Neurotech

29 January 2021

Quarterly Report for the period ended 31 December 2020

Highlights

- **Neurotech successfully completes in vitro studies as part of research to assess and validate the anti-inflammatory and neuro-modulatory properties of its proprietary DOLCE/NTI cannabis leads**

- **Neurotech investigating use of cannabinoids for medicinal use in treating neurological disorders including autism, epilepsy and ADHD**

- **Final results indicated the DOLCE/NTI strains exhibit significant potent anti-inflammatory activity**

    - **DOLCE/NTI strains were 80% more potent in controlling Arginase 1 when compared to CBD alone**

    - **DOLCE/NTI strains significantly reduced the expression of iNOS – towards "healthy" control levels. iNOS (inducible nitric oxide synthase) is a damaging agent responsible for the toxic effects of microglia cells**

    - **Results indicated DOLCE/NTI strains do not increase cell death in healthy cells or in damaged cells**

    - **This finding indicates that the DOLCE/NTI strains' exhibit "full plant entourage" effect and may work differently to CBD alone**

- **Clinical trials to commence in Q1 CY21 under the guidance and supervision of A/Professor Michael Fahey (Head of Paediatric Neurology, Monash Children's Hospital)**

- **$2.5 million Placement completed after receipt of shareholder approval for Tranche 2.**

Neurotech International Limited (ASX: NTI) ("Neurotech" or "the Company") is pleased to present its quarterly report for the period ended 31 December 2020.

During the quarter, Neurotech continued its research into the use of cannabis strains developed by Australian cannabis company Dolce Cann Global ("Dolce") for medicinal use in treating neurological disorders such as autism, epilepsy and ADHD. Neurotech acquired exclusive rights to use Dolce's proprietary cannabis strains in its research in July 2020.

In November and December, Neurotech announced results from in vitro human neuronal cell studies to assess the neuro-protective, anti-inflammatory and neuro-modulatory activities of the proprietary DOLCE/NTI cannabis strains which include, CBDA, CBDP and CBDB conducted at three leading

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independent laboratories – Monash University, University of Wollongong and RMIT University.

The studies were designed to assess:

- Neuro-protective – neuro-modulatory activities of the NTI strains versus CBD alone;
- Assess anti-inflammatory properties versus CBD alone;
- Assess iNOS suppression properties versus CBD alone;
- Assess safety in relation to cell survival and cell health versus CBD alone;
- Assess anti-inflammatory activity versus Aricept (Leading Alzheimer's Drug).

These studies demonstrated that the DOLCE/NTI full spectrum strains:

- Reduced inflammation within the brain cells;
- Were able to improve mitochondrial viability in the presence of an external toxic insult (glutamate);
- Increased cell health and viability in the presence of an external insult;
- Were more potent than CBD isolate alone in all tests – between 30% and 80% more potent;
- Increased the number of mitochondrial cells without any toxic insult;
- Do not have any negative effects on cell health and maintain cell viability;
- Demonstrate neuroprotective activity in the presence of insult.

Dolce/NTI full spectrum plants exhibited properties that are much more powerful and novel when compared to CBD alone. CBD products are currently the market leaders and considered to be the 'gold standard' in the medicinal cannabis field.

When compared to market leader, Aricept, which is currently used in the early management of Alzheimer's Disease, the Dolce/NTI strains demonstrated 30% more potency than Aricept (and 80% more potency than CBD alone). Aricept currently has annual sales of over $1 billion USD and is the leading therapy in the early treatment of AD.

Unlike CBD, these novel strains modulate various pathways which are involved in cell health, cell survival and cell maintenance. These are vital processes which are involved in the development and progression of various neurological diseases (including Autism, ADHD, Multiple Sclerosis, Alzheimer's Disease and others).

The neuronal cell studies also demonstrated that Dolce/NTI strains regulate inflammation via Arginase 1 pathway, B-tubulin pathway and iNOS pathways. NTI strains were also able to suppress and modulate the activity of iNOS – which is directly involved in the complex cytokine pathways relating to immunity and natural defence mechanisms. iNOS is a naturally occurring enzyme that is vital in the regulation of immunity and overall body's natural defence.

