

18 May 2020

Company Announcements Office
Australian Securities Exchange
20 Bridge Street,
SYDNEY NSW 2000

Dear Sir or Madam,

APPENDIX 4C - UNMODIFIED NET CASH USED IN OPERATING ACTIVITIES

At the request of the ASX, the Company has re-issued its March 2020 Appendix 4C (attached), to show *Net cash used in operating activities* on an unmodified basis.

Since lodging the previous version of its Appendix 4C on 30 April 2020, the Company has reduced net cash used in operating activities (post-March 2020) by leveraging stimulus packages that have become available, as well as by reducing operating expenses and taxes (refer Item 8.6 on the attached Appendix 4C).

In terms of the re-issued Appendix 4C (the subject of this release), only items 8.1, 8.5 and 8.6 have been amended, however the overall assessment remains the same. A summary of the key differences is highlighted in the table below:

Item	Appendix 4C lodged 30 April 2020	Appendix 4 C lodged 18 May 2020
	\$A '000	\$A '000
8.1 Net cash used in operating activities	(550)	(1,023)
8.5 Estimated quarters of funding available	2.9	1.5
8.6 Answer to question 1	Cost saving measures* already rolled up into the calculation of 8.1 and 8.5 above, and the commentary has been provided in the Quarterly Activities Report.	Net cash used in operating activities modified under item 8.6 (1) and the commentary has been provided in this section of the report.

The Company's cost saving measures* are as follows:

1. Renegotiating price and terms with suppliers.
2. Deferring taxes , PAYG.
3. Making use of the 'Cash boost' stimulus package offered by government, which resulted in an initial \$50,000 saving in PAYG, to be followed by 4 incremental subsidies of \$12,500 per month thereafter.
4. Payroll tax waived and a \$17,500 rebate made available to the Company.
5. Removing all discretionary spending i.e. simply spending less not spending on items it would have spent on prior to COVID-19.

Apart from the confirmation that operating cash flows for this coming quarter have been reduced, there are no further business updates to report on.

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

Yours faithfully,
By Order of the Board

A handwritten signature in dark ink, appearing to read 'S. Richards'.

Steven Richards
Company Secretary
Chief Financial Officer
MyFiziq Limited

Appendix 4C

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

Name of entity

MyFiziq Limited

ABN

85 602 111 115

Quarter ended ("current quarter")

31 March 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	32	112
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(10)	(33)
(d) leased assets	-	-
(e) staff costs	(628)	(2,174)
(f) administration and corporate costs	(416)	(1,361)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(1)	(3)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	666
1.8 Other (PAYG timing difference)	-	-
1.9 Net cash from / (used in) operating activities	(1,023)	(2,793)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(37)	(63)
(d) investments	-	-
(e) intellectual property	(6)	(85)
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 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	(50)	82
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(93)	(66)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	2,050
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	-	(122)
3.5	Proceeds from borrowings	600	600
3.6	Repayment of borrowings	(78)	(149)
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	522	2,379

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	688	574
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,023)	(2,793)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(93)	(66)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	522	2,379

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	94	94

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	94	688
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)	94	688

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter \$A'000
35
-

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

The amount under 6.1 includes directors fees (\$34.5k) paid to non-executive directors, as well as legal fees (\$0.5k) paid to an entity related to a director.

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	2,810	1,310
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	2,810	1,310

7.5 **Unused financing facilities available at quarter end** 1,500

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.

The Company has a convertible loan facility of \$2m with Prosser Enterprises Pty Ltd as Trustee for the Prosser Family Trust, of which \$500k has been drawn down. Interest accrues daily on each advance at a rate of 8% per annum. On the new termination date of 30 June 2020, any advances plus accrued interest that has not yet been repaid will be convertible into shares at an issue price equal to the greater of \$0.30 per share or the 14 trading day volume weighted average price of the Company's shares as traded on ASX prior to the termination date.

The Company has also secured a \$900k convertible note facility with a number of professional investors, who are not related parties, which has been fully drawn down. The Company repaid \$40k on this facility during the current quarter (\$50k repaid last quarter). Under the terms of the agreement, interest accrues at a rate of 8% and is payable quarterly in arrears with the final repayment due on the new maturity date of 30 June 2020, or such earlier date if the principal is repaid. As approved by shareholders on 27 November 2018, the notes will be converted at an issue price the greater of \$0.30 per share and at a 30% discount to the volume weighted average price for Shares traded on ASX for the period of 14 trading days up to and including the trading day prior to conversion. The investor may elect to redeem the principal in cash. (Refer ASX Announcement 28/9/2018)

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(1,023)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	94
8.3 Unused finance facilities available at quarter end (Item 7.5)	1,500
8.4 Total available funding (Item 8.2 + Item 8.3)	1,594
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	1.5

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

- 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: No, net operating cash flows for the coming quarter will be significantly reduced.

As stated in MYQ's Quarterly Update and Appendix 4C lodged on 30 April 2020, the Company has been able to adjust to current world events by reducing its cash burn by 46%.

IMPACT OF CURRENT WORLD CONDITIONS ON QUARTERLY CASH BURN - APRIL 2020		\$A '000
Net cash used in operating activities		1,023 ^T
Add-back: reduction in overheads due to current world conditions:		
JobKeeper stimulus		-144
Deferral/ reduction in operating expenses and taxes		-329
Adjusted (normalised) net cash used in operating activities		<u>550</u>
^T = As per Appendix 4C (March 2020), which includes PAYG and payroll tax deferrals		

Table 1. Impact of current world conditions on quarterly operational cash burn

As Table 1. indicates, the Company has reduced net cash used in operating activities (post-March 2020) by leveraging stimulus packages that have become available, as well as by reducing operating expenses and taxes. This includes negotiating new payment terms with suppliers to effectively reduce non-salary overheads by as much as 90%.

The JobKeeper Payment Scheme (JobKeeper) was announced across mainstream media on 30 March 2020 and will be made available to eligible entities until 27 September 2020 (6 months). Further to the terms of the scheme, eligible entities will be entitled to a payment of \$1,500 per employee, per fortnight. The Company received the first payment on 7 May 2020, in the amount of \$48,000.

To further counteract the impact of COVID-19, the Company has also implemented a number of cost saving initiatives to reduce operational cash flows, which includes:

1. Renegotiating price and terms with suppliers.
2. Deferring taxes like PAYG (as part of an initiative offered by the government via the ATO portal).
3. Making use of the 'Cash boost' stimulus package offered by government, which resulted in an initial \$50,000 saving in PAYG, to be followed by 4 incremental subsidies of \$12,500 per month thereafter.
4. Payroll tax waived and a \$17,500 rebate made available to the Company.
5. Removing all discretionary spending i.e. simply spending less not spending on items it would have spent on prior to COVID-19

As a result of the cash flow strategies mentioned above, the Company has been able to reduce cash burn to approximately \$550k per quarter from April 2020, down from the \$1m reported this quarter.

In practical terms, the Company has 2.9 quarters of funding available (and not the 1.5 reported under section 8.5 above), which is deemed sufficient.

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 - per item 8.6.1 above, the Company has sufficient funding to cover 2 quarters.

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 – per item 8.6.1 above, the Company has sufficient funding to cover the next 2 quarters.

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:18 May 2020.....

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.