

Singular Health Group Ltd: SHG

ASX Announcement

29 July 2021

ACTIVITIES REPORT FOR THE QUARTER – 30 JUNE 2021

Highlights

- Significant Investment in IP and 3D Printing in the June Quarter.
- Early commercialisation of 3Dicom software and implementation of SaaS licensing infrastructure with release of paid tiers of 3Dicom in late-May.
- Acquisition of Virtual Surgical Planning (VSP) software and investment in Melbourne-based medical 3D printing facility approved with strong shareholder support in May.
- Launch of Scan to Surgery™ initiative with long-term strategy to develop end-to-end patient-specific surgical planning software and bespoke 3D printed implants and guides.
- GeoVR technical feasibility project well progressed with Singular receiving the final payment of \$132,273 and 50/50 GeoVR joint venture currently being incorporated.
- Revenue from customers of \$147,633.
- Release of Medical File Transfer Protocol (MFTP) to act as main backbone for Scan to Surgery™ and enable future transfer of medical/design files between mobile devices.
- Strong cash position of \$4.13m at end of quarter.

Singular Health Group Limited (ASX: SHG) (“Singular” or the “Company”) is pleased to provide the following update on activities and attached 4C Quarterly Cashflow Report for the June 2021 Quarter.

Following the conclusion of CSIRO AI Spinal project and acquisition of the Virtual Surgical Planning (VSP) software and investment in Australian Additive Engineering (AAE) in the March quarter, the June quarter saw a period of consolidation and rapid technical development as the Company progresses toward FDA & TGA clearance as a diagnostic software.

With the 3Dicom software being successfully integrated into standalone VR headsets for more scalable, lower CapEx deployment, and the imminent integration of the VSP software, the Company has commenced the ISO13485 certification process and engaged an in-country consultant in the USA to assist in the preparation of our impending FDA510(k) clearance.

Furthermore, the GeoVR technical feasibility study is well progressed with the ability to produce 3D renders of geological data and collaboratively share this data through an interactive web-based interface.

Singular’s project partner for GeoVR, Flowcentric Technologies, remain fully committed to the project, with Singular receiving the remaining funds of \$132,273 (from the initial commitment of \$170,000) during the Quarter and the 50/50 GeoVR JV currently being incorporated.

Update on Acquisitions & Investments

As announced on the 22nd of March 2021, the Company, subject to Shareholder approval, proposed to both acquire the Virtual Surgical Planning (VSP) software, for \$250,000 cash and the issue of \$250,000 worth of Singular Health shares, and invest AUD\$300,000 into Australian Additive Engineering Pty Ltd (AAE) for a 25% shareholding.

An EGM was held on May 11th resulting in overwhelming support for the transaction to proceed. Following Shareholder approval, the Company acted swiftly to execute the transaction and has paid the cash component and issued the relevant shares to the counterparties during the June quarter.

The Company received the VSP assets in mid-May and Singular's developers are rapidly integrating the VSP software into 3Dicom and on standalone VR headsets. Upon completion of the integration Lyka Smith, a leading medical computer aided design company, has agreed to purchase 50 licenses for a total monthly recurring revenue of \$18,000.

Australian Additive Engineering Pty Ltd is currently in the process of commissioning the 3D printing facility in Melbourne. With 2 polymer printers and 3 titanium printers, the facility will be one of the largest medical grade 3D printing facilities in Australia and the Company is anticipating a smooth commissioning.



Image: The first titanium and polymer printers delivered to the newly fitted AAE factory

Product Development

3Dicom

A key pillar to the commercialisation of the Company's core medical software, 3Dicom, is obtaining TGA Class II and FDA510(k) clearance as a diagnostic device which relies upon achieving substantial equivalence with existing solutions.

Singular has added a number of standard 2D tools to the software in addition to the advanced visualisation tools to demonstrate this substantial equivalence and is confident

in the Company applying for FDA510(k) clearance this Calendar Year for a diagnostically approved software which works across mobile, tablet, desktop and VR.

The past quarter has seen the MedVR product amalgamated into the 3Dicom software with 3Dicom now working on standalone VR headsets and soon 3DicomVSP too. The Windows and MacOS versions of 3Dicom are available for download at www.3dicomviewer.com



GeoVR

The Company can confirm that more than 80% of deliverables have been achieved and the project has already seen significant interest in the mineral exploration sector amongst FlowCentric's clients.

Virtual Anatomy

Following feedback from educators, the Year 11 and 12 human biology curriculum has been embedded into the software and numerous demonstrations with educators have been conducted in an effort to finalise the feature set for a commercial release of the software for presentation to the 2021 Science Teachers of WA Conference in July and an anticipated pilot for secondary schools in term 4.



VisualEyes

Whilst the VisualEyes software, developed in collaboration with optical chain Bailey Nelson, has been validated in a Perth store, the penultimate stage to a rollout has been delayed by the rolling lockdowns in Victoria over the past months. The Company continues to engage with Bailey Nelson and will endeavour to complete this next phase as soon as national travel restrictions permit.

Research & Development Activity

During the Quarter, the Company continued to leverage industry-engagement programs with two APR Interns completing their placements at Singular during which they produced AI models with more than 85% accuracy in segmenting the lungs, aorta, spinal column, and heart from CT scans as well as a ~90% accuracy in detecting lung nodules.

During the Quarter, ongoing negotiations with both Australian and US-based companies resulted in the procurement of a large dataset of anonymised CT scans for future internal use for the next artificial intelligence model project.