However, aberrant iNOS induction has detrimental consequences and is involved in the pathophysiology of human diseases such as asthma, arthritis, multiple sclerosis, colitis, psoriasis, neurodegenerative diseases, stroke, Alzheimer's disease and others. NTI strains have clearly shown to modulate iNOS regulation and allow levels to return back to normal "healthy" status.

Studies are currently underway to formulate the most appropriate clinical product. Prototype development is underway with Monash University, RMIT and Victorian College of Pharmacy. Formulation studies are focused on the determination of the optimum delivery system (metered spray system) and the optimum dosage regime.

An open-label human clinical trial program is currently being planned under the Special Access Scheme to allow NTI to assess its strains in a paediatric population. The target indication profile is autism with epilepsy. The study will be designed and assessed in accordance with OECD and TGO 93 guidelines. These programs

will be conducted under the guidance of A/Prof Michael Fahey – Head of Paediatric Neurology | Monash Children's Hospital. A/Prof Fahey and his team are world experts in the clinical development and translation of medicinal cannabis.

Refer ASX Releases of 2 November 2020, 30 November 2020, 21 December 2020 and 20 January 2021.

During the period the Company also continued the development, and commercialisation of Mente, pursuing its business model including engaging with partners on sales and distribution. The Company plans to use its Mente device in the upcoming cannabis trials to discover if a complimentary therapeutic benefit occurs when used in conjunction with the cannabis strains. It may also be used to monitor the progress of certain subjects.

CORPORATE

Board Change
As reported last quarter, in October, the Company appointed experienced biotechnology entrepreneur Brian Leedman as Non-Executive Chairman.

Mr Leedman is the founder and former/current director of several ASX-listed biotechnology companies that have achieved large returns for shareholders. Neurotech appointed Mr Leedman following its acquisition of an exclusive worldwide licence to use proprietary cannabis strains for medicinal use in treating autism, epilepsy and ADHD.

$2.5m Share Placement
The Company completed a placement of 113,636,364 new ordinary fully paid shares at an issue price of $0.022 per share to raise $2,500,000 before costs ("Placement").

Neurotech is using the funds for its Mente project, the further development of its proprietary cannabis strains through initial clinical trials, the costs of the Placement and working capital purposes.

The Placement was undertaken in two tranches. The first tranche of 97,000,000 shares ($2.13m) was issued under the Company's Listing Rule 7.1 and 7.1A capacity and the second tranche of 16,636,364 shares ($0.37m) was issued following shareholder approval at a General Meeting on 22 December.

Shareholders also approved Chairman Brian Leedman subscribing for $50,000 worth of shares in the Placement.

AGM Results
At its Annual General Meeting on 30 November 2020, all resolutions put to the meeting passed via a poll. Resolutions were as follows:

1. Adoption of the Remuneration Report
2. Re-election of Mr Winton Willesee as a Director
3. Re-election of Mr Brian Leedman as a Director
4. Approval to issue Shares to Dolce Cann Global Pty Ltd
5. (a) Approval to issue Options to Directors – Mr Winton Willesee
   (b) Approval to issue Options to Directors – Mr Mark Davies
6. (a) Approval to Issue Options to Director – Brian Leedman
   (b) Approval to Issue Options to Director – Brian Leedman
7. Approval of Additional 10% Placement Facility

Operational expenditure and payments to related parties

As noted in its Appendix 4C, during the quarter the Company expended a gross total, excluding revenue sources, of $589,000 on the operations of the Company. Significant portions of this were cash payments to meet expenses incurred in previous quarters. This was made up of research and development ($258,000), product manufacturing ($5,000), advertising and marketing ($41,000), staff costs ($40,000), administrative

and corporate costs ($243,000) and interest ($1,000). The Company also met expenses for property, plant and equipment ($23,000), repayment of borrowings ($129,000), and equity issue costs ($158,000).

Further, payments to related parties and their associates as detailed in Section 6 of the Appendix 4C are Payments for director fees ($53,626) and corporate services, accounting and company secretarial fees ($58,410).

