medlab

Nutraceuticals

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2019

MEDLAB CLINICAL LIMITED (ABN 51 169 149 071)

NanoCelle™ Technology

Probiotics

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MDC SIGNIFICANT HISTORY

JUL 2012 — Sold BioCeuticals to Blackmores (ASX:BKL) for $43M. BioCeuticals was Australia's leading Practitioner brand.

OCT 2012 — Medlab secures Alexandria premise

AUG 2013 — Gov't certification for Alexandria lab

JUL 2015 — Medlab admitted to ASX (ASX: MDC) raising $6.2m before costs

JUL 2015 — Granted a Cannabis research licence

JUL 2016 — Completes Rights Issue raising $5.4m before costs

AUG 2016 — Medlab and Aphria Inc executes Cannabis supply agreement

AUG 2016 — Completes Phase 1 NRGBiotic™/ Depression Trial

NOV 2016 — Granted licence for the import of Cannabis

MAR 2017 — Ethics granted for Phase 2a NRGBIOTIC™/ Depression Trial

JUN 2017 — Ethics granted for NanaBis™ and NanaBidial™ cannabis trials

SEPT 2017 — Granted 20 Year Australian Patent for its anti-depression product (NRGBiotic™)

JAN 2018 — Granted licences to sell or supply Cannabis in Australia

JAN 2018 — Completes over-subscribed placement raising $24m before costs

MAY 2018 — NanaBis™ trial at Royal North Shore Hospital commences

JUL 2018 — Recruitment commences for Phase 2a NRGBiotic™/ Depression Trial

AUG 2018 — Ethics granted for new oncology trial (Mucositis)

SEPT 2018 — Medlab starts talks with the FDA and EMA for NanaBis™ Drug Registration

SEPT 2018 — Granted a licence to export Cannabis

OCT 2018 — Successful completion of Stage 1 of NanaBis™ trial at Royal North Shore Hospital

DEC 2018 — Medlab expands into Europe

JAN 2019 — Successful completion of NanoStat trial (Atorvastatin)

MAR 2019 — Medlab expands into AU banner pharmacy

MAR 2019 — Heads of Agreement for NanaBis™ executed with Pharmascience Inc

APR 2019 — Medlab achieves monthly revenue in excess of $1m for the first time

MAY 2019 — Heads of Agreement for NanaBis™ executed with Mega Lifesciences

JUN 2019 — Ethics granted for second NanaBis™ Trial (Observational Study)

AUG 2019 — Heads of Agreement executed to expand nutraceuticals into USA

AUG 2019 — Successful completion of NanaBidial Phase 1 Trial

APR 2020 — Medlab expects to apply for AU Ethics approval to commence Phase 3 NanaBis™ Drug Trials, and then subsequently US.

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CHAIRMAN'S LETTER

Dear Shareholder,

We present Medlab Clinical Limited 2019 Annual Report, our fourth Annual Report since admission to the ASX.

The last 12 months have been a very exciting time for the Company in which it has taken great strides in exploring both the research and commercial opportunities. This year has been one of continued progress in working through the initiatives commenced in previous years.

RESEARCH

During the year we have been conducting the following major trials:

Cannabis

- NanaBis™ (Treatment of Cancer pain) at Royal North Shore Hospital: The trial is nearing completion and we are now at a point where most of the required numbers of patients have been tested. Early indications suggest positive results.
- The Company recently announced Ethics approval to conduct an Observational Study with NanaBis. This study is designed to collect more patient information to support our drug application.
- NanaBidial™ (Treatment of Chemotherapy induced nausea and vomiting) at Scientia, NSW: The trial was completed, and we recently announced positive results showing the product is safe, fast acting and positive for absorption.

Depression

NRGBiotic™: A Phase 2b trial at Queensland University of Technology: The trial is progressing well. From what we have seen we are confident in the results.

COMMERCIALISATION

The Company has expanded greatly both in the nutraceutical and pharmaceutical divisions. Late in the financial year, the Company launched it's self-branded nutraceutical range into Banner Pharmacy, now having access to approximately 4,500 pharmacies.

In the pharmaceutical space, Medlab has expanded its patient and doctor outreach for the use of NanaBis™ and NanaBidial™ through the Government's Special Access Scheme.

The Company reported an increase in revenue of 46% from 2018.

