

30 June 2018 Quarterly Update and Appendix 4C

Panorama Synergy Ltd ('Panorama' or 'the Company') **delivered record revenues in fiscal 2018 of \$5.9 million (note this only includes 7 months of revenue contribution from Hydrix).**

The Company's new and experienced leadership team has transformed the business in 2018 such that Panorama is no longer a research company. Hydrix, acquired in November 2017, is the catalyst for significant growth and value creation.

The outlook for the business is significantly enhanced by the following major milestones:

- An opportunity pipeline in excess of \$50 million across 30-plus engineering projects;
- \$15 million of potential total revenue sold across 26 new client and extension projects;
- Reduced annual operating costs by \$0.5 million, potential further \$0.5 million in cost savings;
- Implemented tiered services pricing to meet market expectations, capture more value and improve margins by 10%;
- Implemented programs to increase billable engineering capacity by 30% to meet demand;
- Implemented a "buy, build and invest" business strategy to develop our own product portfolio further expanding our growth prospects;
- Introduced broader services-based revenue arrangements to position the business for growth beyond historical fee-for-service only contracts;
- Our world class team of 55 employees are creating value for our clients and creating new diversified revenue streams for our business.

Panorama's Chairman, Gavin Coote, commented "these major milestones demonstrate significant progress in the growth of the Company and importantly, position Panorama to become a leading Australian technology commercialisation company."

Over the last year the Company has been transformed from a research organisation to a business that develops, commercialises and owns IP and products. We now look forward to the next financial year with a reshaped business model that broadens our revenue streams and will create scale through organic growth and acquisitions."

MARKET UPDATE

Business Strategy:

Our "buy, build, invest" strategy to develop our own portfolio of product IP broadens our business growth opportunities. It is a natural extension to Hydrix's highly successful track record of engineering and commercialising products for our clients. The strategy provides an excellent pathway to capture a greater share of the value created from Hydrix's commercialisation know-how.

Our reshaped business model broadens our revenue streams and will create scale through organic growth and acquisitions. The large addressable product and services market focus in medical, defence, mining, agriculture and critical infrastructure significantly improves near-term growth opportunities and potential returns for investors.

Panorama's Hydrix business outlook:

Following the acquisition of Hydrix, the implementation of new business initiatives has improved the financial outlook and business performance. The combination of a significant increase in the expected earned value of the opportunities pipeline of Hydrix and improved operating cost management is anticipated to accelerate the business to achieve operating break-even by the end of fiscal 2019.

During the June quarter, annual operating costs were lowered by \$0.5 million. Investment in business development capabilities has grown the revenue pipeline to in excess of \$50 million. We have improved the conversion of leads into profitable engineering projects resulting in the confirmation of 26 new client projects and extensions to existing projects.

We foresee services margins improving by 10% from implementing a tiered pricing structure and adjusting commercial rates. Panorama has implemented systems to monitor and improve Hydrix productivity and Hydrix is expanding engineering capacity and capability by approximately 30% across the year to meet current and expected demand.

Opportunities exist to develop higher value commercial arrangements with certain types of clients. Our know-how, background IP, and global networks create faster pathways to clinical trials for medical devices, de-risk regulatory approval processes and accelerate product commercialisation through established long term distributor relationships. These opportunities present potential for equity in-kind, royalty and license fee revenue arrangements representing new earnings streams over the near, mid- and long term.

Our medical technology clients in Australia, the USA and Europe are at the forefront of advancing personalised point-of-care medicine designed to improve patient outcomes and lower healthcare system costs. Hydrix will continue to establish itself as a global leader in cardiac assistance and wearable technologies, neurostimulation treatments, and hearing and eye sensory technologies.

In addition to the hundreds of millions of dollars of investment in medical technology annually by the Australian government and private enterprise, there are billions of dollars being outsourced annually by large US medical technology companies to develop next generation and new types of products. The combination of favourable exchange rates and Australian government research & development tax credits creates attractive arrangements for foreign companies to engage Australian product engineering businesses including Hydrix. Hydrix has several local and international multi-year, multi-million-dollar medical technology projects, with several others of similar scale in the opportunity pipeline.

