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30 July 2020

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

MEDLAB REDUCES CASH BURN, EXPANDS INTO GLOBAL MARKETS – APPENDIX 4C

Medlab Clinical (ASX.MDC) a company with a portfolio of novel drug candidates, including cannabinoids and nutraceuticals, enhanced by its drug delivery platform and used for the treatment of chronic pain and disease, is pleased to provide a business update and quarterly cash flow report for the period ended 30 June 2020 (Q4 FY20).

Highlights:

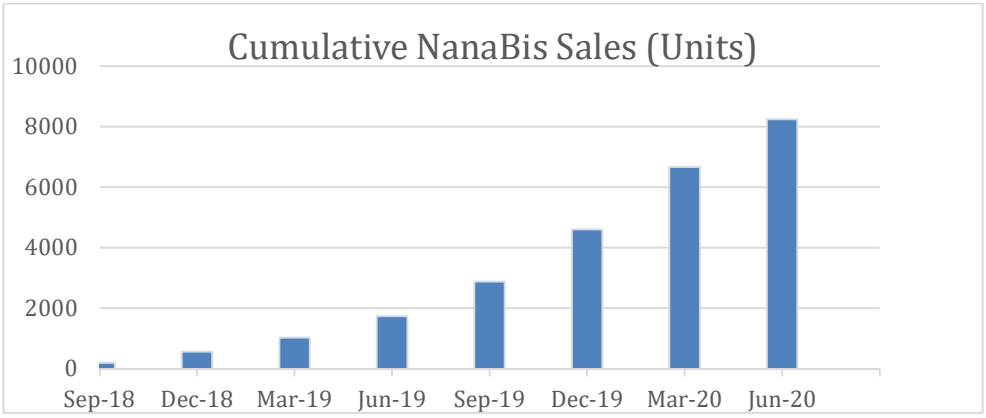
- Strong demand for NanaBis™ cannabinoid formulation for cancer-related bone pain
    - June sales rebounded strongly as manufacturing resumes under new supplier – with NanaBis™ reporting its strongest month.
- Two new products in cannabinoid portfolio launched
    - NanoCBD for chemotherapy induced vomiting and nausea, first sales in Australia under special access and first shipment to HK – total 1,545 units
    - First orders of 5,000 units for Mg + CBD (magnesium + CBD), a hybrid cannabinoid under agreement with Cultech Ltd for the UK market
- Developmental milestones ahead as Medlab prepares for Phase III study and IND filing for NanaBis™
- Cash burn improved, net operating cash outflow $1.985M after government subsidies
- Cash balance $9M, bolstered by $5.4M capital raise

Dr Sean Hall, Managing Director of Medlab Clinical said, “This has been a quarter of solid progress across our diverse portfolio for the treatment of a range of chronic diseases and pain. We launched two new products – NanoCBD and Mg + CBD - and demand for these and our lead candidate NanaBis™ - which is being used under a special access scheme in Australia - continue to grow. With a new manufacturer in place, we are well placed to meet future demand.

“While these products – and our complementary nutraceutical portfolio – create a source of revenue and have contributed to a meaningful reduction in operating cash burn, our ultimate goal is to pursue a drug regulatory pathway. We have a portfolio of novel, pharmaceutical grade cannabinoid-based products that have been optimised via our drug delivery platform - supporting these with clinical validation and regulatory approvals will be a key differentiator and value driver. To that end, we continue to make solid progress towards the filing of an IND with the US FDA for NanaBis™ later this year, to be followed by the initiation of a Phase III study.

Cannabinoid portfolio update: High demand for lead product NanaBis™ under special access scheme, Phase III clinical trial preparations advancing.

Sales of NanaBis™ - the company’s patented lead cannabinoid formulation used for the treatment of cancer-related bone pain – continue to increase.



Sales in June hit a record monthly high of 910 units, reflecting both the steady increase in customer demand and supply of back-orders from May.

