

Singular Health Group Ltd: SHG

ASX Announcement

31st October 2023

ACTIVITIES REPORT FOR THE QUARTER – 30 September 2023

Highlights

- Continued strong customer receipts of \$304,000 for the quarter (prior year September Quarter 2022: \$26,000)
- Strategic Investment of up to AUD\$850,000 by CG1 Ventures LLC, the venture arm of United States Master Distributor, Charlie Golf One (CG1) (to be approved at AGM)
- Cost reduction measures delivered with consolidation of operations to Bibra Lake premises
- Substantial cash inflows subsequent to Period end with receipt of AUD\$823,000 R&D Tax Incentive refund and receipts from customers of ~AUD\$322,000 to date in October

31st October 2023 – Medical technology company Singular Health Group Limited (ASX: SHG) (“Singular Health” or the “Company”) is pleased to provide our valued shareholders with an operational and financial update for the Quarter ending 30th September 2023.

Strategic Investment by United States Master Distributor



Attendance at 2023 Defence Health Information Technology Symposium (DHITS)

As previously reported in the July Quarterly as activities occurring subsequent to the July Quarter, the September 2023 Quarter commenced with James Hill, Singular Health’s Chief Operating Officer, and Dr Martina Mariano, Global Partnerships Manager, travelling to the United States of America in early July 2023 to confirm the Appointment of Charlie Golf One LLC, trading as CG1 Solutions, as Singular Health’s Master Distributor in the United States for the 3Dicom software.

In August 2023, James Hill and Dr Martina Mariano attended the 2023 Defence Health Information Technology Symposium (DHITS) in New Orleans, Louisiana. Singular’s 3Dicom software was presented to Chief Information Officers and procurement officers from the United States military and veterans organisations, which garnered strong interest in being able to provide continuity of care and access to medical records for personnel.

Alongside these presentations, discussions that had started in July on the back of strong, positive market feedback regarding potential investment by CG1’s venture arm, CG1 Ventures, were rapidly progressed. These culminated in mid-August with the announcement of a strategic investment of at least AUD\$500,000 and up to \$850,000 by CG1 Ventures at

a share price of 5.5c, which represented a premium of 41% at the time (see ASX Announcement: Strategic Investment from Master Distributor in USA, dated 16th August 2023 for further details), subject to shareholder approval at the Company's upcoming AGM.

The strategic investment by CG1 Ventures signals a long-term commitment to, and confidence in, the commercialisation of the software within the United States market and provides significant access to key decision makers in large scale hospital systems.

Consolidation of Premises & Realisation of Cost Reduction Measures

Late August saw the consolidation of Singular Health's operations at a single premises in Bibra Lake, at the site of the Company's 3D printing subsidiary. Several one-off costs were incurred including fees relating to notification to the Company's notified body, BSI, and the Food and Drug Administration (FDA) regarding the re-registration of a medical device manufacturing site (for the 3Dicom MD[®] software-as-a-medical-device (SaMD) along with fulfilling the make-good provisions for the Subiaco office. These regulatory and financial obligations have been satisfied and the migration of office facilities completed.

The cost savings from this consolidation of premises will only start to be realised in the October Quarter however it is calculated result in annual costs savings of ~\$100,000, along with improving integration between the 3Dicom software and the 3D printing operations.

The realisation of cost reduction measures outlined in July Quarterly saw an operating expenditure of \$971,000, an increase of \$117,000 compared to the prior year September quarter primarily due to the additional staff and operating costs added by the Singular 3DP acquisition, whilst cash receipts have increased by more than \$278,000 from the prior corresponding period 12 months ago.

Repayment of Convertible Notes

Following the Extraordinary General Meeting (EGM) held in June 2023, Tranche 3 of the placement was approved (see ASX Announcement: "Results of General Meeting", 16th June 2023) which provided funds for the repayment of 40 of the 80 convertible notes which were subsequently redeemed rather than converted.

Additionally, as detailed in the ASX Announcement: Repayment of Convertible Notes on 15th August 2023, the Company has been able to access an unsecured non-convertible debt facility for a further \$500,000 to repay the remaining convertible notes.

The unsecured non-convertible debt facility with a total \$500,000 drawdown amount available ("Debt Facility") announced in the ASX Announcement on 15th August 2023 entitled "Repayment of Convertible Notes" initially provided by Foxlaw Investments Pty Ltd, has now been replaced by unrelated entity Brightstar Pty Ltd.

The key terms of the debt facility have also been amended allowing for the maturation of the debt facility at the expiry of 12 months from the execution date rather than the previous 6 months term.

