HIT·IQ

ASX ANNOUNCEMENT

24 AUGUST 2023



UPDATED JUNE 2023 QUARTERLY ACTIVITY REPORT AND APPENDIX 4C

Transformative, concussion management technology company, HITIQ Limited (ASX: **HIQ**) (**HITIQ** or the **Company**), advises that following consultation with ASX, it is releasing the attached updated June 2023 Quarterly Activities Report and Appendix 4C.

The changes incorporated are as follows:

1. Key drivers of the differences between Actual use of funds since the date of admission to the use of funds statement contained within the Company's Prospectus under the summary table under the Financial heading of the Activities Report; and
2. Details of the R&D Incentive funding facility referenced in section 7 of the Appendix 4C.

No other changes have been made to the reports originally lodged on 28 July 2023.

The additional details disclosed, noting that this quarterly report marks the end of the 2-year period since listing on ASX for use of funds comparison information per ASX Listing Rule 4.7C.2, were either contained in other areas of commentary or in previous market disclosures, and the Company apologises for any inconvenience caused.

The Company also reaffirms it remains in compliance with the ASX Listing Rules.

Authorised for release by the Board of Directors.

For more information, contact:

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About HITIQ

HITIQ Limited (ASX: **HIQ**) operates in the healthcare equipment sector, providing and further developing a transformative, end-to-end concussion management technology platform. This platform aims to provide a total concussion ecosystem whereby the Company's products support the identification, monitoring and management of sport related brain injury. HITIQ's product suite utilises high-end technology that will span multiple domains – from early detection and surveillance to assessment and rehabilitation technology tools.

HITIQ is targeting a growing worldwide concussion management market including elite and recreational sport, clinical practitioners, military, research, and combat sports. The Company's first commercial partner is the Australian Football League, with current strategy initiatives expanding commercially into Rugby League, Rugby Union, Ice Hockey, Lacrosse, MMA and American Football (particularly the NCAA). The market opportunity globally represents ~500k athletes within the elite market and ~10million in the consumer market.[1]

ASX ANNOUNCEMENT
24 August 2023 (updated from 28 July 2023)

HITIQ Quarterly Activities Report
June 2023

Highlights

- ✓ **Cash Receipts of $225k, surpassing $1m in annual sales, up 89% year on year;**
- ✓ **Significant Progress of Shock Doctor & CoVR programs;**
- ✓ **Exceptional market feedback on the latest generation Nexus unit; and**
- ✓ **Stronger sales pipeline expected in FY24.**

Summary

During the June Quarter, the Company launched its next generation elite hardware in the field, improved internal manufacturing efficiency and continued to build a strong future sales pipeline.

Data collection volumes in Nexus and CoVR product lines continued to drive important advances in the company's technology platform.

Commercial

The company acknowledges several opportunities which were expected to be executed in the June quarter failed to complete. These opportunities continue to be pursued, however have been added to the FY24 pipeline which currently consists of a strong, qualified pipeline of commercial discussions with several material opportunities globally.

Pipeline

> The commercial team are progressing these opportunities in the Northern Hemisphere off season and are optimistic on progressing several of the qualified opportunities through to close.