Authority

This announcement has been authorised for release by the Board of Directors of the Company.

Further Information

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About Neurotech

Neurotech International Limited is a medical device and solutions company operating in Australia and Malta. Neurotech's primary mission is to improve the lives of people with neurological conditions. Through flagship device Mente and its associated platform, Neurotech is focused on facilitating the development and commercialisation of technological solutions for the screening and treatment of symptoms associated with conditions such as autism. Concurrently, the Company is conducting clinical studies to assess the neuro-protective, anti-inflammatory and neuro-modulatory activities of its proprietary DOLCE/NTI cannabis strains.

For more information about Neurotech please visit:

http://www.neurotechinternational.com.
http://www.mentetech.com.

Appendix 4C

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

Name of entity	
Neurotech International Limited	
ABN	**Quarter ended ("current quarter")**
73 610 205 402	31 December 2020

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	7	19
1.2	Payments for		
	(a) research and development	(258)	(360)
	(b) product manufacturing and operating costs	(5)	(26)
	(c) advertising and marketing	(41)	(47)
	(d) leased assets	0	0
	(e) staff costs	(40)	(86)
	(f) administration and corporate costs	(243)	(368)
1.3	Dividends received (see note 3)	0	0
1.4	Interest received	0	0
1.5	Interest and other costs of finance paid	(1)	(1)
1.6	Income taxes paid	0	0
1.7	Government grants and tax incentives	13	13
1.8	Other (VAT Refunds)	8	14
1.9	**Net cash from / (used in) operating activities**	**(560)**	**(842)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	0	0
	(b) businesses	0	0
	(c) property, plant and equipment	0	0
	(d) investments	0	(70)
	(e) intellectual property	0	0
	(f) other non-current assets	0	0

Consolidated statement of cash flows		Current quarter $A'000	Year to date (6 months) $A'000
2.2	Proceeds from disposal of:		
	(a) entities	0	0
	(b) businesses	0	0
	(c) property, plant and equipment	23	23
	(d) investments	0	0
	(e) intellectual property	0	0
	(f) other non-current assets	0	0
2.3	Cash flows from loans to other entities	0	0
2.4	Dividends received (see note 3)	0	0
2.5	Other (provide details if material)	0	0
2.6	**Net cash from / (used in) investing activities**	**23**	**(47)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	2,500	3,000
3.2	Proceeds from issue of convertible debt securities	0	0
3.3	Proceeds from exercise of options	159	159
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(158)	(207)
3.5	Proceeds from borrowings	100	100
3.6	Repayment of borrowings	(129)	(147)
3.7	Transaction costs related to loans and borrowings	0	0
3.8	Dividends paid	0	0
3.9	Other (provide details if material)	0	0
3.10	**Net cash from / (used in) financing activities**	**2,472**	**2,905**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	89	12
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(560)	(842)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	23	(47)

Consolidated statement of cash flows		Current quarter $A'000	Year to date (6 months) $A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,472	2,905
4.5	Effect of movement in exchange rates on cash held	(5)	(9)
4.6	**Cash and cash equivalents at end of period**	**2,019**	**2,019**

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	2,019	89
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)**	**2,019**	**89**

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	172
6.2	Aggregate amount of payments to related parties and their associates included in item 2	

Payments at section 6.relate to director fees ($54,000) and corporate services, accounting and company secretarial fees ($58,000).

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	96	0
7.2	Credit standby arrangements	0	0
7.3	Other (please specify)	0	0
7.4	**Total financing facilities**	96	0

7.5	**Unused financing facilities available at quarter end**	96

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.

Overdraft facility with a limit of EUR 60,000. The lender is Bank of Valetta. The facility is unsecured. The interest rate is 5.65%.

The above values are stated in AUD, converted from EUR at an exchange rate of 0.6269.

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	(560)
8.2	Cash and cash equivalents at quarter end (item 4.6)	2,019
8.3	Unused finance facilities available at quarter end (item 7.5)	96
8.4	Total available funding (item 8.2 + item 8.3)	2,115
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	3.77

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:

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:

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:	

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: 29 January 2021
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Authorised by: The Board of Directors
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(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.