Hydrix has a mix of start-up and global Bluechip clients. ASX-listed medical technology clients include Nanosonics, Cochlear, ResMed, Micro-X, Universal Biosensors, LBT Innovations and dorsaVI. Other client projects currently include engineering control devices for artificial hearts and emerging heart pump technologies. We also have numerous non-cardiac related projects in ultrasound technology applications for treating Alzheimer's, infusion pump devices for use in oncology, devices for infant hearing diagnosis and invitro-fertilisation.

Our proven track record of solving a wide and unique range of technology product solutions for global clients and the stated objective of "buy, build, invest" to develop our own product IP portfolio, makes the Company a compelling growth opportunity.

Panorama spectrometer technology outlook:

There is potential market demand to use portable, field-based spectrometers for real-time data capture, analysis and decision making, and as alternatives to large, expensive lab-based benchtop spectrometers and other chemical analyses. The current demand and market availability of Microelectromechanical systems ("MEMS") technologies suitable for use in field-based spectroscopy is in various stages of maturity.

We have undertaken detailed market research on our MEMS technologies, prototype spectrometer, and associated market opportunities. While recognising the various unique attributes of our MEMS

technologies developed to date, the Company will require further significant research, design and fabrication investment dollars and resources to reach an above average commercial return.

Our priority is to align the best near-term uses of our MEMS technologies with our near-term financial objectives and shareholder wealth creation. We are actively exploring the shortest possible route to product commercialisation, focussing on the largest spectroscopy market opportunities. This will take precedence over research-design-and-fabrication activities. Pursuing potential high revenue market opportunities that will more quickly move the Company to profitability will be prioritised over further investment of significant time and dollars to advance our proprietary MEMS technologies. To this point, we are exploring several third-party discussions to collaborate around spectroscopy applications in medical, defence and agriculture. The Company will continue to keep the market apprised of this progress.

2018 Financial Highlights:

The significant progress made in 2018 has created a clear strategy and pathway for the Company to achieve profitability. Unaudited preliminary financial results for fiscal year ending 30 June 2018 and the June quarter are:

- Revenues of \$5.9 million (which includes 7 months of Hydrix) representing an 86% increase year-on-year;
- June quarter revenues were \$2.0 million increasing 100% over the prior year quarter;
- Net loss before tax for the year was \$4.4 million excluding \$0.2 million in one-time acquisition costs;
- Net Cash Used in Operating Activities for the June quarter was \$1.3 million; and
- Cash on hand and available under shareholder loan facilities at 30 June 2018 was \$0.9 million.

Cashflow and capital raising:

In the absence of extraordinary items, the Company expects to report a negative cash flow for the current quarter ending 30 September 2018.

The Board is aware the Company's current cash and available shareholder loan facilities are limited relative to the Company's operating expenses. The Company has agreed with its lenders to extend the term of the current shareholder loans until 31 December 2019. The Company has and will continue to take steps to improve its cash flow position, and in particular is in the process of developing an appropriate capital raising strategy, the details which will be announced to the market once the strategy is finalised.

Summary and first half fiscal 2019 milestones:

The business is well positioned to take advantage of significant growth prospects and to bring the Company closer to self-sustaining profitability by the end of fiscal 2019.

Our financial milestones for the first half of fiscal 2019 include:

- Minimum 15% revenue growth compared to second half revenues of fiscal 2018;
- 15% increase in engineering services capacity;
- Secure three new significant and high-dollar value projects;
- Establish one new technology collaboration partnership; and
- 20% reduction in cash used in operating activities in the December quarter against the September quarter.

About Panorama Synergy Ltd (including its wholly owned subsidiary company Hydrix)

Panorama Synergy (ASX: PSY) is a technology commercialisation company. Our purpose is to enhance one billion lives. We will achieve this by developing and commercialising important technology that enhance people's health, safety and well-being.