As previously reported, issues with supply chain combined with quarterly record sales in Q3 meant that the company had limited supply during April and was out of stock in May. Following the transfer of manufacturing to Tasmanian Alkaloids (TASALK), all backorders were filled by early June. Under the TASALK agreement, manufacturing capacity increased to meet expected demand for NanaBis™ (which is currently available to patients in Australia under a special access scheme) and supply the company's upcoming Phase III trial.

Quarterly sales of NanaBis™ was 1,575 units, up 122% year on year. Sales were down 23% on the previous quarterly record of 2,000 units recorded in the March quarter, mainly impacted by the aforementioned supply chain issues.

While a number of Medlab's cannabinoid products are available under Australia's government compassionate use program, the company's ultimate goal is to have NanaBis™ approved for use under the appropriate regulatory bodies, including the US Food and Drug Administration (FDA) and create a portfolio of products with a high level of clinical validation. Medlab is now in the final stages of preparing to initiate a Phase III study in early 2021 and has an observational study underway.

The company is in the late stages of contracting clinical sites for the Phase III trial across Australia, UK and US and is preparing to submit an IND filing to the FDA this calendar year.

Results from the SAD/MAD trial of NanaBis™, completed at Royal North Shore Sydney Hospital in March have been submitted for publication in a peer-review journal, with publication expected within months. Initial results published in March met the primary endpoints, demonstrating that NanaBis™ was safe, tolerated and efficacious, delivering quality of life benefits in late stage cancer patients, specific in role and emotional functioning and insomnia.

Two new products NanoCBD™ and Mg + CBD

During the quarter, the company also commenced shipment of a new cannabinoid product, NanoCBD proposed for the treatment of chemotherapy induced nausea and vomiting (CINV) and subject to future investigation for drug approval. Forty-five units were sold to patients accessing the product under special access scheme in Australia, and a further 1,500 units have been shipped to Hong Kong.

This is a CBD-only formulation, and like NanaBis™ is enhanced by Medlab's NanoCelle™ drug delivery platform, which improves solubility and therefore allows the drug to be delivered in lower doses.

After several months of development, Medlab has now commenced manufacturing of Mg + CBD a hybrid cannabinoid, which combines CBD with Medlab's existing nutraceutical formulation of magnesium (MgOptima Relax). An initial order of 5,000 units has been shipped to Cultech Limited in the UK, Medlab's exclusive distribution partner for this product.

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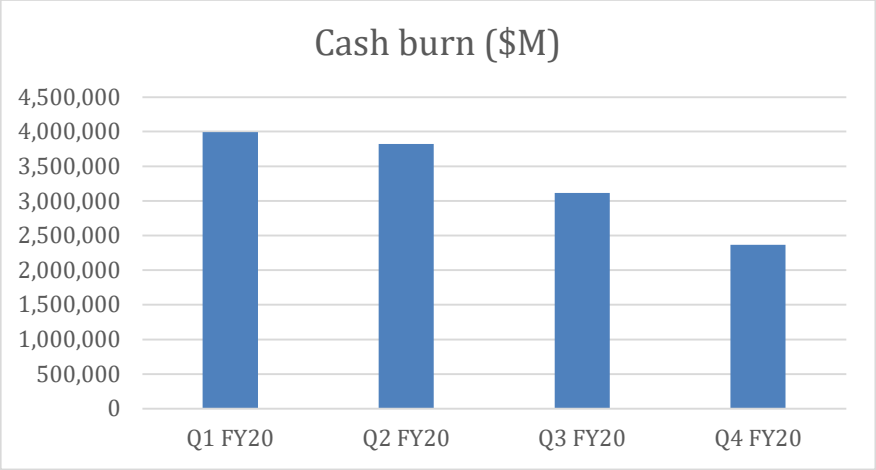
Nutraceuticals portfolio

Medlab has increased its presence in digital channels to support online sales, particularly as sales via the retail pharmacy fluctuate, in line with reduced retail foot traffic resulting from COVID-19 restrictions. While online sales are steadily increasing, overall invoiced sales of the nutraceutical range are down 19% from the previous quarter, representing the shifting environment.