Activities Subsequent to Period End

Subsequent to the Period ending, Singular Health appointed Marin and Sons, a Miami-based public relations company with very strong connections to the Florida and Federal healthcare systems as its United States Public Relations and Corporate Advisor which has helped to accelerate commercial opportunities and provide introductions to key decision makers.

The Company has also continued to record strong revenue from customers in the 3D printing business and continued subscription revenue from the various 3Dicom software tiers.

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 \$971,000 for the September 2023 Quarter.

The operating activities expenditure during the Quarter consisted of research and development expenses of \$35,000, product manufacturing and operating costs of \$270,000, advertising and marketing costs of \$56,000, staff costs of \$330,000, administration and corporate costs of \$250,000, lease payments of \$18,000, and interest and other payments of \$12,000.

Net cash used in the operating activities was \$581,000 after accounting for cash inflows for customer receipts of \$304,000 and other income.

Subsequent to the Period ending, the Company received \$853,000 in an R&D Tax Incentive refund and expects to receive a further ~\$120K R&D tax incentive refund for the 3D printing subsidiary, Singular 3DP, along with a minimum of AUD\$500,000 and up to \$850,000 from the aforementioned Strategic Investment, subject to shareholder approval.

These funds provide at least two (2) Quarters of funding based on the current cash burn rate and the Company is actively working to further improve its financial position by focusing on closing smaller, near-term enterprise opportunities whilst it continues to progress longer term, larger enterprise contracts.

Corporate Activities

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 \$13,000. Amounts included in 6.1 attached 4C relates to remuneration paid to Directors.

As outlined above, during the Quarter, the Company repaid one of the Convertible Notes in full and entered a non-convertible, unsecured debt facility of AUD\$500,000 to repay the remaining Convertible Note which has been redeemed after the period end.

Additionally, the Company announced a Strategic Investment of between AUD\$500,000 and up to \$850,000 from CG1 Ventures, while subsequent to period end, Denning Chong was appointed as Managing Director and CEO.

Authorised for release by the Board of Directors.

Ends

For further information contact

Investors	Corporate
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About Singular Health:

Singular Health Group Limited (ASX: SHG) is a medical technology company utilising advanced technologies to develop patient-specific solutions.

Singular Health's 3Dicom software solutions empower patients and practitioners to better visualise, communicate, and understand medical imaging data. 3Dicom MD® is cleared for diagnostic use in the United States

Singular 3DP, a wholly owned subsidiary of Singular Health, uses advanced 3D printing and post-processing to manufacture TGA-approved patient-specific medical devices.

To learn more, please visit: www.singular.health

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 September 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	304	304
1.2 Payments for		
(a) research and development	(35)	(35)
(b) product manufacturing and operating costs	(270)	(270)
(c) advertising and marketing	(56)	(56)
(d) leased assets	(18)	(18)
(e) staff costs	(330)	(330)
(f) administration and corporate costs	(250)	(250)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(12)	(12)
1.6 Income taxes paid	13	13
1.7 Government grants and tax incentives	-	-
1.8 Other	73	73
1.9 Net cash from / (used in) operating activities	(581)	(581)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(5)	(5)
(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	70	70
	(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	-	-
2.6	Net cash from / (used in) investing activities	65	65

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	400	400
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	(460)	(460)
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	(60)	(60)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	692	692
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(581)	(581)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	65	65

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(60)	(60)
4.5	Effect of movement in exchange rates on cash held	(2)	(2)
4.6	Cash and cash equivalents at end of period	114	114

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	114	692
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (Joint Venture Cash Entitlement)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	114	692

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	13
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	740	740
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	740	740
7.5	Unused financing facilities available at quarter end		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.		
	Lender: Tremolat Pty Ltd Principal: \$560,000 Interest: 12% per annum, paid monthly Term: 12 months Security: Secured against 3D Printing Plant and Equipment Lender: HP Enterprise Financial Services Principal: \$180,300 Interest: 4.76% Term: 60 months Security: Secured against Vapor Fuse Plant and Equipment		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(581)
8.2	Cash and cash equivalents at quarter end (item 4.6)	114
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	114
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	0.25
	<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.	

- 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, the Company proposes to take steps to raise further cash to fund its operations and will consider more specific funding options as and when required. The Company believes they will be successful, based on multiple previous successful capital raisings. The Company signed a strategic investment as announced on 16 August 2023 with its Master Distributor for the USA, CG1 Solutions LLC ("CG1"), to invest up to \$850,000. This investment is subject to shareholder approval at the Company's AGM in November. The Company also submitted an application for an R&D tax incentive refund during the quarter, which was received subsequent to the end of the quarter for a gross total of \$823k.

- 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, the Company expects to be able to continue its operations and to meet its business objectives based on its response to items 1 and 2 above.

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.

31 October 2023

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.