

## **AHI Commentary for the Quarter Ended 30 September 2022**

**Advanced Human Imaging Ltd (ASX: AHI) (NASDAQ: AHI) ('AHI' or 'the Company)** is pleased to release its Appendix 4C and to provide its shareholders with an update on its activities for the quarter ended 30 September 2022.

The quarter included several transactions undertaken by AHI with new partners and the expansion of the AHI technology offering via the acquisition of South African registered Vertica Health (Pty) Ltd and the proposed acquisition of wellteq Digital Health Inc. listed on the Canadian Securities Exchange.

### **Vertica Health**

On 5 August 2022, AHI issued an appendix 3B outlining that AHI has acquired Vertica Health (Pty) Ltd to bring Vertica's software products into AHI for use with other B2B customers and partners of AHI.

The consideration payable by AHI for the acquisition comprised:

Cash payments totalling USD\$600,000, comprising:

USD\$100,000 payable on settlement of acquisition;

USD\$250,000 payable 1 year from settlement; and

USD\$250,000 payable 2 years from settlement; and

Issued 1,500,000 AHI ordinary shares, escrowed for 24 months from date of issue.

AHI concluded a share sale agreement on 5 August 2022, to acquire 100% of Vertica Health. Given the value of the consideration payable, AHI does not consider that the acquisition is material (in the context of AHI's market capitalization and net asset position) to warrant an announcement to the market under LR 3.1. However, as part of the consideration involved an issue of shares, AHI released an Appendix 3B and 2A to the market to satisfy LR 3.10.3.

The projected increase in consolidated total assets due to the Vertica Health transaction is equal to the value of the proposed consideration payable to acquire Vertica, comprising US\$100,000 in cash on closing (offset by a corresponding reduction in AHI's existing cash to pay this amount), US\$500,000 in deferred cash consideration and 1,500,000 AHI shares (subject to 24 months voluntary escrow) valued at the current market price of 12c per share.

AHI is budgeting for an increase of approximately AUD\$80,000 per month to working capital costs as a result of the Vertica Health transaction. Vertica Health does not currently generate material revenues or profits, so AHI does not forecast any material increases to the numbers in its consolidated P&L statement in the near term as a result of this acquisition.

### **wellteq Acquisition Agreement**

On 2 September 2022, AHI entered into a definitive arrangement agreement (the "**Arrangement Agreement**") with wellteq Digital Health Inc. (CSE: WTEQ) (OTCQB: WTEQF), ("**wellteq**"), whereby AHI will acquire all the outstanding shares of wellteq in an all-share acquisition (the "**Transaction**"), subject to wellteq shareholder approval.

Pursuant to the terms of the Arrangement Agreement, wellteq shareholders will receive one (1) ordinary share of AHI (an "**AHI Share**") for every six (6) wellteq common shares (a "**wellteq Share**") held (or 0.1667 AHI Shares for every 1 wellteq Share).

AHI will issue a total of approximately 17,811,508 AHI shares in total consideration for 100% of wellteq's shares. Following completion of the Transaction, wellteq shareholders in aggregate will hold approximately 9.573% of AHI's issued capital.

In conjunction with the Arrangement Agreement, AHI and wellteq have entered into a loan agreement (the "**Loan Agreement**"), whereby AHI has agreed to advance to wellteq up to AUD\$1,200,000.

wellteq is a global digital health provider, empowering people to be healthier and happier by coaching lasting behaviour change by delivering a digital health platform to employers and insurance corporate customers, who in turn offer it to their employees and policyholders respectively. wellteq provides the supportive behavioural change that coaches people through lifestyle improvements. wellteq's shares are currently listed on the Canadian Securities Exchange (CSE).

The Transaction will see AHI acquire wellteq's complementary software assets in the health and wellness space, which are intended to be integrated with AHI's software assets. AHI also consider wellteq's target market to be consistent with its current focus.

AHI and wellteq anticipate closing of the Transaction will occur in late-November 2022, following wellteq shareholder approval.

