

Neurotech

Quarterly report for the period ending 31 December 2018

KEY HIGHLIGHTS

- *Appointment of Peter Griffiths as CEO and Managing Director*
- *Appointment of Dr Neale Fong as Non-Executive Director*
- *Appointment of Dr David Cantor as Chairman of the Scientific Advisory Board*
- *Return of Neurotech founder Dr Adrian Attard Trevisan as Strategic Advisor*
- *Decision to Pivot Business Model to Subscription Service*
- *Capital raise initiated subsequent to the end of the quarter*

Perth, Australia & Malta – 31 January 2019 – Neurotech International Limited (ASX: NTI) ("Neurotech" or "the Company") is pleased to present its quarterly report for the period ending 31 December 2018.

NEW APPOINTMENTS

Among several key appointments during the period, Peter Griffiths commenced as Chief Executive Officer (CEO) and Managing Director of the Company as it rapidly moves forward and refocuses on the commercialisation strategy for *Mente*. Peter brings more than 20 years of leadership experience in the technology sector, with roles ranging from founder and start up CEO to C-suite executive and Corporate Officer for multi-billion dollar public companies. He has followed Neurotech's journey as an early investor since 2015 and as a Board member from 2016.

In conjunction with the appointment of Peter Griffiths as CEO, Wolfgang Storf departed his position as CEO and Managing Director of the Company.

In October Neurotech announced the appointment of Dr Neale Fong to the board as a Non-Executive Director.

Dr Fong is a registered medical practitioner with more than 35 years' experience in a wide range of leadership roles in the private and public hospital systems, and more than 20 years' experience on corporate boards. His strengths lie in governance, leading large executive teams, implementation of reform and change management, developing strategic directions and leading turnarounds. He has held and continues to hold very senior positions in all health care sectors covering government services, private hospitals, academia, health research, public health, aged care and not for profit organisations.

A new Scientific Advisory Board (SAB) was also appointed during the quarter to guide Neurotech's ongoing research and development.

The members of the SAB are:

- Dr David S. Cantor, who continues his role as Chairman of the SAB;
- Dr Tanju Surmeli;
- Dr Evian Gordon; and
- Dr Emanuela Russo, who was promoted to Chief Scientific Officer of Neurotech. Dr Russo will oversee scientific activities and lead the implementation of scientific vision for the company. Dr Russo has been

the head of research at Neurotech since 2016 and is both a neuroscientist and clinical psychologist.

During the period Neurotech also announced the return of its founder and the inventor of the Mente technology. Dr Adrian Attard Trevisan will act as a strategic advisor for the company, helping to accelerate opportunities in areas of medical and artificial intelligence.

SALES OF MENTE AUTISM DEVICE

Sales of Mente Autism in Q2 were below expectations. The change of leadership and investigation into this critical issue has led to the following conclusions:

- The current pricing and distribution strategy are not serving the company, nor customers and partners well;
- The company is too far removed from the ultimate customer and has therefore not made the adjustments required to serve the potential market:
 - The recommended retail price of 2,000 euros is a significant barrier to most families with an autistic child and this has led the company and its distributors to seek high levels of regulation in order to apply for device reimbursement;
 - Many distribution partners do not have experience in selling cloud-based solutions so the models and buying expectations for this market are not being met; and
 - Doctors and clinical specialists have concern about being dis-intermediated in the care of patients which leads to increased skepticism of results and culture of study and re-study.
- When faced with limited support from the medical community, an unfamiliar sales model and a high price point, most families are choosing to defer a decision to purchase.

LAUNCH OF REVISED STRATEGY

The company has worked aggressively through the December and early January period to understand its core value and develop a subscription-based go-to-market strategy that addresses the learnings from Q2.

- Change in the pricing model to a “Mente Therapy” subscription, that reduces the risk for clinics and parents and aligns the success of Neurotech successful outcomes for all parties
- Updated Go-To-Market strategy to leverage Digital Marketing, eCommerce, Support and Fulfillment services to simplify and scale the buying experience
- Focus on enabling Clinics to offer Mente to their patients – this helps clinics to scale their practice, increases local support for families and provides opportunity to use referral marketing to scale
- Building on the Mente software suite and data assets to deliver increasing value to clinics, doctors and patients

In a presentation released to the ASX earlier this week, the company highlighted the key elements to the new strategic model:

New Model Strategic Highlights

| | | | |
|--|---|---|---|
|  <h3>Steady Recurring Revenue with Pathway to Significant Growth</h3> <ul style="list-style-type: none">• The new subscription model envisages a higher proportion of recurring revenue stream through the ongoing sale of therapy sessions to clinics• Neurotech anticipates a reduction in the volatility of future earnings and an uptick in gross margins as the clinic base grows• The therapy model greatly reduces the initial outlay required to get started with Mente and aligns with the medical consumables approach• Over time and based on patient success and ongoing usage, the therapy model is more profitable and scalable through the expansion of therapy options |  <h3>Significantly Broadened Market Beyond Autism</h3> <ul style="list-style-type: none">• Mente will be repositioned as a neurofeedback device that is able to address a range of behaviours (such as lack of engagement or focus) rather than concentrating solely on the condition of autism• Importantly, there is no change in the hardware or therapy algorithms required – it is already independently proven to work, in a sample set of autistic children – the neuro-profile addressed by the therapy is common across a number of neurological conditions• The approach materially extends the range of children that the technology is able to benefit and broadens our addressable market |  <h3>Lower Adoption Barriers & Clinics are Aligned to Grow Revenue</h3> <ul style="list-style-type: none">• New model eliminates the high initial capital outlay from patients which provides a low resistance entry for Mente into the market• Mente bridges the gap between specialist neurofeedback treatment and clinics who treat patients with a range of difficulties, including autism, ADHD, lack of sleep, etc.• It does so by packaging proven therapy into sessions, which the clinics on-sell to their patients as part of a wider treatment plan• Creates a simple, new and recurring revenue stream for clinics |  <h3>Reduced Reliance on Distributors</h3> <ul style="list-style-type: none">• Majority of sales & marketing efforts will be directed to clinics and therapists• Digital Marketing, eCommerce and Logistics services will be integrated to scale the model• Regional Partners will be selected on their ability to scale and enable clinical networks• Existing distribution network remains in place and will be transitioned overtime• This brings the Company much closer to the customer, leverages digital best practices and the enables learning, refining and scaling of distribution practices to occur much more quickly |
|--|---|---|---|

The presentation on the new strategic direction for Neurotech and the associated capital raising is available at the following link: <https://www.asx.com.au/asxpdf/20190129/pdf/4424qf53sk245h.pdf>

ANNOUNCEMENT OF CAPITAL RAISE PROGRAM

Subsequent to the end of the period the company has also announced a capital raising program to deliver on the revised strategy.

The program involves a renounceable rights issue to existing shareholders on the basis of 1 new share for every 1 Neurotech share held as at 5:00pm AWST on 4 February 2019.

Pursuant to the Offer, Neurotech will issue up to 109,620,903 new fully paid ordinary shares in the Company at an issue price of \$0.03 per share, to raise up to \$3.3 million (before costs).

Participants in the Offer will also be eligible for 1 free attaching option for every 1 new share subscribed for, exercisable at \$0.06 on or before 31 March 2021.

The net proceeds, in conjunction with existing cash reserves, will allow the Company to advance its new strategy over the next 12 months, including being used for:

- Software and support: including rollout of iOS applications and updating infrastructure to support subscription model, data capture and e-commerce integration;
- Production and quality: continued production of devices to support subscription sales;
- Sales and Marketing: including targeted clinic outreach, messaging updates, website updates and educational webinars;
- Research and development: including update of cloud data model and progressing to machine learning to expand the use cases of the Mente algorithm; and
- General corporate costs and working capital.

For the full announcement regarding the capital raising please see the following link:
<https://www.asx.com.au/asxpdf/20190129/pdf/44244wh9cy35ts.pdf>

KEY CONFERENCE PRESENTATIONS

During November, Neurotech management attended and presented at the International Congress on Autism, which is a leading conference on autism in the US. The conference was organised by the World Autism Organisation and was held in Houston, Texas on 12-15 November.

Professor Frederick R. Carrick, from the Carrick Institute presented his research team's study into Neurotech's flagship Mente Autism device: "The treatment of Autism Spectrum Disorder With Auditory Neurofeedback: A Randomized Placebo Controlled Trial Using the Mente Autism Device."

Neurotech also attended Medica, one of the largest trade fairs for the medical sector in the world. More than 5,000 exhibitors from 70 countries attended the event held in Dusseldorf, Germany between 12 and 15 November 2018.

Also, during November, Neurotech's Chief Scientific Officer, Dr Emanuela Russo gave a presentation at "Autism Spectrum Disorders: The body beyond behavior (A systematic perspective for an effective multidisciplinary approach)", an autism conference being held in Caserta, Italy on 12-13 November 2018. Dr Russo presented on "The Neurofeedback approach in supporting children on the autistic spectrum."

RELEASE OF EQUITY SECURITIES FROM ESCROW

On 4 November 2018, 28,487,058 ordinary shares and 10,894,390 options, exercisable at \$0.20 and expiring 30 November 2020 were released from escrow. The shares are held by current and former Directors of the Company, other related parties, and promoters of the Company at the time of Neurotech's admission to the ASX.