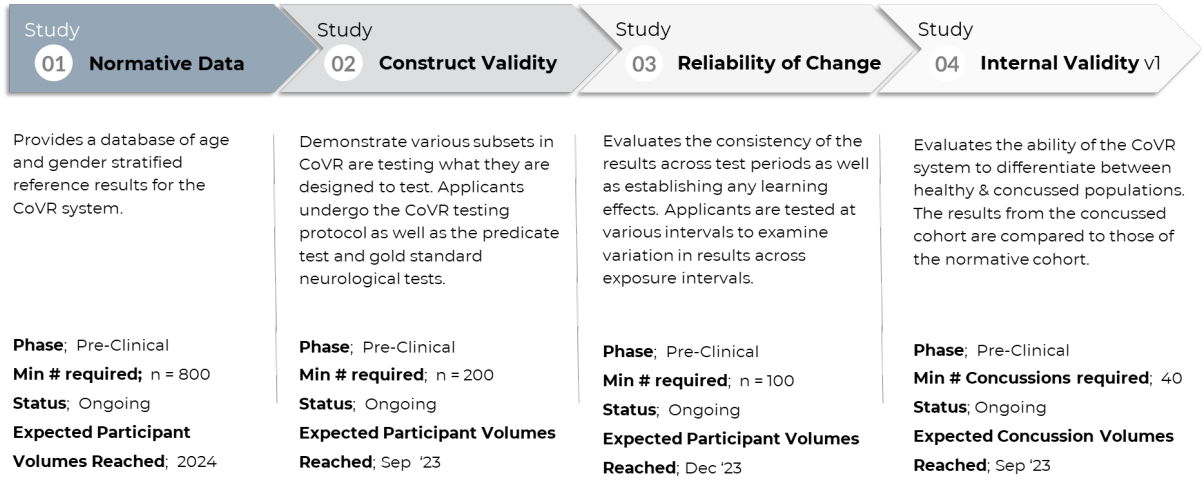
CoVR

Significant progress was achieved with the CoVR Virtual Reality pre-clinical program, with the quarter yielding **411 new participants**, with each study now showing progress towards volume targets as outlined below:

Study	Volume Target	Volume Achieved	# Increase for Quarter
Normative Data	800	548	+411
Construct Validity	200	154	+17
Reliability of Change	100	32	+1
Concussed	40	16	+2

- Concussion capture in the Northern Hemisphere at key sites was limited due to 'out of season' status.
- The expectation is concussed participant data will increase significantly in the September Quarter with Northern Hemisphere contact sports returning.
- Pre-Clinical trial focus is on reaching participant volume targets for studies 2-4. Study 1 participant volumes will be met through the collation of participants in both pre-clinical studies and a subsequent clinical trial upon satisfactory results from Studies 2-4.

Pre-Clinical Trial Studies.



Importantly, preliminary analysis from the **construct validity data** as it compares to the predicate device identified in the company's Q-Sub with the FDA, is demonstrating superior performance as outlined below:

Cognitive domain	CoVR Correlation	Predicate Equivalent	+/-
Domain 1	0.41	0.35	+0.06
Domain 2	0.43	0.37	+0.06
Domain 3	0.51	0.37	+0.14
Domain 4	0.44	0.35	+0.09

The table demonstrates CoVR's correlation to the 'gold standard' pen and paper-based testing. As can be seen, CoVR is more closely correlated to the current 'gold standard' than the predicate medical device.

Exceptional market feedback for Nexus

As noted in the previous two quarter updates, the release of the latest Nexus generation has shown significant improvements in device performance metrics and independent third-party system

testing. With a significant amount of field data now captured with our latest device, analysis is demonstrating:

- ✓ 98% Sensitivity and 92% specificity in field data;
- ✓ 9/10 satisfaction rating from athletes; and
- ✓ 51% increase in compliance across customers and partners who transitioned from previous generation units.

Field Deployments

- ✓ The company deployed 432 new units into the field during the quarter, taking the number of active units currently being utilised during the quarter to ~1,700.

Shock Doctor



- ✓ The final stages of the development phase are close to completion, with one final prototype iteration expected before field testing commencement.
- ✓ All key technical and manufacturing barriers have been overcome with only minor tooling adjustments required.

ISO 27001

- ✓ During the quarter, an ISO27001 Gap analysis was successfully completed with no significant gaps identified. The Stage 1 Audit with BSI is schedule for August 11th,
- ✓ The Company anticipates it will confirm the absence of any non-conformities and allow a Stage 2 audit to take place soon after.

Corporate

HITIQ welcomed visits from key government ministers during the quarter, who received demonstrations of the Company's technologies. The Company hosted **The Hon Ed Husic MP**, Minister for Industry and Science and **Josh Burns MP**, Labor's Federal Member for Macnamara.



There is heightened awareness and interest in the concussion sector ahead of the Senate inquiry handing down its findings report on August 2nd relating to the **Senate Inquiry into Concussions and repeated head trauma in contact sports**.

The Company expects the report to recommend expedited adoption of new technology solutions into elite and consumer sports.

Subsequent to quarter end, the Company announced that James Barrie had been appointed Company Secretary, effective 3 July 2023, following the resignation of Peter Torre from the role.

Financial

The Company had cash reserves of A$1.980m as at 30 June 2023.