Additionally, results from the trial studying the use of NRGBiotic™ as an adjuvant to commonly prescribed depression treatments are delayed (due to COVID-19) and are still forthcoming. The trial was completed at Queensland University of Technology in April 2020.

Cash Flow and Corporate Highlights

Medlab reported cash receipts of $1.4M and a net operating cash outflow of $1.9M, which included government incentives (Job Keeper) received during Q4. Medlab has continued to manage cash and as a result, normalised cash burn (excluding government subsidies) has continued to improve over the past 12 months.



Medlab's cash position as of June 30 was $9M. During the quarter, the company raised $5.4M in a placement to institutional and sophisticated investors. During the quarter, related party payments of $124k were made. These payments were Director fees and wages, tax consulting services by Hall Chadwick (director related entity of Mr Drew Townsend) and wages to a related party of Dr Sean Hall.

"I thank our investors for their support of our capital raise of $5.4M completed during the quarter, these funds are already being put to good use to advance our commercial activities and progressing our development programs," concluded Dr Hall.

ENDS

Authorisation & Additional information
This announcement was authorised by the Board of Directors of Medlab Clinical Limited.

About Medlab – www.medlab.co
Medlab Clinical is an Australian based medical life science company, developing therapeutic pathways for diagnosed chronic diseases. It is advanced in developing therapies for pain management, depression and obesity as well as earning revenue from sale of nutritional products in Australia and the United States. In pain management Medlab is developing cannabis-based medicines. The Medlab developed nano-particle medicine delivery system, NanoCelle™ is being applied to its medicines, nutritional products and off-patent drugs like statins, Medlab has a growing patent portfolio.

For further information contact:

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Appendix 4C

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

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Name of entity	
MEDLAB CLINICAL LIMITED	
ABN	**Quarter ended ("current quarter")**
51 169 149 071	30 June 2020

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	1,426	6,484
1.2	Payments for		
	(a) research and development	(1,152)	(5,482)
	(b) product manufacturing and operating costs	-	-
	(c) advertising and marketing	(242)	(1,706)
	(d) leased assets	(229)	(919)
	(e) staff costs	(846)	(4,216)
	(f) administration and corporate costs	(430)	(2,156)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	13	82
1.5	Interest and other costs of finance paid	(18)	(133)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	379	2,479
1.8	Other (provide details if material)		
	(a) payments for inventory	(856)	(4,995)
	(b) IP costs	(30)	(147)
1.9	**Net cash from / (used in) operating activities**	**(1,985)**	**(10,709)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(77)	(243)
	(d) investments	-	-

Consolidated statement of cash flows		Current quarter $A'000	Year to date (12 months) $A'000
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
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 (provide details if material)	-	-
2.6	**Net cash from / (used in) investing activities**	**(77)**	**(243)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	5,398	10,398
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	(277)	(564)
3.5	Proceeds from borrowings	475	3,669
3.6	Repayment of borrowings	(856)	(4,895)
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**	**4,740**	**8,608**

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (12 months) $A'000
4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	6,397	11,442
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,985)	(10,709)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(77)	(243)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	4,740	8,608
4.5	Effect of movement in exchange rates on cash held	(12)	(35)
4.6	**Cash and cash equivalents at end of period**	**9,063**	**9,063**

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	9,063	6,397
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)**	**9,063**	**6,397**

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	124
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Director and associates fees/wages

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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	-	
7.2	Credit standby arrangements	-	
7.3	Banking facility	2,000	27
7.4	**Total financing facilities**	2,000	27

7.5	**Unused financing facilities available at quarter end**	1,973

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.

A debtor finance facility secured over debtors was established with Scottish Pacific Business Finance in November 2017 (renewed June 2019). The facility is over a 24-month term with a discount charge of 8.04% and is for $2m and matures June 2021.

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,985)
8.2	Cash and cash equivalents at quarter end (item 4.6)	9,063
8.3	Unused finance facilities available at quarter end (item 7.5)	1,973
8.4	Total available funding (item 8.2 + item 8.3)	11,036
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	5.56

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.

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

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.

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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: .....30 July 2020.....

Authorised by: .....By the Board of Directors.....

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.

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