

Singular Health Group Ltd: SHG

ASX Announcement

24th April 2023

ACTIVITIES REPORT FOR THE QUARTER – 31st MARCH 2023

Highlights

- Completion of Global3D Asset Sale Agreement and incorporation of Singular 3DP
- Appointment of Singular 3DP subsidiary as reseller of 3D Systems and DyeMansion
- Initial 3D printer sale with gross revenue of \$375,000
- ISO13485 Certification obtained allowing Company to begin process of lodging additional regulatory submissions for the 3Dicom MD[®] software in additional markets
- Completion of technical integration of 3Dicom MD[®] with Sony Electronics' 2nd generation Spatial Reality Display and demonstration at United States' tradeshows
- Enterprise sale of 100 3Dicom MD[®] licenses with total contract value of USD\$50,000
- Strong cash position of \$1,520,000 as at date of this report, following receipt of \$420,000 R&D Funding Facility and \$1.05 Million placement subsequent to period end

24th April 2023 – Medical technology company Singular Health Group Limited (ASX: SHG) (“Singular” or the “Company”) is pleased to provide the following update on the Company’s operations and financial position in the attached 4C Quarterly Activities and Cashflow Report for the March 2023 Quarter.

The March Quarter was one of substantial progress across the Group, with substantial milestones being met in both the software and 3D printing operating divisions and the realisation of substantial revenue opportunities through enterprise sales of the 3Dicom software and resale of polymer-based 3D printing hardware through the newly formed Singular 3DP subsidiary.



Figure 1: Singular 3DP's Selective Laser Sintering (SLS) 3D Printer for Patient-Specific Medical Devices

Completion of Global3D Asset Sale Agreement and Incorporation of Singular 3DP

The Quarter commenced with the completion of the Asset Sale Agreement previously announced on 6 December 2022 for the underlying assets of Global3D Pty Ltd through its newly incorporated and wholly owned subsidiary Singular 3DP Pty Ltd. Located in Bibra Lake, approximately 20km south of Perth, the Singular 3DP facility contains industrial grade selective laser sintering (SLS) and Stereolithography (SLA) 3D printers which are capable of both industrial and medical 3D printing, especially in the Orthotics and Prosthetics (OnP) markets.

Associated with this Asset Sale Agreement were numerous one-off expenses along with increased leased assets and additional staff costs which are disclosed in Items 2.1(c), 1.2(d), and 1.2(e) of the attached Appendix 4C respectively.

Post-Acquisition, the Singular 3DP Pty Ltd entered into a private finance agreement with an unrelated, third-party on commercial terms for ~\$560,000 to refinance 3D printing equipment at the Singular 3DP facility, which is disclosed as part of Item 3.5, and the terms of which further outlined, in the attached Appendix 4C.

Additionally, Singular 3DP Pty Ltd entered into a 60-month financing arrangement for ~\$180,000 to finance the purchase of plant and equipment for Vapor-Fusing. Critical to the creation of medical-grade 3D printed parts, vapor-fusing is a post-processing method that provides a smooth surface finish. This capability is well-sought after as a contract-manufacturing service and once commissioned, will provide a unique value proposition.

Numerous regulatory, quality, and capital works initiatives were also undertaken and the Singular 3DP business marketed as two distinct brands, Global3D (for Industrial work and hardware sales), and MediCAD (for the manufacture and sale of patient-specific medical devices). For more information, please refer to the ASX Announcement entitled "*Operational Update, R&D Funding Facility & Strategic Review*" on 6th April 2023.

Appointment of Singular 3DP as Authorised Reseller of 3D Systems and DyeMansion

Following the acquisition of Global3D's assets, including the well-established branding, the Company made a concerted effort to quickly strengthen previous relationships and utilise the marketing and financial resources available at Singular Health Group to close significant growth opportunities for Singular 3DP and the Global3D brand.

Two such growth opportunities were the appointment of Singular 3DP as a reseller of non-metal 3D printers for world renowned 3D printer manufacturer 3D Systems, and as a reseller for DyeMansion, one of the leading manufacturers of post-processing equipment for 3D printing.

Following these appointments, Singular 3DP appointed a well-regarded salesperson on the East Coast of Australia as the National Sales Manager for the Global3D (Industrial) brand, which resulted in the initial sale during the quarter of a polymer-based 3D printer during the Quarter valued at ~\$375,000, which is recognised as a main contributor to revenue, Item 1.1 of the attached Appendix 4C, and the cost of which is recognised in this Quarter along with other Product Manufacturing and Operating costs in Item 1.2 of the attached Appendix 4C.