Our success has attracted interest in our products and patented technologies from other Pharmaceutical Companies interested in commercialising our products and IP, and we expect some of our enquirers will move into more formal agreements this year.

All of this points to a very interesting current year. Thank you for your support and thank you to our talented employees.

Michael Hall
Chairman

CEO REPORT

Dear Shareholders,

2019 has proven to be a positive and rewarding year for Medlab, with strong progression at all levels of the Company, whether commercial or research.

We continually maintain our commitment to scientifically driven research, product development and exercising commercial opportunities both domestically and increasingly abroad via preeminent distribution partners. Our strategy is delivering short term results whilst pathing the way for significant global opportunities in the future.

The June quarter saw the roll-out of the Medlab self-branded nutraceutical range into Australian Banner Pharmacy Groups, with revenue in excess of $3m. Medlab now has access to approximately 4,500 pharmacies (up from approximately 500) and the Company is projecting a continued increase in revenue over the short to mid-term.

Early reports from Pharmacists, Doctors and Australian consumers show the uptake of the Medlab range of nutraceuticals is predicated on the science employed by Medlab in the prior years.

Secondly, from our pharmaceutical division, NanaBis™ (our lead (most developed) cannabis-based medicine product) indicated for Cancer pain, continues to impress both scientifically and medically. Here and now, in the ethical use of the product via the Australian Special Access Scheme (SAS) some 2,500 units of NanaBis™ have been provided to Australian patients, with strong data demonstrating opioid use reduction and significant improvements in the patients' quality of life.

Furthermore NanaBis™ employs our patented nanoparticle delivery platform, NanoCelle™, to which some 150,000 units of NanoCelle™ have been supplied with less than 1% in reported adverse reactions.

HIGHLIGHTS

1. **Revenue up by 46% (after discount and promotional costs) to $8.1M**
2. **Cash collections from customers up 24%**
3. **Nutraceuticals**
   a. Depression Phase 2b trial using NRGBiotic™ (available as a nutraceutical in market) progressing well with Queensland University of Technology (QUT) – early data promising
   b. Chemotherapy induced Mucositis/Neutropenia using MultiBiotic™ (available as a nutraceutical in market) underway with the Northern Cancer Institute in Sydney
   c. Strong financial and distribution progression both domestically and with international agreements currently being finalised
   d. HoA executed with American Nutritional Inc (ANC) for US nutraceutical launch to US Practitioners scheduled for December 2019
4. **Pharmaceuticals (including Medical Cannabis)**
   a. Significant milestones on the path to achieving a registered drug have been achieved via clinical trials and working with regulatory authorities
   b. NanaBis™ trial at Royal North Shore Hospital
      i. Stage 1 completed – good encouraging data
      ii. Stage 2 95% completed
   c. NanaBis™ comparison to other approved Cannabis product shows superiority
   d. NanaBis™ commences Phase 3 trial planning.
   e. NanaBidial™ study completed – trial demonstrates safety, absorption and utilisation.
   f. NanoCBD, new product comes online October 2019, market availability pre-Christmas 2019.
5. **Short to medium term commercialisation opportunities are being realised domestically and globally**
6. **Partnering talks underway, either Heads of Agreements signed, or in advanced discussions for:**
   a. NanaBis™ – global regions
   b. NanoCBD – global regions
   c. Nutraceuticals – US market

CEO REPORT (cont.)

NUTRACEUTICAL PROGRESSION

Nutraceutical progression has been a key strategic driver for Medlab. The offering had to be unique, protected against competition and ethical.

In delivering on this promise, trade announcements on distribution were made earlier this calendar year that resulted in execution strategies completing in April and May.

Whilst the company had to rapidly upscale production and logistics, the nett result was brand presence in some 4,500 Australian Pharmacies. and these arrangements covering about 90% of the Medlab branded nutraceutical lines. This period saw increased costs to meet the ramped-up expectations, but minimal margin loss during the same period.

Medlab's "in-pharmacy" message is about delivering scientific, clinically valid products to meet the need of today's consumer. We, unlike other competitors, offer patent protection, thus securing the intended products market position within the pharmacy. In short, Medlab offers premium products, that work.

The immediate priority is to expand our Australian consumer reach to meet our revenue potential over the next 12, 24 and 36 months.