The completion of the Transaction is subject to the satisfaction of a number of conditions set forth in the Arrangement Agreement, including but not limited to the following:

- the Transaction being approved by a special resolution of the wellteq shareholders;
- the Arrangement being approved by the British Columbia Supreme Court;
- applicable regulatory approvals, including those of the ASX, NASDAQ and the CSE, as required; and
- other conditions of closing customary in transactions of this nature.

ASX has confirmed that Listing Rule 11.1 does not apply to the Transaction. AHI is not required to obtain any shareholder approvals to complete the Transaction.

ASX has also granted AHI a waiver from Listing Rule 7.1 with respect to the issue of AHI shares to wellteq shareholders under the Arrangement. As such, this share issue will not utilise AHI's placement capacity.

The Arrangement Agreement contains certain customary deal protection provisions, including a break fee of AUD\$350,000 payable by wellteq or AHI (the **Breaching Party**) to the other party if the Breaching Party breaches a representation or warranty given by it under the Arrangement Agreement.

wellteq must also pay a A\$500,000 break fee if the Arrangement Agreement is terminated:

- by AHI following; the withdrawal of the wellteq's Board's recommendation to its shareholders to approve the Transaction; or a material breach by wellteq of the Arrangement Agreement's non-solicitation provisions;
- by wellteq following its receipt of a superior proposal to the Transaction; or
- by either party if wellteq's shareholders do not approve the Transaction; and
  - o after this announcement and prior to the termination of the Arrangement Agreement, another proposal to acquire wellteq is made to wellteq by a third party (**Acquisition Proposal**); and
  - o within 12 months following the date of such termination; a proposal to acquire wellteq is completed (whether or not it is the same Acquisition Proposal referred to above); or wellteq (or one of its subsidiaries) enters into a definitive written agreement in respect of a proposal to acquire wellteq (whether or not it is the same Acquisition Proposal referred to above) and that acquisition is subsequently completed.

If wellteq's shareholders fail to approve the Transaction and neither of the events listed above occur, then a A\$350,000 break fee is payable to AHI.

Upon conclusion of the Transaction, wellteq will nominate two directors to the Board of Directors of AHI. The proposed nominee Directors are currently Scott Montgomery, CEO, and a Director of wellteq, and Peter Vaughan, Chair of the wellteq Board of Directors, and Mr. Montgomery is currently the proposed CEO of AHI.

The Board of Directors of wellteq have unanimously approved and resolved to recommend that the wellteq shareholders vote in favour of the Transaction. The directors and senior officers of wellteq have entered into voting support agreements, committing to vote their wellteq shares in favour of, and to support otherwise, the Transaction.

As agreed under the Arrangement Agreement, wellteq's outstanding options that were issued under its Stock Option Plan will be cancelled at the effective time of the Arrangement.

It is anticipated that wellteq's outstanding warrants and compensation options will remain outstanding following the Arrangement and will be exercisable for the corresponding amount of AHI shares (i.e. one (1) AHI share for every six (6) wellteq shares issuable).

wellteq's Restricted Stock Units (**RSU**) are expected to automatically vest immediately prior to the Arrangement becoming effective, resulting in 880,000 wellteq shares being issued to the holders of the RSU's. These wellteq shares will then be acquired by AHI as part of the Arrangement, and the holders will receive the corresponding amount of AHI shares in consideration for this (i.e. one (1) AHI share for every six (6) wellteq shares).

Concurrent with the entry by the parties into the Arrangement Agreement, AHI and wellteq entered into the Loan Agreement, whereby AHI has agreed to advance to wellteq up to A\$1,200,000, to be advanced in tranches from time to time in amounts not exceeding A\$200,000. Amounts advanced under the Loan will be due and payable six (6) months after the date of the first advance under the Loan Agreement, and in any event no later than January 31, 2023, and will bear interest at a rate of 10% per annum.

The loan facility can be drawn down by wellteq on an as-needed basis to meet its working capital requirements. As at the end of the September 2022 quarter, AUD\$400,000 had been drawn down by wellteq under the Loan Agreement.