Learn more at <http://www.hydrix.com> and <http://www.panoramasynergy.com>.

Contact Information:
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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

Panorama Synergy Ltd

ABN

84 060 369 048

Quarter ended ("current quarter")

30 June 2018

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	2,081	5,438
1.2	Payments for		
	(a) research and development	(221)	(879)
	(b) product manufacturing and operating costs	(106)	(619)
	(c) advertising and marketing	-	-
	(d) leased assets	-	-
	(e) staff costs	(2,412)	(5,800)
	(f) administration and corporate costs	(638)	(2,036)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	2
1.5	Interest and other costs of finance paid	(47)	(122)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	288
1.8	Other (provide details if material)		
	- Prepaid deposits refunded	-	30
	- Transaction costs – Hydrix	(10)	(190)
1.9	Net cash from / (used in) operating activities	(1,352)	(3,886)

2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(33)	(101)
	(b) businesses (see item 10)	-	(1,000)
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:	-	-
	(a) property, plant and equipment	2	2
	(b) businesses (see item 10)	-	-
	(c) investments	2	2
	(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) Cash assumed under Business Combination	-	980
2.6	Net cash from / (used in) investing activities	(29)	(117)
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	1,450	3,250
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	1,450	3,250

4.	Net increase / (decrease) in cash and cash equivalents for the period	69	(753)
4.1	Cash and cash equivalents at beginning of quarter/year to date	91	913
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,352)	(3,886)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(29)	(117)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,450	3,250
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter *	160 *	160

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	160	91
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) *	160 *	91

** As noted in Item 8 below, as at 30 June the Company also had \$0.75 million of unused Loan Facilities bringing total cash and equivalents available for use to \$0.91 million.*

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	-
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	

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	

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	4,000	3,250
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.		

The Company has combined shareholder loan facilities of \$4.0 million of which \$0.75 million was available at 30 June 2018 for working capital purposes and contingent acquisition related payments. There are two loan facilities:

- An unsecured \$1.50 million loan facility with a 2.0% interest rate provided by a major shareholder. During the 12 months ended 30 June 2018 \$1.25 million was drawn down on this facility, leaving available funds under this facility of \$0.25 million. The company and shareholder have agreed to extend the facility term until 31 December 2019 and to increase the interest rate to 10.0% effective 1 July 2018; and
- A secured loan facility of \$2.5 million provided to the Company by a separate shareholder. The loan is secured by the assets of the Hydrix subsidiary (ACN 621 448 299), is guaranteed by Panorama Synergy Ltd and carries an interest rate of 11.0%. Of this facility, \$1.00 million was used to fund the Company's acquisition of the business assets of Hydrix announced on 13 November 2017. During the 12 months ended 30 June 2018 \$1.00 million was drawn down for working capital purposes. Funds remaining under this facility of \$0.50 million at 30 June 2018 are available for working capital purposes and contingent acquisition related payments. The company and shareholder have agreed to extend the facility term until 31 December 2019.

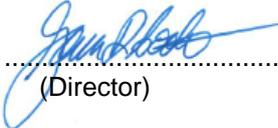
9.	Estimated cash outflows for next quarter	\$A'000
9.1	Research and development	295
9.2	Product manufacturing and operating costs	79
9.3	Advertising and marketing	-
9.4	Leased assets	-
9.5	Staff costs	2,536
9.6	Administration and corporate costs	1,022
9.7	Other (provide details if material)	-
9.8	Total estimated cash outflows	3,932

The estimated cash outflows set out above combine both Panorama and its controlled entity Hydrix. The estimated cash inflows for the next quarter from income generated by the combined businesses and not reflected in the above estimated cash outflows is \$2.3 million. The business also has access to significant R&D tax incentives which it intends to submit claims for in the near term.

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:  Date: 25 July 2018
(Director)

Print name: Gavin Coote

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.