

# Neurotech

30 July 2020

ASX Release

## Quarterly Report for the period ended 30 June 2020

**Neurotech International Limited (ASX: NTI)** ("Neurotech" or "the Company") is pleased to present its quarterly report for the period ended 30 June 2020.

During the quarter, Neurotech negotiated and subsequently announced it had secured an option to acquire an exclusive worldwide licence to utilise proprietary cannabis strains from Dolce Cann Global Pty Ltd ('Dolce') for medicinal use in treating neurological disorders including autism, epilepsy and ADHD.

Australian-based Dolce has proprietary genetics sourced from 13 rare chemovars and bolstered over the past 20 years by selective breeding targeted for distinct purposes such as cultivation method, climate, yield, phytochemical content and harvested products including flower, seed, fibre or biomass.

Recent profiling of leaf cuttings from 650 seedlings of Dolce genetics evidenced high levels of cannabinoids CBG, CBC, CBN and CBDV among others. Recent studies have indicated the potential for these cannabinoids to target and benefit neurological disorders such as autism.

A key feature of the targeted Dolce strains is plant profiles with less than 0.3% THC (on average). Investigating cannabis research options for children with autism without the potential psychoactive effects of THC is a key component of NTI's investigation of an innovative new project pathway. NTI believes that a combined approach to autism treatment, potentially combining its own clinically proven Mente device with Dolce cannabis strains could lead to innovative new therapy options becoming available as trials progress.

Dolce has engaged Australia's leading cannabis laboratory, ACS Laboratories (Australia) ('ACS'), to undergo genetic profiling of some of its selected cannabis strains. ACS will also profile Dolce strains for the recently discovered cannabinoids THCp and CBDp as an Australian first.

Dolce has more than 60 elite clones undergoing validation for Plant Breeders Rights approval under the International Union for the Protection of New Varieties of Plants (UPOV) and potential utility patents in the USA. Dolce's ability to demonstrate its genetic development over the past 20 years puts the Company in a very strong position to secure worldwide IP protection regarding any cannabis strains that are ultimately successful as part of the NTI collaboration.

Subsequent to quarter end, Neurotech provided an update on this agreement, with the first 80 unique Dolce strains transported to ACS Laboratories for genetic profiling and full spectrum analysis.

Following the completion of the profiling and spectrum analysis by ACS Laboratory, NTI plans to commence in-vitro testing (using human derived cell lines) in September 2020. NTI will use results from ACS' analysis to determine the key priority strains to target autism and other neurological disorders.

Neurotech has spent more than five years researching the field of autism and other neurological disorders developing its Mente device, and the Company believes this background will prove integral as it researches the

potential use of cannabinoids as a treatment in this field.



*ACS Laboratories will commence profiling and analysis of Dolce's cannabis strains as part of Neurotech's agreement*

### **Proposed Project Pathway**

Neurotech has designed a three-stage work program to investigate the use of Dolce's proprietary cannabis strains in treating neurological disorders. The work program is proposed to be as follows:

#### **1. *In vitro* assay assessments – neuronal or muscle cell line assessments**

Analytical assessments and validation program to be completed in collaboration with ACS labs. These studies are to assess:

- Dose response
- Upper level of toxicity
- Mechanism of action profiling
- Selection of top candidates.

#### **2. *Small-scale human clinical trials***

To be conducted in conjunction with a leading Australian University on the following basis:

- Open label – single group
- Compassionate use scheme to receive entry into clinic via accelerated pathway
- Collaboration with senior clinical advisors
- Submission to the TGA and relevant regulatory bodies.

#### **3. *Product formulation and final dose profiling***

To be conducted in collaboration with Medipharm Australia

- Entry into market
- White label or own label development.

All three stages will run in accordance with all applicable Australia regulatory requirements and standards.

## Agreement Terms

NTI has the right to acquire an exclusive worldwide licence to utilise Dolce's proprietary cannabis strains (both existing and new variations as developed) for medicinal use in treating autism, epilepsy and ADHD ('License') on the following basis:

- (a) paying a non-refundable deposit of \$50,000 to Dolce's nominated bank account which has been paid;
- (b) expending \$200,000 in accordance with an agreed budget;
- (c) NTI to have standard rights of pre-emption and first rights of refusal in respect of Dolce's Cannabis Strains and all Intellectual Property Rights associated with the Cannabis Strains.
- (d) In consideration of NTI acquiring the Licence, Dolce or its nominees will be entitled to be issued the following securities by NTI and grant of royalty as consideration:
  - i. 33,000,000 fully paid ordinary shares in NTI and 33,000,000 unlisted options (exercisable at \$0.01 each and expiring 31 Jan 2023);
  - ii. 33,000,000 fully paid ordinary shares in NTI upon successful stage 1 in-vitro assay assessments being completed;
  - iii. 33,000,000 fully paid ordinary shares in NTI upon successful stage 1 clinical trials being completed; and
  - iv. Dolce (or nominees) will also be entitled to a 2.5% net sales royalty in respect of all sales which utilise the cannabis strains for neuro disorders.