Beyond Australia, talks are maturing with 2 US brands, to which a Heads of Agreement has been signed with American Nutritional Inc. This agreement will see Medlab nutraceutical products move into the US nutraceutical space with existing and well-articulated, established brands. At this point the first Brand is expected to launch several Medlab products in December 2019.

To put this opportunity into perspective – we see the Australian marketplace circa $2.8 Billion AUD in annual industry sales and the US market is around $32.7 Billion USD.

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CEO REPORT (cont.)

PHARMACEUTICAL PROGRESSION

Our Pharmaceutical Division continues to build on a core foundation of scientifically driven research to establish drug credentials and efficacy in line with what would normally be expected from traditional registered drugs. This is a long-term goal as the financial outcomes from achieving drug registration in any of the major global markets offers significant opportunity. In parallel with this strategy, we are developing and offering products into other approved schemes to deliver shorter term financial results both domestically and internationally.

Our long-term commitment to drug registration sets us apart from many industry players. The rigorous program required to achieve registration is consistent with our own development expectations and would provide the basis for a unparalleled commercial opportunity.

Medlab's pharmaceutical progression in revenue is specifically cannabis. Now with 2 products on the Australia market via the Special Access Scheme, a third is being readying in the US, with plans to enter the Australian marketplace around Christmas 2019.

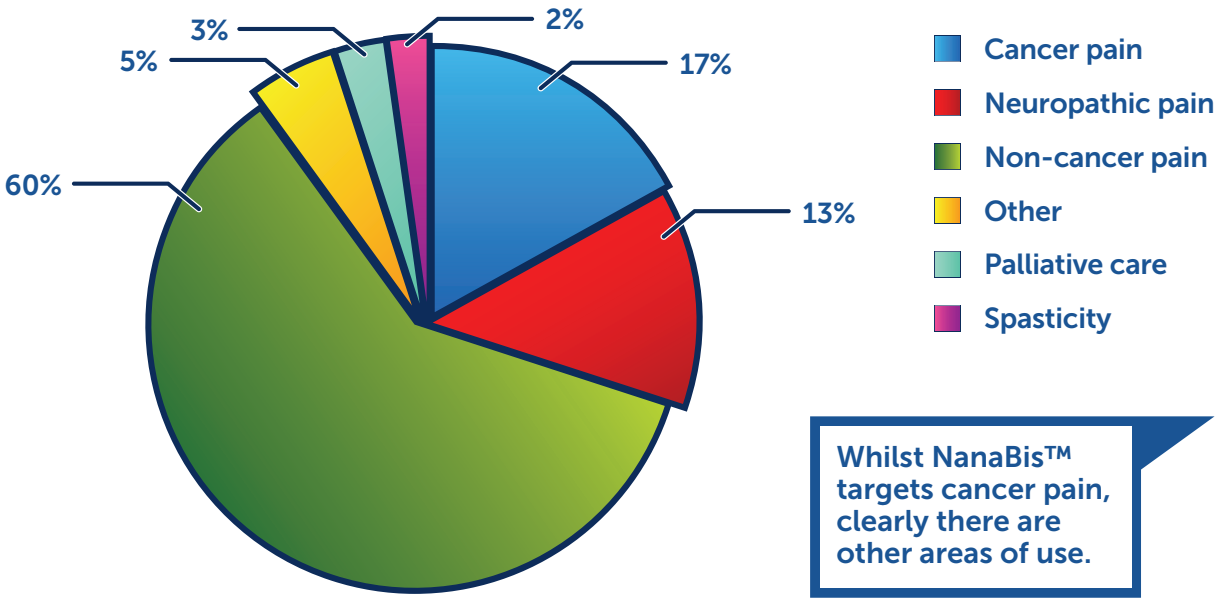
NanaBis™, Medlab's lead cannabis programme is an ethical drug development programme currently under investigation for Cancer pain.

NanaBis™ is a CBD and THC, purified blend, standardised under Good Manufacturing Practice (GMP) in our proprietary nanoparticle delivery platform. Trials are underway and present-day data is superb.

NanaBis™ is available on the Australian marketplace via the Special Access Scheme (SAS) and tailored to those Doctors who treat and/or manage Cancer pain.

