51 169 149 071

Quarter ended ("current quarter")

31 December 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	563	825
1.2 Payments for		
(a) research and development	(1,339)	(2,759)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	-	-
(d) leased assets	(189)	(453)
(e) staff costs	(742)	(1,947)
(f) administration and corporate costs	(848)	(1,656)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	11	16
1.5 Interest and other costs of finance paid	-	(1)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	33	3,621
1.8 Other (provide details if material)		
(a) payments for inventory	-	-
(b) IP costs	(21)	(96)
1.9 Net cash from / (used in) operating activities	(2,534)	(2,450)
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 (6 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 (6 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	5,291	5,191
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,534)	(2,450)
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	1	17
4.6	Cash and cash equivalents at end of period	2,757	2,757

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	2,757	5,291
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)	2,757	5,291

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	269
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
Director and associates fees/wages		

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. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities		
7.2 Credit standby arrangements		
7.3 Banking facility		
7.4 Total financing facilities		
7.5 Unused financing facilities available at quarter end		
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.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(2,534)
8.2 Cash and cash equivalents at quarter end (item 4.6)	2,757
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	2,757
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	1.1
<i>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.</i>	
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: Yes, the entity expects to meet future net operating cash flows through proposed capital raising initiatives (see 8.6.3).	
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: Yes, Company is in discussions with third parties to provide suitable funding through capital/debt raising proposals. Based on advice from the entity's financial advisers, the entity expects to be able to raise capital to fund future net operating cash flows.	
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: Yes, as noted above, the entity is currently considering capital raising initiatives via equity and/or debt funding.	
<i>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.</i>	

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: **01st February 2023**

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.