

Singular Health Group Ltd: SHG

30 April 2021

ASX Announcement

ACTIVITIES REPORT FOR THE QUARTER - 31 MARCH 2021

Singular Health Group Limited (ASX: SHG) ("Singular" or the "Company") is pleased to report on activities during the March 2021 Quarter.

Highlights

- \$6M raised through strongly supported and oversubscribed IPO with PAC Partners.
- IPO well supported by retail and institutional investors.
- Entered into agreements to acquire Virtual Surgical Planning software and to invest AUD \$300,000 for 25% equity stake in Australian Additive Engineering Pty Ltd (AAE) as part of a broader scan-to-surgery strategy, subject to shareholder approval.
- Lyka Smith, leading medical computer aided design company, to purchase fifty (50) licenses of integrated MedVR and Virtual Surgical Planning software.
- Successfully concluded AI-driven spinal segmentation project with the CSIRO.

Thomas Hanly, Chief Executive Officer of Singular Health, reflected on the Company's first Quarter as a listed entity, saying:

"Our first quarter as a public company has been an exciting time for Singular Health, with our successful IPO listing on the 12th of February. This achievement of the IPO and capital raising of \$6M was an extraordinary effort by our Management, Board, Lead Manager and Corporate Advisory team.

"Key to this quarter was the translation of the Volumetric Rendering Platform to a scalable 3D application for global deployment and creation of additional verticals, as evidenced by the purchase order for GeoVR, all underpinned by our own proprietary software.

"Subsequent to the listing an exciting opportunity presented itself through Lyka Smith, and Australian Additive Engineering Pty Ltd to advance our plans to participate in medical 3D printing and build out our MedVR software with advanced virtual surgical tools.

"I'd like to thank all of staff for their relentless efforts as we accelerated our development and commercialisation efforts throughout the Quarter and continue to do so now."

Research & Development Activity

Headed by Executive Director for Innovation and Research, Dr. Guan Tay, Singular Health engaged in numerous R&D projects and industry engagement programs throughout the Quarter, many of which were eligible for substantial non-dilutive funding from the State & Federal governments.

With a strong focus on artificial intelligence, the Company engaged three PhD computer scientists through the APR Intern program for image analysis and anatomical segmentation. The Company also participated in the iPREP WA program, employing two recent PhD graduates to further develop curriculum aligned content for the yet to be commercialised Virtual Anatomy software.

The highlight of the quarter from an R&D perspective was the project conducted with CSIRO, Australia's national science agency, which successfully concluded with the development of an artificial intelligence model capable of automatically segmenting spinal vertebrae from CT scans.

Relating to historical R&D activities, Singular Health received a \$223,169 R&D tax incentive refund during the Quarter. The refund is in respect of eligible R&D activities across Singular Health's medical technology portfolio, including further developments on collaborative and AI tools in MedVR, and 3Dicom Viewer.

Further to the R&D tax incentive, Singular Health was deemed to be eligible for retroactive COVID-19 cashflow boost payments amounting to \$59,032.

Acquisitions & Investments

Singular Health has entered into an Asset Sale Agreement as set out in the ASX announcement on 22 March 2021 to acquire all the software and intellectual property owned and developed by Virtual Surgical for \$250,000 in cash and the issue of \$250,000 worth of Singular Health shares (which will be subject to 12 months escrow), subject to shareholder approval.

Furthermore, the Company committed to an investment of \$300,000 into Australian Additive Engineering Pty Ltd (**AAE**) in return for 25% of the issued capital of AAE.

AAE, established by Hugh Tevelein (the former General Manager of Production at Titomic), is a Melbourne-based additive manufacturing company specialising in the production of medical grade surgical guides and implants focusing on, but not limited to, servicing the maxillofacial sector.

Product Development

Product development during this period focused heavily on two of the five products described in the Prospectus, being 3Dicom Viewer and GeoVR.

The transition to the more scalable 3Dicom Viewer rapidly accelerated the software development cycle and enables the company to progress with its TGA Class 1 application in May 2021 and FDA 510K application targeted in August 2021.

The Company has logged over 6000 downloads of the early build of 3Dicom Viewer and the website (as at the date of writing this report) is currently ranked number one on google for the search term “3D DICOM Viewer”.