Notwithstanding, The Australian Government via the Special Access Scheme, has approved NanaBis™ use in other pain conditions:

NanaBis™ Primary Illness Usage



Whilst NanaBis™ targets cancer pain, clearly there are other areas of use.

With over 2,500 units of NanaBis™ supplied, the Medlab team is very active in collecting data to learn about real patient usage.

CEO REPORT (cont.)

NanaBis™ follows a distinct regulatory pathway, which makes it unique from other competitors; this regulatory pathway includes the Australian Therapeutic Goods Administration (TGA), the US Food and Drug Administration (FDA) and the European Medicines Agency (EMA).

In reviewing the market potential of NanaBis™, using health economists and available published literature (references provided in Appendix 1), it is Medlab's opinion that NanaBis™'s global revenue potential (AU, USA, EU and Canada) is:
At 1st year of regulatory approval = $239.4M
5 years after regulatory approval = $6.73B

Medlab is currently in discussions with several key Pharmaceutical companies, to which 2 heads of Agreements have been announced. The definitive agreements are a work in progress as they are predicted on regulatory success allowing for approved claims and forecast potential patient usage for approximately a decade there-after.

The second cannabis program is called NanaBidial™ and replicates NanaBis™ in all ways, except the ratio of CBD and THC, meaning NanaBidial™ is a high CBD, low THC product.

The third cannabis program, mentioned earlier is a pure CBD product that utilises the same delivery platform as NanaBis™ and NanaBidial™, called NanoCBD.

From a pharmaceutical development point of view, NanoCelle™ is a critical delivery platform allowing for speed of absorption of an active ingredient, in a convenient, easy to use buccal (side of cheek) spray.

To date, Medlab is one of a few global companies, working on cannabis, with trial data that proves it's products are absorbed and metabolised in the body. This work is essential for medical confidence and ongoing regulatory efforts.

Medlab strongly recommends that the use of a cannabis product be quantified by science, to this Medlab strongly encourages potential prescribers to request trial data specifically on any potential cannabis product.

Medlab's Australian approved past and current trials can be found on the Australian and New Zealand Clinical Trials Registry:

http://www.anzctr.org.au/TrialSearch.aspx#&&interventionCodeOperator=OR&recruitmentRegion=&healthCondition=&ethicsReview=&fundingSource=&distance=&allocationToIntervention=&trialStartDateFrom=&conditionCode=&ageGroup=&studyType=&page=1&healthyVolunteers=&dateOfRegistrationTo=&primarySponsorType=&recruitmentCountryOperator=OR&trialStartDateTo=&interventionDescription=&dateOfRegistrationFrom=&conditionCategory=&postcode=&registry=ANZCTR&phase=&gender=&searchTxt=MEDLAB

Cannabis Commercialisation Summary

CEO REPORT (cont.)

RESEARCH PROGRESSION

Medlab's commitment to research is second to none. Research provides innovation, innovation provides patents and products, and products can be commercialised.

Research progression at Medlab is undertaken with approved Ethics and where possible onboarded into a collaborative research site to ensure the trial and resulting data are bias free.

Loosely this is known as the gold standard in research.

Such measures are undertaken because of Medlab's pursuit to seek approved claims and partner with significant multi nationals – thus ensuring the commercial viability and longevity in any agreement.

Currently we have several trials underway:

- Cannabis
  - NanaBis™ (Cancer Pain) – 95% COMPLETED
    - Phase 1 cross over 2a trial at Royal North Shore Hospital, NSW, Australia
    - Observational Study, Australia
  - NanaBidial™ (Chemotherapy induced nausea and vomiting) - CONCLUDED
    - Phase 1 Safety trial conducted at Scientia, NSW, Australia
    - Data analysis at Agilex, South Australia, Australia

- NRGBiotic™ (treatment resistant depression) – 50% COMPLETED
  - Phase 2b trial at Queensland University of Technology (QUT), QLD, Australia

