

ASX Announcement

Medibio Limited – 30 April 2019



Quarterly Update and Message from Medibio

Melbourne, Australia and Minneapolis, MN – 30 April 2019: Medibio Limited (MEB or the Company)(ASX: MEB)(OTCQB: MDBIF), a mental health technology company provides the following quarterly update.

Key highlights:

- Medibio's corporate health product ilumen™:
 - Successfully completed the first commercial program
 - Outsourced psychology services in support of ilumen™ as part of cost reduction strategy
- Announced sponsored research agreement with Humanitas University extending the Company's clinical team and reinforcing clinical relevance of products needed to align with regulatory guidance and market needs.
- Completed an audit process for recertification of the Company's Quality Management System EN ISO13485 with expanded scope
- Changes to the Board of Directors & appointment of Chairman
- Announced General Meeting to be held 15 May 2019
- Extension and completion of Entitlement Issue

Company update

Subsequent to activities in this quarter, the company provided an update on regulatory and commercialisation strategy which can be viewed [here](#).

Corporate Health Operations

In March, the Company released results for the first commercial implementation of its corporate health product, ilumen™, with a large Australian employer. Under the terms of the contract ilumen™ was offered, on a voluntary basis, to nearly 7,500 personnel throughout Australia over a six-week period commencing October 2018. The program was efficiently implemented and successfully completed. The high rate of voluntary participation in ilumen™ demonstrates the changing attitudes toward mental health and well-being among employers and employees, both in terms of awareness and interest for effective programs. Additional program results can be viewed [here](#).

During the quarter, Medibio also announced the outsourcing of psychology services in support of ilumen™ and the collaboration with a new corporate psychology group. Former employees of Medibio will operate as Alta Corporate Psychology ("Alta") led by Melanie Fisher, MPsych. This reorganisation addressed Medibio's need to further reduce costs and streamline the organisation while preserving access to a talented group of psychologists who know ilumen™ well. Medibio and Alta have entered into a Services Agreement allowing collaboration between the two entities

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to support existing and future corporate ilumen™ customers. Psychology services will be outsourced to Alta as part of ongoing cost reduction strategy.

Non-Renounceable Entitlement Offer

The Company announced on Monday 10 December 2018, a pro-rata non-renounceable entitlement offer on the basis of one (1) fully paid ordinary share for one (1) ordinary share held by Shareholders registered at 7:00pm (AEDT) on 13 December 2018 at an issue price of \$0.02 (2 cents).

The Company issued 46,173,228 fully paid ordinary shares pursuant to this Entitlement Offer, raising \$923,464. The Entitlement Offer closed on 7 March 2019. The Company will continue efforts to place the shortfall of 156,455,043 ordinary shares and anticipates placing them with accredited investors in Australia and the United States.

Currently, there are 248,801,499 shares on issue. To view a current statement setting out the names of the 20 largest shareholders of fully paid ordinary shares and the percentage held by each click [here](#).

Board and Management Changes

During February the Company announced changes to its Board of Directors. Mr Andrew Maxwell resigned from his position as Non-Executive Director of Medibio with immediate effect due to family commitments and work load related to other endeavours. The entire Board thanks Mr Maxwell for his valuable service as a Director.

The Medibio Board appointed Ms Melanie Leydin to an Australian Director position until a more permanent replacement is secured. Ms Leydin is a principal of the chartered accounting firm, Leydin Freyer and is Medibio's Joint Company Secretary.

The Company also elected David B. Kaysen to the position of Chairman in addition to his CEO and Managing Director positions. Given Medibio's current size, and the level of engagement of the board members, the Board believes that combining the CEO and Chairman roles allows for increased efficiency, stability and cost savings, while allowing the company additional time to explore and consider alternative Chair candidates.

In connection with its decision to combine the role of CEO and Chair, the Board considered it prudent to establish a Lead Independent Director and have appointed Mr Peter Carlisle to undertake this role.

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General Meeting

The Company announced a General Meeting of the shareholders to be held 15 May 2019. Agenda items include adoption of an Employee Incentive Option Plan (ESOP) and approval of granting of stock options for Non-Executive Directors (NEDs) in lieu of cash compensation.

Hiring and retaining top talent and NEDs is critical to the success of Medibio. Currently the company has no ESOP for current, nor future, employees. The use of stock options is considered a critical part of compensation for recruiting and retaining key talent in all companies, but particularly in technology companies such as Medibio. Approval of the ESOP will allow Medibio to develop and execute an effective stock option plan as part of our overall employee compensation strategy. Without an approved ESOP, the company will be at a distinct disadvantage to retain current employees and recruit future talent.

Our NEDs voluntarily eliminated all cash compensation effective 1 January 2019 as part of our overall cash spending reduction program. At that time, the company stated that an equity-based compensation plan would be put into place as soon as possible. Medibio's NEDs are significantly involved in the oversight of the company, have a strong working relationship with the management team and are actively engaged in the company's pursuit of success. These proposed stock option grants are the only form of compensation each NED receives for their services and are therefore necessary to retain this strong group of NEDs.

Given the important nature of these two issues, as Chairman, Managing Director and CEO, the Board unanimously recommends that Shareholders vote in favor of the resolutions for the ESOP and stock option grants for the listed NEDs.

Quarterly Expenditure, Receipts and Cash at Bank

We continue to be mindful of the cash position and have taken additional cost-reduction actions, including termination of vendor contracts and a reduction in staff, to reduce net future quarterly cash outlays. The Company will continue to evaluate spending at all levels of the organisation while maintaining an adequate infrastructure to support organisational goals.