Late February saw work commence on GeoVR which presented the opportunity to diversify not only the target market/sector of the Volumetric Rendering Platform but also enabled the Company to pursue two recent hires which have proven an immense asset to the existing team. To date, the Company has received ~\$115,000 of revenue with \$40,000 received in this Quarter relating to the GeoVR technical feasibility and minimum viable product.

Board Changes

Immediately prior to its ASX admission, the Company appointed Mr Howard Digby as Non-Executive Chairman, and Mr Andrew Just as Non-Executive Director. Mr Denning Chong resigned as Chairman and retained a position on the board as Non-Executive Director. The Company would like to extend its gratitude to Mr Denning Chong for his tenure as Chairman from the Company’s inception to listing.

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 \$663,000 for the March 2021 quarter, consisting of research and development expenses of \$130,000, advertising, marketing and interest costs of \$34,000, staff costs of \$258,000, and administration and corporate costs of \$241,000. Net cash used in the operating activities was \$339,000 due to cash inflows totalling \$324,000 including revenue, the R&D Grant and a deferred Cash Flow Boost payment.

Compliance

Pursuant to Listing Rule 4.7C.2, the Company provides the following comparison of its actual group expenditure on the individual items in the “use of funds” statement in its IPO prospectus since the date of its admission to ASX’s official list against the estimated expenditure on those items in the “use of funds” statement in the prospectus and an explanation of any material variances.

Use of Funds	Estimate for the two years post ASX admission (as per Prospectus 9 December 2020)	Actual Use to 31 March 2021	% of total
Costs of the Offer	\$505,000	\$287,000*	57%
Hardware Purchases	\$700,000	\$17,000	2%
Marketing & IP Certification	\$1,163,319	\$22,000	2%
Staffing Costs	\$1,700,000	\$258,000	15%
Research and Development	\$1,465,000	\$130,000	9%
Working Cap & Corp Costs	\$700,000	\$241,000	34%
Loan Repayment	\$166,681	\$166,857	100%
TOTAL	\$6,400,000	\$1,121,857	18%

- Note, a further \$189,185 was prepaid in the previous quarter.

The material variances above are as a result of the Company listing during the March 2021 quarter and, at the end of that quarter, being less than 3 months into the 12-month budget. The abnormally high Admin and Corp Costs for the period reflect the IPO date which occurred in this Quarter accordance with Listing Rule 4.7C.1, the Company advises that in payments to related parties of the entity and their associates occurred during the quarter was \$106,000, and \$166,857 was in respect of a director's loan repaid to Denning Chong. Amounts included in 6.1 of the 4C relates to remuneration paid to directors.

Authorised by

The Board of Directors

Ends

For further information contact

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About Singular Health:

Founded in 2017, Singular Health is a medical technology company that has developed and commercialised the proprietary Volumetric Rendering Platform ("VRP") for the 3D & VR visualisation of anatomy using standard radiological imagery.

Singular Health is committed to developing technologies that provides patients and practitioners alike with access to personalised, enhanced medical data to inform better health decisions and is currently developing and deploying software products that are built upon the proprietary VRP on a global scale through a direct-to-consumer Software-as-a-Service ("SaaS") model.

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 2021

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	42	101
1.2 Payments for		
(a) research and development	(130)	(192)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(22)	(22)
(d) leased assets	-	-
(e) staff costs	(258)	(701)
(f) administration and corporate costs	(241)	(455)
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	-	-
1.7 Government grants and tax incentives	282	282
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(339)	(999)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(17)	(68)
(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	-	(14)
	(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	(17)	(82)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	6,000	6,000
3.2	Proceeds from issue of convertible debt securities	-	971
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(286)	(477)
3.5	Proceeds from borrowings	-	8
3.6	Repayment of borrowings	(156)	(156)
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	5,558	6,346

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	194	131
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(339)	(999)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(17)	(82)

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)	5,558	6,346
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	5,396	5,396

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	453	194
5.2	Call deposits	4,943	-
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)	5,396	194

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	272
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	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	-	-
7.5	Unused financing facilities available at quarter end		-
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.		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(336)
8.2	Cash and cash equivalents at quarter end (item 4.6)	5,396
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	5,396
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	16
<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: 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		
<i>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.</i>		

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.

30 April 2021

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.