Subsequent to the Period, the Company also received a binding purchase order for a DyeMansion post-processing machine valued at ~\$130,000, and the Company looks forward to generating further revenue from this segment of the business.

ISO13485 Certification for Software-as-Medical-Device Development

After a significant period following the ISO13485 and Medical Device Single Audit Program (MDSAP) follow-up audit in November 2022, the Company was granted its ISO13485 Certification for Software-as-Medical-Device Development certification in the medical sector, a vital requirement to apply for medical device approvals in almost all jurisdictions.

To achieve ISO13485:2016 certification, a company must undertake numerous internal and external audits, demonstrate compliance with a companywide Quality Management System for many consecutive months, and put in place stringent and well-adhered to training processes and procedures.

Following the attainment of ISO13485 and passing the MDSAP audit, Singular Health can now progress with applying for Health Canada, Therapeutics Goods Administration (TGA) – Australia, and HSA – Singapore approvals for the diagnostic 3Dicom MD® software.



Figure 2: March Quarter saw many Quality & Regulatory Milestones Achieved for Singular Health Group

Additional Regulatory Clearances & Initial Sales with MediCAD – 3D Printed Medical Devices

During the latter half of the Quarter, Singular Health’s subsidiary Singular 3DP Pty Ltd successfully applied for, and was granted, two Class I medical device listings on the Australian Register of Therapeutics Goods (ARTG) for Ankle Foot Orthoses (AFOs) – (ARTG ID: 405971), and External lower-limb prosthetic sockets (ARTG ID: 404073). These regulatory approvals have allowed the Company to market patient-specific medical devices, 3D printed at the Singular 3DP facility, to local and national practitioners which has already resulted in several initial sales of check / test sockets for prosthetics. With the imminent commissioning of the Vapor Fuse machine acquired during the Quarter (see ASX Announcement: *Operational Update, R&D Funding Facility & Strategic Review, 6th April 2023*), the Company anticipates a substantial increase in the production and sale of custom-made Ankle Foot Orthoses using the newly developed online ordering system.

Immediately subsequent to the Quarter, Singular 3DP also received a Class I medical device listing for custom-made spine orthosis (ARTG ID: 407225) which is another patient-specific

orthotic device intended to assist patients to correct spinal deformities and add stability. Local hospitals have since expressed strong interest in this product offering.

Technical integration of 3Dicom MD® with Sony Electronics' 2nd Gen Spatial Reality Display

Building upon relationships established in mid-2022, Singular Health's talented development team worked closely with Sony Electronics to integrate 3Dicom MD® into their next-generation 3D glasses-free display. This technical integration was concluded during the Quarter with Sony presenting the 3Dicom MD® solution at US tradeshows and events.

Following this successful technical integration, Singular Health and Sony have been working on determining the commercial model for this new integration which is likely to see Sony actively promote 3Dicom MD® through tradeshows, press events, and internal Sony events as a complementary application for the 2nd generation Spatial Reality Display.

The solution has been well-received by end-users at recent tradeshows and Singular Health looks forward to furthering the relationship developed with Sony.

Implementation of Cost Control Measures & Dissolution of Advisory Board

During the Quarter, as Singular Health transitions from a phase of research and development, regulatory approvals, and core product development into a new phase of product commercialisation, distribution and in the case of Singular 3DP, manufacture, there have been many substantial changes underway which reflect in the attached Appendix 4C.

Amongst these have been a concerted effort to identify areas of potential cost reductions and implement cost control measures to improve the Company's financial performance.

The result of these cost control measures, calculated in reference to the December Quarterly Cash Flow report, are listed below, along with the rationale for the change.

- R&D expenditure down **67.4%** from \$138K to \$45K reflecting the culmination of the initial development phase of the 3Dicom software, focus on commercialisation rather than additional research and development activities.
- Advertising and marketing expenditure down **50%** from \$96K to \$48K reflecting a strategic decision to internalise marketing, investor relations, and optimise advertising and go-to-market channels.
- Payments to related parties and their entities down **28.9%** from \$180K to \$128K due to the resignation of Executive Director during the Quarter (see ASX Announcement: "*Resignation of Executive Director*", dated 27/02/2023) and a reduction in consulting fees.
- Staff costs down **9%** from \$366K to 333K due to the dissolution of the Advisory Board following the successful FDA510(k) submission and ratification of the product development roadmap, the resignation of an Executive Director, and other staffing changes. Singular Health would like to thank Dr Jonathan Clark and Dr Brad Moore,

the members of the Company's inaugural Advisory Board for their contributions during their tenure, and to wish them all the best with their future endeavours.