Business Activities Expenditure

In accordance with ASX Listing Rule 4.7C.1, with respect to operating activities expenditure, Singular can confirm total direct operating expenditure was \$709,000 for the June 2021 quarter, consisting of research and development expenses of \$46,000, advertising and marketing costs of \$86,000, staff costs of \$360,000, and administration and corporate costs of \$217,000. Net cash used in the operating activities was \$561,000 due to cash inflows totalling \$147,000 from revenue and \$27,000 from government grants.

Note that, under the VSP & AAE transaction, the cash component of the transaction was drawn from various budget areas (see notes under table below) leading to higher than usual expenditure.

Compliance

Pursuant to Listing Rule 4.7C.2, the Company provides the following comparison of its actual group expenditure on the individual items in the “use of funds” statement in its IPO prospectus since the date of its admission to ASX’s official list against the estimated expenditure on those items in the “use of funds” statement in the prospectus and an explanation of any material variances.

Use of Funds	Estimate for the two years post ASX admission (as per Prospectus 9 December 2020)	Actual Use to 30 June 2021	% of Total
Costs of the Offer	\$505,000	\$343,894 [#]	68%
Hardware Purchases	\$700,000	\$250,369 [*]	51%
Marketing & IP Certification	\$1,163,319	\$357,626 ^{**}	27%
Staffing Costs	\$1,700,000	\$618,134	36%
Research and Development	\$1,465,000	\$335,158 ^{**}	27%
Working Cap & Corp Costs	\$700,000	487,491	70%
Loan Repayment	\$166,681	\$166,857	100%
TOTAL	\$6,400,000	\$2,559,529	40%

[#] A further \$189,185 was prepaid in the December quarter.

^{*} Of the \$300,000 cash contribution for AAE, \$150,000 was allocated from the Company’s Hardware Purchases budget (leaving sufficient funds for other committed investments, such as Global3D) and a further \$150,000 from the Company’s Marketing & IP Certification budget.

^{**} Of the \$250,000 cash for the Acquisition of VSP software, \$150,000 was allocated from the Company’s R&D budget (as the acquisition reduced the necessary R&D spend) and a further \$100,000 was allocated from the Marketing & IP Certification budget as the integration of the VSP software results in Lyka Smith taking a key reseller/distributor role.

The material variances above are as a result of the Company's listing during the March Quarter and the acquisition of the VSP software and investment into AAE. Further, there were additional legal costs of \$59,000 for the VSP acquisition and AAE investment, and a budgeted \$65,000 refund for the AP Intern Program is now anticipated for August 2021.

Corporate Activities

The end of the June quarter saw the resignation of Nick Hollens as the Company's CFO and the appointment of Steven Wood of Grange Consulting as the Company's incoming CFO to consolidate and streamline the Company's financial reporting and disclosure obligations moving forwards. The Company would like to acknowledge Nick Hollens' contribution to the Company pre-listing and through the IPO process.

In accordance with Listing Rule 4.7C.3, the Company advises that payments to related parties of the entity and their associates during the Quarter amounted to \$168,000. Amounts included in 6.1 attached 4C relates to remuneration paid to Directors

Authorised for release by the Board of Directors.

Ends

For further information contact

Investors	Corporate
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About Singular Health

Founded in 2017, Singular Health is a medical technology company that has developed and commercialised the proprietary Volumetric Rendering Platform ("VRP") for the 3D & VR visualisation of anatomy using standard radiological imagery.

Singular Health is committed to developing technologies that provide patients and practitioners alike with access to personalised, enhanced medical data to inform better health decisions and is currently developing and deploying software products that are built upon the proprietary VRP on a global scale through a direct-to-consumer Software-as-a-Service ("SaaS") model.

About Scan to Surgery

Scan to Surgery™ is a disruptive technology driven process that revolutionises the planning and execution of surgical procedures, reducing cost and improving patient outcomes. Built on the backbone of MFTP, incorporating 3D/VR scan review with virtual surgical planning software and utilising local additive manufacturing facilities, Scan to Surgery™ aims to rapidly deliver patient-specific solutions.

Appendix 4C

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

Name of entity

Singular Health Group Limited

ABN

58 639 242 765

Quarter ended ("current quarter")

30 June 2021

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	147	248
1.2 Payments for		
(a) research and development	(46)	(238)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(86)	(108)
(d) leased assets	(28)	(28)
(e) staff costs	(360)	(1,061)
(f) administration and corporate costs	(217)	(672)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	(10)
1.5 Interest and other costs of finance paid	(1)	(1)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	27	309
1.8 Other (provide details if material)	-	282
1.9 Net cash from / (used in) operating activities	(561)	(1,560)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(24)	(92)
(d) investments	(300)	(300)
(e) intellectual property	(259)	(259)
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	(14)
	(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)	(60)	(60)
2.6	Net cash from / (used in) investing activities	(643)	(725)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	6,000
3.2	Proceeds from issue of convertible debt securities	-	971
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(57)	(534)
3.5	Proceeds from borrowings	-	8
3.6	Repayment of borrowings	-	(156)
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	(57)	6,289

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	5,397	132
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(561)	(1,560)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(643)	(725)

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)	(57)	6,289
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	4,136	4,136

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	1,136	453
5.2	Call deposits	3,000	4,943
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)	4,136	5,396

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	168
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>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.</i>		

7.	Financing facilities <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>	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	Other (please specify)	-	-
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)	(561)
8.2	Cash and cash equivalents at quarter end (item 4.6)	4,136
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	4,136
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	7.37
<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: 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	
<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.

29 July 2021

Date:

The Board of Directors

Authorised by:
(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.