If at any time after spending the \$200,000 and issuing any of the shares as per clause (d) above, NTI elects not to pursue the Project with continued funding and support, Dolce will have the right to buy back 100% of the Project and all associated intellectual property by providing NTI with the royalty set out in clause (d) (iv) above. The royalty will be capped at \$5,000,000 if NTI has not spent more than \$1,000,000 in cash on the project before Dolce elects to buy back in accordance with this clause.

## CE Mark

As reported last quarter, Mente successfully renewed its CE marking. This confirmed Mente's unique position as the world's only clinically proven at home therapy for ASD children. Mente is classified as a Class IIa medical device and the Company also holds ISO 13485:2016 certification, provided to companies which meet the requirements and standards to design, manufacture and distribute medical devices.

The CE renewal audit was conducted by the independent body ITALCERT, which evaluated the quality management system of the Company, and the compliance of the Mente device to the European standards of health, safety and effectiveness for its intended use in the management of neurodevelopmental disorders such as autism.

## CORPORATE

### Placement

In conjunction with the Dolce transaction detailed above, the Company received firm commitments for a placement of 100 million shares at 0.5c per share to raise \$500,000. The funds will be applied to the above transaction with Dolce, the Company's existing Mente operations and general working capital.

The placement will be in two tranches. On 22 July 2020 the Company issued 32.25 million shares under the

Company's Listing Rule 7.1 capacity. The balance of shares to be issued are subject to shareholder approval to be sought at a general meeting of shareholders to be held on 31 August 2020. A prospectus for tranche one of the placement was issued on 15 July 2020.

The Company also agreed, subject to shareholder approval at the upcoming general meeting, to issue 5,000,000 shares and 5,000,000 options (exercisable at \$0.01 each and expiring 31 Jan 2023) to the introducer of this opportunity.

### **Conversion of Debt to Equity**

The Company will also seek shareholder approval at the general meeting for the issue of shares in lieu of debts owed to directors. Approval will be sought for the issue of shares at a deemed issue price equal of 0.802c per share (being the 5-day VWAP of trading in NTI shares leading up the announcement of Neurotech's agreement with Dolce on 3 July 2020) in satisfaction of \$283,500 in accrued directors' fees.

### **Authority**

This announcement has been authorised for release by the Board of Directors of the Company.

### **Further Information**

Peter Griffiths  
CEO & Managing Director  
[peter.griffiths@mentetech.com](mailto:peter.griffiths@mentetech.com)

### **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 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 facilitating 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:

<http://www.neurotechinternational.com>.

<http://www.mentetech.com>.

## Appendix 4C

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

**Name of entity**

Neurotech International Limited

**ABN**

73 610 205 402

**Quarter ended ("current quarter")**

30 June 2020

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	26	100
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(5)	(91)
(c) advertising and marketing	(4)	(29)
(d) leased assets		
(e) staff costs	(50)	(309)
(f) administration and corporate costs	(38)	(470)
1.3 Dividends received (see note 3)		
1.4 Interest received		
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 (VAT Refunds)	5	152
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(66)</b>	<b>(648)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities		
(b) businesses		
(c) property, plant and equipment		
(d) investments		
(e) intellectual property		
(f) other non-current assets		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 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 (provide details if material)		
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(0)</b>	<b>(0)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		
3.2	Proceeds from issue of convertible debt securities		300
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities		(21)
3.5	Proceeds from borrowings	46	52
3.6	Repayment of borrowings		(132)
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>46</b>	<b>199</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	32	475
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(66)	(648)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(0)	(0)

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
4.4	Net cash from / (used in) financing activities (item 3.10 above)	46	199
4.5	Effect of movement in exchange rates on cash held	0	(14)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>12</b>	<b>12</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	12	32
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>12</b>	<b>32</b>

**6. Payments to related parties of the entity and their associates**

6.1 Aggregate amount of payments to related parties and their associates included in item 1

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

<b>Current quarter \$A'000</b>
3

The amounts at Section 6.1 are fees for book-keeping and accounting services paid to an entity associated with Winton Willesee.

**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	98	46
7.2 Credit standby arrangements		
7.3 Other (please specify)		
7.4 <b>Total financing facilities</b>		

7.5 **Unused financing facilities available at quarter end** 52

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.

Overdraft facility with a limit of EUR 60,000. The lender is Bank of Valetta. The facility is unsecured. The interest rate is 5.65%.

The above values are stated in AUD, converted from EUR at an exchange rate of 0.6111.

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	(66)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	12
8.3 Unused finance facilities available at quarter end (Item 7.5)	52
8.4 Total available funding (Item 8.2 + Item 8.3)	64
8.5 <b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	0

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

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?

The Company does anticipate a continuing negative operating cashflow.

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?

The Company has taken steps to raise capital and reduce debt. Refer ASX Releases dated 3 July 2020 and 15 July 2020. Tranche one of the capital raising was completed in July.

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Yes, refer above.

## 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<sup>th</sup> July 2020  
 .....

Authorised by: The Board of Directors  
 .....

(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.