The Company's cash position at 31 March 2019 was A\$2.9 million which included the proceeds from the non-renounceable entitlement issue that closed on March 7th. The Company received applications for 46,173,228 new fully paid ordinary shares amounting to total subscriptions of \$923,464. The remaining cash inflows of approximately A\$1.9 million were customer payments, government grants, GST refunds, interest payments, and the net proceeds of the second tranche of the Convertible Notes. The Company had A\$2.0 million cash outflows during the quarter. The quarter-over-quarter decrease in cash outflows reflects the Company's continued focus on core activities and the impact of cost reduction strategies discussed above. Included in the cash

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expenditures was payments on legacy items related to the purchase of Vital Conversations and costs associated with the departure of former employees. The remaining expenditures were related to recurring business activities, including the development of products, FDA-related costs and expenses incurred for regulatory filings. The Company anticipates additional cash inflows from the placement of shares under the current shortfall and potentially from the sale of shortfall shares to accredited investors in the United States.

Subsequent Events

Quality Management, Research & Product Development Update

During April the Company announced a Sponsored Research Agreement with the Department of Biomedical Sciences of Humanitas University, Milan, Italy. This research agreement will support the Company's continued development of mental health software products based on Medibio's Intellectual Property. The collaboration extends the Company's clinical team and will reinforce clinical relevance needed to align with regulatory guidance and market needs. Medibio will maintain all intellectual property generated under this agreement.

Throughout 2019 Medibio will work closely with this highly skilled team of researchers and data-scientists who have clinical backgrounds in Psychiatry and Psychology. The team's depth of expertise is impressive, including collectively publishing 177 peer-reviewed articles focusing on subjects like panic attacks, anxiety disorders and general Psychiatry. The Humanitas team will support the development of the regulated product as well as work to identify a clinical use case for the ilumen™ product. This agreement has been budgeted within the CY2019 forecast and spending target.

Also, during April, the Company completed an audit process for recertification of the Company's Quality Management System EN ISO13485 with expanded scope. With upcoming Medical Device Regulation (MDR) changes, this audit process affirms Medibio's preparedness for development and commercialisation of safe products. The audit was conducted by our European regulatory auditors, appointed by DQS Med, our Notified Body. There were no major or minor nonconforming findings, providing further evidence of the stability of our quality system for design and manufacturing of medical devices. We are pleased with our team's preparation for the audit process and their ability to deliver against this competency.

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Closing

Thank you for your continued interest and support of Medibio and your attention to this quarterly report.

Warmest regards,

A handwritten signature in black ink that reads "David B. Kaysen".

David B. Kaysen
Chairman, Managing Director and CEO

– ENDS –

About Medibio Limited

Medibio (ASX: MEB) (OTCQB: MDBIF) is a mental health technology company that has pioneered the use of objective biometrics to assist in the screening, diagnosing, monitoring and management of depression and other mental health conditions. The company offers comprehensive mental health solutions for business through its Corporate Health programs and is developing products to serve both the consumer and regulated healthcare provider markets. The company was founded in Australia, with offices located in Melbourne (Vic) and U.S. offices in Minneapolis, MN. Medibio is listed on the Australian Securities Exchange Ltd and trades on the OTCQB Venture Market. Investors can find additional information on www.otcmartets.com and www.asx.com.au.

Further Information:	Website: www.medibio.com.au
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Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Medibio Limited

ABN

58 008 130 336

Quarter ended ("current quarter")

31 March 2019

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	69	449
1.2 Payments for		
(a) research and development	(329)	(1,536)
(b) product manufacturing and operating costs	(5)	(24)
(c) advertising and marketing	(13)	(365)
(d) leased assets	-	-
(e) staff costs	(962)	(4,988)
(f) administration and corporate costs	(675)	(3,173)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	4	48
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	28	3,175
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,883)	(6,414)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) 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) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) 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	-	-

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	923	923
3.2 Proceeds from issue of convertible notes	1,792	2,368
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	(19)	(55)
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)	-	-
3.10 Net cash from / (used in) financing activities	2,696	3,236

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	2,151	6,123
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,883)	(6,414)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4 Net cash from / (used in) financing activities (item 3.10 above)	2,696	3,236
4.5 Effect of movement in exchange rates on cash held	(32)	(13)
4.6 Cash and cash equivalents at end of quarter	2,932	2,932

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	881	887
5.2 Call deposits	2,051	1,264
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)	2,932	2,151

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	148
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Non-Executive Directors are no longer remunerated by means of cash for services effective from 1 January 2019. The amounts noted above largely represent payments to Mr David B. Kaysen in his capacity as Chairman, CEO and Managing Director and Ms Melanie Leydin as Director and Company Secretary.

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

N/A

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

N/A

9.	Estimated cash outflows for next quarter	\$A'000
9.1	Research and development	(508)
9.2	Product manufacturing and operating costs	(4)
9.3	Advertising and marketing	-
9.4	Leased assets	-
9.5	Staff costs	(734)
9.6	Administration and corporate costs	(603)
9.7	Other (provide details if material)	-
9.8	Total estimated cash outflows	(1,849)

10.	Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1	Name of entity	-	-
10.2	Place of incorporation or registration	-	-
10.3	Consideration for acquisition or disposal	-	-
10.4	Total net assets	-	-
10.5	Nature of business	-	-

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.

Sign here: 

(Company secretary)

Date: 30 April 2019

Print name: Melanie Leydin

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.