OUTLOOK

Notwithstanding the poor performance in Q2, the Company's board and management remain very positive about the future for the Mente product and the opportunity that the revised and focused strategy represents.

Today, Mente is the world's first home therapy that is clinically proven to increase engagement and improve relaxation in autistic children with elevated Delta band brain activity. Each Mente device analyses the individual's EEG and delivers personalised brain training in an audio therapy session where the child can continue with their typical morning routine.

Mente's next iteration enables Clinics, Doctors and Therapists to expand their practice into the home with this unique subscription-based therapy that supports children by improving their ability to participate in regular school learning and social activities. Mente has the proof and the potential to scale to help tens of thousands of patients worldwide over the coming years.

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About Neurotech

Neurotech International Limited is a medical device and solutions company incorporated in Australia and operating through its wholly-owned, Malta-based subsidiary AAT Research Limited. Neurotech's primary mission is to improve the lives of people with neurological conditions, with a vision of becoming the global leader in home-use and clinical neurotechnology solutions that are both accessible and affordable. Through flagship device Mente and its associated platform, Neurotech is focused on the development and commercialisation of technological solutions for the screening and treatment of symptoms associated with conditions such as autism.

Mente is the world's first home therapy that is clinically proven to increase engagement and improve relaxation in autistic children with elevated delta band brain activity.

For more information about Neurotech and Mente Autism please visit:

<https://www.neurotechinternational.com>

<http://www.mentetech.com>

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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

Neurotech International Limited

ABN

73 610 205 402

Quarter ended ("current quarter")

31 December 2018

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|---|------------------------------------|--|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | 40 | 138 |
| 1.2 Payments for | | |
| (a) research and development | (52) | (65) |
| (b) product manufacturing and operating costs | (301) | (554) |
| (c) advertising and marketing | (24) | (140) |
| (d) leased assets | - | - |
| (e) staff costs | (184) | (375) |
| (f) administration and corporate costs | (266) | (540) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | 2 | 5 |
| 1.5 Interest and other costs of finance paid | - | (1) |
| 1.6 Income taxes paid | - | - |
| 1.7 Government grants and tax incentives | - | - |
| 1.8 Other (provide details if material) Wolfgang Storf severance payment | (169) | (169) |
| 1.9 Net cash from / (used in) operating activities | (954) | (1,701) |
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire: | | |
| (a) property, plant and equipment | (24) | (24) |
| (b) businesses (see item 10) | - | - |
| (c) investments | - | - |

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|---|------------------------------------|--|
| (d) intellectual property | (15) | (58) |
| (e) other non-current assets | - | - |
| 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 | (39) | (83) |

| | | |
|---|----------|----------|
| 3. Cash flows from financing activities | | |
| 3.1 Proceeds from issues of shares | - | - |
| 3.2 Proceeds from issue of convertible notes | - | - |
| 3.3 Proceeds from exercise of share options | - | - |
| 3.4 Transaction costs related to issues of shares, convertible notes or options | - | - |
| 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 | - | - |

| | | |
|---|-------|--------|
| 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 | 1,381 | 2,183 |
| 4.2 Net cash from / (used in) operating activities (item 1.9 above) | (954) | (1701) |
| 4.3 Net cash from / (used in) investing activities (item 2.6 above) | (39) | (83) |
| 4.4 Net cash from / (used in) financing activities (item 3.10 above) | - | - |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|---|--|------------------------------------|--|
| 4.5 | Effect of movement in exchange rates on cash held | 24 | 13 |
| 4.6 | Cash and cash equivalents at end of quarter | 412 | 412 |

| 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 | 36 | 632 |
| 5.2 | Call deposits | 410 | 746 |
| 5.3 | Bank overdrafts (Liability) | (34) | 3 |
| 5.4 | Other (provide details) | - | - |
| 5.5 | Cash and cash equivalents at end of quarter (should equal item 4.6 above) | 412 | 1,381 |

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 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

**Current quarter
\$A'000**

48

Includes \$48,450 directors fee for the period to 31 December 2018

7. Payments to related entities of the entity and their associates

- 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

**Current quarter
\$A'000**

22

Administration services fees of \$22,500 paid to associates entity for services provided to 31 December 2018.

| 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. | | |

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| 9. Estimated cash outflows for next quarter | \$A'000 |
|--|------------|
| 9.1 Research and development | 15 |
| 9.2 Product manufacturing and operating costs | 80 |
| 9.3 Advertising and marketing | 100 |
| 9.4 Leased assets | - |
| 9.5 Staff costs | 190 |
| 9.6 Administration and corporate costs | 130 |
| 9.7 Other | |
| Capital Raising Costs | 100 |
| 9.8 Total estimated cash outflows | 615 |

| 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: ...31 January 2019.....

Print name:FLEUR HUDSON.....

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.