Interest will accrue and be payable to AHI on amounts outstanding under the Loan Agreement at a rate of 10% per annum accruing from and after the date that the loan is advanced to wellteq. Interest will be payable on the occurrence of an event of default or the date that AHI declares outstanding amounts under the Loan Agreement become due and payable.

On 26 October 2022, AHI updated shareholders with a joint announcement with wellteq, outlining that wellteq had received initial court approval to proceed with the acquisition of wellteq by AHI.

#### **Activate Health OÜ Master Services Agreement**

On 29 August 2022, the Company entered into a Master Services Agreement ("Activate MSA") with digital health provider Activate Health OÜ ("**Activate**").

The parties have executed the standard AHI MSA, which entails the legal and contractual terms in which AHI agrees to grant Activate the right to use AHI's licensed Software Development Kits (SDKs) for IOS and Android platforms for body circumference measurements, face scan measurements and related intellectual property once integrated into the Activate digital therapeutics (DTx) platform.

The Activate MSA incorporates the following information and guidelines: commercial undertakings, software development kit, end-user license, technology support, data processing agreement, fee schedule and professional services, including implementation support and training services, which are to be provided by AHI within the agreement with Activate.

The initial term of the Activate MSA is for two years from commencement and will automatically extend for subsequent consecutive periods, each of equivalent length to the initial term. Early termination procedures are included for either party to the Activate MSA.

The pricing mechanism in the Activate MSA is based on either single scans or bulk purchase of scans. Under the terms of the Activate MSA, Activate will purchase a block of 4,000 FaceScans and a block of 4,000 BodyScans for EUR€22,960, to be paid in two scheduled payments between now and the end of 2022.

#### **Commenting on the September quarter, Mr Vlado Bosanac, Strategy Lead, said:**

"The Company has focused throughout the quarter on the closing of the Vertica Health acquisition, working with its existing partners and the technical support they require with their integrations and go-to-market strategy. AHI continued assisting multiple partners with integrating the BodyScan and FaceScan capabilities. The addition of the Vertica Health acquisition expands AHI's capabilities, opening AHI to new markets and customer segments.

As outlined in the notice of meeting (NoM) for the upcoming annual general meeting. Advanced Human Imaging, subject to shareholder approval by way of special resolution, will change its name to Advanced Health Intelligence Ltd.

With the newly expanded capabilities, Advanced Health Intelligence (AHI) will have the ability to deliver scalable health assessment, risk stratification and digital triage to healthcare providers, insurers, employers, and governments.

Since 2014, AHI has been delivering Health-tech innovation using smartphones, starting with the world's first on-device body dimensioning capability. AHI has successfully developed and been issued global patents, which are present in all major markets, securing and bringing forth the next frontier in digitising healthcare with a suite of componentised solutions.

Over the past eight years, AHI has assembled a world-class team of machine learning, AI, and computer vision experts along with medically trained data scientists to develop the world's most comprehensive mobile-phone-based risk assessment tool culminating in:

- Body dimension and composition assessment to identify the comorbidities of obesity, such as diabetes risk estimates.
- Blood biomarker prediction, including HbA1C, HDL, LDL, and 10-year mortality risk.
- Transdermal Optical Imaging to return vital signs and cardiovascular disease risk estimates.
- On-device dermatological skin identification with over 588 skin conditions across 133 categories (Inc. Melanoma).
- Personalised therapeutic and non-therapeutic health coaching to improve daily habits and build health literacy.

COVID has changed how healthcare should and needs to be delivered and AHI has risen to this challenge with a focus on cost-effective impact at scale. AHI now showcases this unique transformative capability in digital healthcare by delivering a biometrically driven triage solution, all accessible from a smartphone. With these advanced technologies, AHI is helping partners escalate high-risk patients into right-care pathways for proactive health management at a population scale.

This delivery of proprietary capabilities ushers forth an era of cost-effective health accessibility for billions of smartphone users worldwide. In doing so, AHI endeavours to put the power of possibilities in the hands of communities, empowering people to take control of their own journey to better health outcomes.