As advised in Section 6.1 in the Appendix 4C for the period, payments to, or to an associate of, a related party of the entity during quarter A$104,590 was paid to related parties of the Company as follows:

- Executive Director Salary and superannuation $53,550
- Non-Executive Director Fees $45,920
- Bookkeeping and Accounting Services provided by Optima Partners,
  - a related party of non-executive director, Mr Philip Carulli: $5,120

A comparison of the use of funds since the date of admission, to the use of funds statement contained within the Company's Prospectus, as required by ASX Listing Rule 4.7C.2 is as follows:

Allocation of funds[1]	Prospectus estimate (2 years) $A'000	Actual use of funds (for the quarter ended June 2023 quarter) $A'000	Actual use of funds since listing (15 June 2021 to June 2023 quarter end) $A'000
Technology, Research & Development	$4,701	$955	$6,377*
Sales & Marketing	$1,068	$309	$2,077
Working capital	$4,049	$332	$4,487
Cost of the Offer	$802	$0	$767
Total	**$10,620**	**$1,596**	**$13,708**

The key drivers of material differences between Actual use of funds and those contained in the Prospectus include:

- General cost increases across all categories of expenditure;
- Technology, Research & Development
  - $923k for the acquisition of CSX Limited announced in November 2021;
  - Expected 2023 R&D refund not yet applied to expenditure incurred in FY 2023;
- Sales & Marketing
  - Establishment of US, UK and Europe marketing channels and associated travel costs;
  - Marketing costs incurred following the acquisition of CSX Limited; and
- Working Capital
  - Difference largely reflective of CPI increases over the past two years.

(* Includes R&D Rebate Received)

[1] Refer to the HITIQ Prospectus dated 22 April 2021 for full details.

- ENDS -

Authorised for release by the Board of Directors.
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APPENDIX 4C

Quarterly cash flow report for entities subject to listing rule 4.7b

Name of entity	
HITIQ Limited	
ABN	**Quarter ended ("current quarter")**
53 609 543 213	30 June 2023

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	225	1,046
1.2	Payments for		
	(a) research and development	(135)	(946)
	(b) product manufacturing and operating costs	-	-
	(c) advertising and marketing	(88)	(336)
	(d) leased assets	-	-
	(e) staff costs	(1,027)	(4,166)
	(f) administration and corporate costs	(486)	(1,945)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	6	20
1.5	Interest and other costs of finance paid	-	(6)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	2,224
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**(1,505)**	**(4,109)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	(65)	(65)
	(c) property, plant and equipment	(26)	(46)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(g) entities	-	-
	(h) businesses	-	-

Consolidated statement of cash flows		Current quarter $A'000	Year to date (12 months) $A'000
	(i) property, plant and equipment	-	-
	(j) investments	-	-
	(k) intellectual property	-	-
	(l) 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**	**(91)**	**(111)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	4,032
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	-	(42)
3.5	Proceeds from borrowings	1,541	1,541
3.6	Repayment of borrowings	-	(2,270)
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**	**1,541**	**3,261**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	2,035	2,939
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,505)	(4,109)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(91)	(111)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,541	3,261
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**1,980**	**1,980**

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	1,980	2,035
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)**	**1,980**	**2,035**

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	105
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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.

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	1,523	1,523
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	**1,523**	**1,523**
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.

The company received a facility from Keystone Capital Partners Pty Ltd which is secured against the expected FY 2023 R&D Tax Incentive.

Loan Amount: $1,523,386

Maturity Date: 150 days from 27 June 2023

Interest Rate: 14% per annum

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,505)
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,980
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	1,980
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	1.32

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: The entity expects to record similar levels to the current net operating cashflows in upcoming quarters.

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: The Company's Board is considering several alternative steps to raise further liquidity to fund its operations going forward. Steps include raising funds, including equity funding via a strategic placement and / or offering current shareholders participation. The Company's Board is confident that it could successfully implement either of the above alternatives.

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: The entity expects to be able to continue its operations and to meet its business objectives on the basis of the expected implementation and completion of the alternatives outlined in 8.6.2.

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.

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: 24 August 2023 (updated from 28 July 2023)

Authorised by: .The Board of HITIQ Limited
(Name of body or officer authorising release – see note 4)

1.1 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 – e.g., 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.