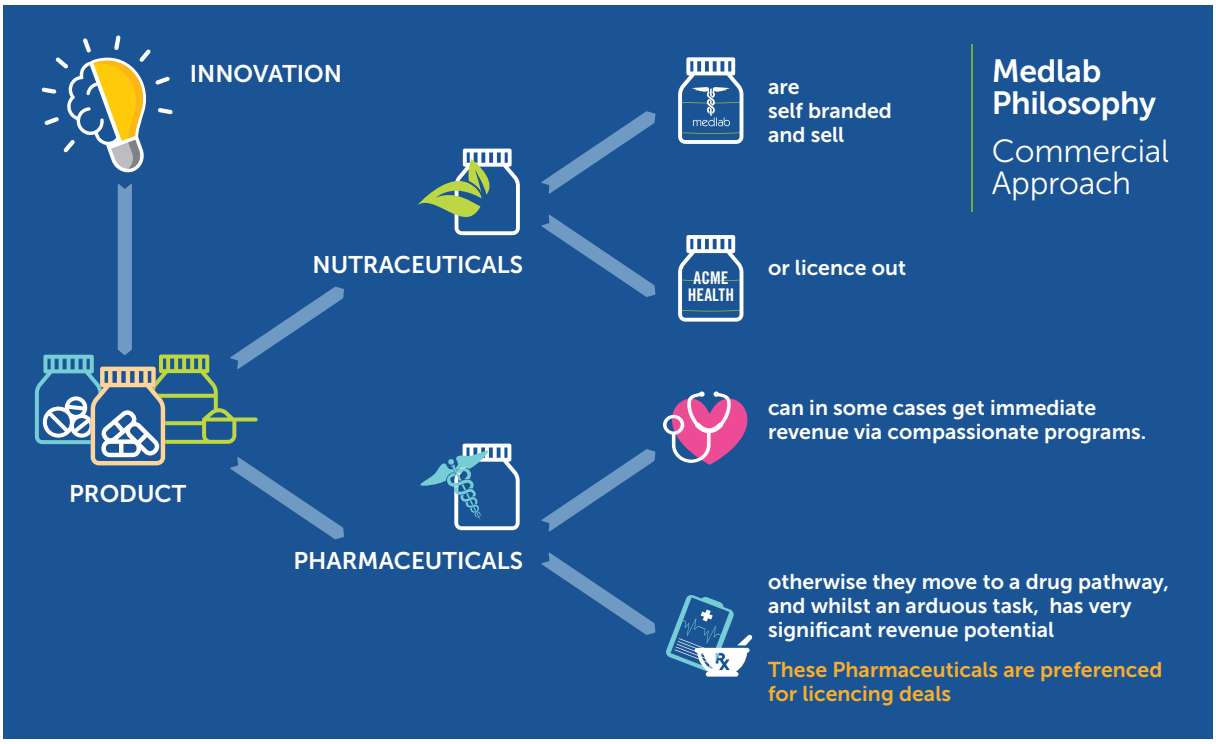
- MultiBiotic™ (Chemotherapy induced Mucositis/neutropenia)
  - Phase 1 trial at Northern Cancer institute, NSW, Australia

- NanoCelle™ (our patented delivery platform)
  - Characterisation at University of Sydney, NanoScale Unit, NSW, Australia
  - Characterisation at Medlab, NSW, Australia

Over the next 12 – 24 months, it is expected to see research expand in several of these areas, and well as:

- Chemotherapy drugs
- Allergy medication
- Continuance of our Diabetes work using T2Biotic™
- Several innovative nutraceuticals

Of the above, it's important to note, several are already in market, of which some are directly related to the recent Pharmacy expansion via our nutraceutical offerings.



CEO REPORT (cont.)

LOOKING FORWARD

These next 12 months centre around growing our commercial position domestically and globally. Key focuses for Medlab are:

- Strengthening and expanding our Australian Pharmacy position for nutraceuticals
- Taking the Medlab nutraceutical range to international markets
- Bolstering medical and scientific evidence to support NanaBis™ global drug applications, inclusive of Phase 3, multicentre trials
- Licencing deals to facilitate global distribution
- Bolstering NRGBiotic™ for drug application

IN SUMMARY

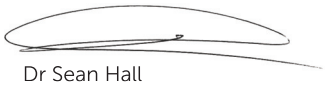
We have spent the past few years building a strong foundation, and this has culminated in a very successful year. This foundation included patent generation, uniqueness and robust research that contributes to medical evidence.

Our last quarter, last financial year averaged $1M per month in revenue.

Over the last 12 months Medlab accepted invitations for potential partnering discussions, these are being pursued and several look promising.

Both board and senior management, we are very confident for the year ahead as now is the time to start bringing all the pieces together.