Whilst Singular does expect to have higher product manufacturing and operating costs in future due to the Singular 3DP subsidiary's cost of goods sold, the scaling of the 3Dicom software in the case of enterprise sales, and purchase of 3D printers and consumables for resale, the Company is confident in continuing to realise the cost savings made during the Quarter.

Enterprise sale of 100 3Dicom MD®

As announced on 16th March 2023 (see ASX Announcement: Sales Partner Appointed and First Enterprise License Order), Singular Health's Partner Program continues to grow and establish itself as the primary go-to-market channel for the sale of the 3Dicom Software.

The Company has appointed several Sales Partners during the Quarter and this particular appointment in China was closely followed by an order from the Yancheng N1 Peoples Hospital for 100 3Dicom MD® licenses with a total annual contract value of USD\$50,000.

Activities Subsequent to Period End

Immediately following the March Quarter, the Company conducted a \$1.05M, two tranche placement to private and sophisticated investors to be completed via the issue of 19,090,909 new fully paid ordinary shares at 5.5c per share, and with free-attaching options exercisable at 10c, expiring three years from date of issue. The placement funds will be utilised to complete the commissioning of additional post-processing equipment at the Singular 3DP facility to unlock the orthotic and prosthetic market for custom-made medical devices, development of enterprise-grade solutions for the Company's 3Dicom MD® software required to close currently outstanding and well-progressed enterprise opportunities, and for general working capital. A shareholder meeting will be convened during the June quarter to seek shareholder approval to complete the placement and also for a number of other resolutions.

To provide further working capital, and in addition to the placement, Singular Health entered into a Funding Facility with Radium Capital in early-April allowing the Company with early-access to ~80% of the FY2023 R&D Tax Incentive and providing an additional \$420,000 of working capital to further lengthen the Company's runway.

Managing Director and Chief Executive Officer of Singular Health, Mr Thomas Hanly, resigned subsequent to the Period on 17th April 2023. For more details, please see the ASX Announcement entitled "Resignation of Managing Director and Strategic Review" released on 17th April 2023.

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 \$1,114,000 for the March 2023 Quarter, consisting of research and development expenses of \$45,000, product

manufacturing and operating costs of \$303,000, advertising and marketing costs of \$48,000, staff costs of \$333,000, administration and corporate costs of \$278,000, lease payments of \$28,000, and interest and other payments of \$78,000. Net cash used in the operating activities was \$689,000 after accounting for cash inflows totalling \$425,000 from revenue.

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 \$128,000. 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:

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")

31 March 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	425	470
1.2 Payments for		
(a) research and development	(45)	(371)
(b) product manufacturing and operating costs	(303)	(303)
(c) advertising and marketing	(48)	(210)
(d) leased assets	(28)	(70)
(e) staff costs	(333)	(1,034)
(f) administration and corporate costs	(278)	(699)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	0	1
1.5 Interest and other costs of finance paid	(11)	(12)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	414
1.8 Other	(68)	(157)
1.9 Net cash from / (used in) operating activities	(689)	(1,971)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(802)	(802)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 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	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other	-	-
2.6	Net cash from / (used in) investing activities	(802)	(802)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	592
3.2	Proceeds from issue of convertible debt securities	-	800
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(58)
3.5	Proceeds from borrowings	740	740
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)	-	-
3.10	Net cash from / (used in) financing activities	740	2,074

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,192	1,140
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(689)	(1,971)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(802)	(802)

Appendix 4C
Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	740	2,074
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	441	441

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	441	1,192
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)	441	1,192

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	128
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	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<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	740,000	740,000
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	740,000	740,000
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.		
<p>Lender: Tremolat Pty Ltd Principal: \$560,000 Interest: 12% per annum, paid monthly Term: 12 months Security: Secured against 3D Printing Plant and Equipment</p> <p>Lender: HP Enterprise Financial Services Principal: \$180,300 Interest: 4.76% Term: 60 months Security: Secured against Vapor Fuse Plant and Equipment</p>		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(689)
8.2 Cash and cash equivalents at quarter end (item 4.6)	441
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	441
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	0.64
<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?	
<p>Answer: Yes, subsequent to the Period end the Company conducted a capital raise through a Placement to private and sophisticated investors raising \$1.05M. Additionally, the Company has entered into a funding facility with Radium in April 2023 with an advance of \$420,000 secured against the FY2023 R&D Tax Rebate.</p>	
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?	
<p>Answer: Yes, please see above.</p>	

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 has secured funding of more than \$1.47M subsequent to the Period end and has undertaken, and continues to undertake, a number of cost-saving measures.

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:24th April 2023.....

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.