Our mission is to create ubiquitous proactive healthcare.

AHI's strategic objectives, the quality of its technology and the Company's potential has changed dramatically over the September quarter, which has reinforced AHI and the incredibly strong foundation from which it will launch this next phase of its growth plans".

## **CASHFLOW UPDATE**

As at 30 September 2022, AHI had a consolidated figure of AUD \$3.248 million cash at Bank, as reported in the attached Appendix 4C.

As mentioned in the commentary above, the Company was very active on the acquisition trail in the September 2022 quarter, having acquired Vertica Health (Pty) Ltd and announced the proposed acquisition of wellteq Digital Health, subject to wellteq shareholder and other regulatory approvals in both Canada and Australia. As a direct result of these activities, operating costs were elevated to just over AUD \$2 million for the September quarter and investing activities saw cash used in the quarter amounted to AUD\$0.749 million.

Consequently, consolidated cash at bank at the end of the September quarter only covered 1.61 months of anticipated operating activities. However, the Company is in advanced discussions with investors who are interested in investing in Convertible Notes to be issued by the Company in the current quarter, and the Directors are confident that sufficient new capital will be raised, and the Company will continue on a going concern basis.

Item 6.1 on page 3 of the attached Appendix 4C, dealing with related party payments, relates to the Director's fees paid to the Company's Non-executive Chairman for the quarter ended 30 September 2022.

## **Forward-Looking Statements:**

This document may include forward-looking statements. Forward-looking statements include, but are not limited to, statements concerning Advanced Human Imaging Ltd's planned partner integrations, forecast partner revenue, and other statements that are not historical facts. When used in this document, the words such as "could", "plan", "estimate", "expect", "intend", "may", "potential", "should", and similar expressions are forward-looking statements. Although Advanced Human Imaging Limited believes that its expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements.

For more information, please visit: [www.ahi.tech](http://www.ahi.tech)

Approved for release by the Board of Directors.

**For more information, contact:**

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## Appendix 4C

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

**Name of entity**
**ADVANCED HUMAN IMAGING LTD**
**ABN**
**85 602 111 115**
**Quarter ended ("current quarter")**
**30 SEPTEMBER 2022**

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	59	59
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs		
(c) advertising and marketing	(113)	(113)
(d) leased assets		
(e) staff costs	(885)	(885)
(f) administration and corporate costs	(1,075)	(1,075)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(2,014)</b>	<b>(2,014)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	(187)	(187)
(b) businesses		
(c) property, plant and equipment	(2)	(2)
(d) investments		
(e) intellectual property		
(f) other non-current assets		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
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	(560)	(560)
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(749)</b>	<b>(749)</b>
<b>3.</b>	<b>Cash flows from financing activities</b>		
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)		
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>0</b>	<b>0</b>
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	6,011	6,011
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,014)	(2,014)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(749)	(749)

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

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
4.4	Net cash from / (used in) financing activities (item 3.10 above)	0	0
4.5	Effect of movement in exchange rates on cash held		
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>3,248</b>	<b>3,248</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	3,248	3,248
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>3,248</b>	<b>3,248</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	(9)
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>		



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

<b>7. Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<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 Other (please specify)		
<b>7.4 Total financing facilities</b>	0	0
<b>7.5 Unused financing facilities available at quarter end</b>		0
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.		

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	(2,014)
8.2 Cash and cash equivalents at quarter end (item 4.6)	3,248
8.3 Unused finance facilities available at quarter end (item 7.5)	0
8.4 Total available funding (item 8.2 + item 8.3)	3,248
<b>8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	1.61
<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 Company does expect that the current level of net operating cash flows will be maintained for the time being.	
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: The Company is in advanced discussions with investors wishing to invest in Convertible Notes to be issued by the Company in the current quarter. The Directors are confident that these discussions will be successful in raising new capital.	

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 Directors are confident that the Company will be able to continue on a going concern basis, which will enable the Company to continue to meet its business objectives.

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: ....31 October 2022.....

Authorised by: ....By order of the Board.....  
(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.