We thank you for your support.



Dr Sean Hall

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FINANCIAL REPORT

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DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of Medlab Clinical Limited (Company) and its controlled entities (Group) at the end of, or during, the year ended 30 June 2019.

Directors

The following persons were directors of the company during the year and up to the date of this report, unless otherwise stated:

S.M. Hall
M.J. Hall
D.A. Townsend

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Principal Activities

The principal activities of the consolidated group are:
- Sale of nutraceutical products
- Pharmaceutical research and commercialisation

No significant changes in the nature of these activities occurred during the period other than the execution of agreements for the roll-out of the nutraceutical range into Australian banner pharmacies.

Review of Operations

The loss of the consolidated group after providing for income tax and non-controlling interest amounted to $8,090,937 (2018: $4,570,395).

At period end, the consolidated group had total assets of $20,204,377 (2018: $24,326,972) and total liabilities of $5,211,725 (2018: $2,468,409).

A more detailed operations review can be found in the CEO report.

Significant Changes in the State of Affairs.

Pursuant to the terms of the Share Purchase Agreement executed on 16 September 2018, the Company acquired the remaining 40% shareholding in Medlab Clinical US Inc by issuing 3,000,000 ordinary shares in Medlab Clinical Limited on 8 March 2019.

After Balance Date Events

No matters or circumstances have arisen since 30 June 2019 which significantly affected or may significantly affect the operations of the consolidated group, the results of those operations, or the state of affairs of the consolidated group in future financial years, other than the issue of 4,343,000 ordinary shares as a result of the exercise of 30c unlisted options on 1 July 2019 and the lapse of the remaining 4,007,000 options.

Information Relating to Directors and Company Secretary

Name:	Michael Hall
Title:	Non-Executive Chairman
Qualifications:	B.Com, CPA
Experience:	Michael has a long history in the management and building of successful nutrition companies. Michael's early career was in accounting, retailing and private banking.
Other current directorships:	None
Former directorships (last 3 years)	None
Special responsibilities	Member of: • Risk Management and Audit Committee • Nomination and Remuneration Committee
Interest in shares:	15,976,090 ordinary shares
Interest in options:	None
Contractual right to shares:	None

Name:	Sean Hall
Title:	Managing Director and Chief Executive Officer
Qualifications:	MD, MBA (Clin Pharm Mtg)
Experience:	Sean has over 20 years experience in the Australian Healthcare and food industries and early phase drug discovery in Australia and Asia. Sean is best known for building Australia's leading practitioner brand, BioCeuticals. Sean is an active member of Medicines Australia, American Federation for Medical Research, American Academy of Anti-Ageing Medicine, Ausbiotech, a member of the Scientific Advisory Board for BITs Life Science China and a Board Member of the International Probiotics Association. Sean has completed Executive Education at Harvard Graduate School of Business and more recently continuing Medical Education through Harvard Medical School.
Other current directorships:	None
Former directorships (last 3 years)	None
Special responsibilities	Member of: • Nomination and Remuneration Committee
Interest in shares:	58,425,555 ordinary shares
Interest in options:	None
Contractual right to shares:	None

Name:	Drew Townsend
Title:	Non-Executive Director
Qualifications:	B.Com, CA, MAICD
Experience:	Drew is a senior partner in the chartered accounting firm of Hall Chadwick and has been a partner in this firm for over 25 years. He is an experienced chartered accountant and corporate advisor to numerous SMEs.
Other current directorships:	Non-Executive Chairman of Qantum Energy Limited
Former directorships (last 3 years)	None
Special responsibilities	Chairman of: • Risk Management and Audit Committee • Nomination and Remuneration Committee
Interest in shares:	16,135,553 ordinary shares
Interest in options:	None
Contractual right to shares:	None

Name:	Alan Dworkin
Title:	Company Secretary
Qualifications:	B.Bus, CA, ACSA, GAICD
Experience:	Alan is a Chartered Accountant with over 18 years experience in tax, resources and nutraceutical sectors, including as the CFO and Company Secretary of FIT-BioCeuticals Limited for the six years prior to commencing at Medlab Clinical Limited.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2019, and the number of meetings attended by each director were:

Name	Full Board		Nomination and Remuneration Committee		Risk Management and Audit Committee	
	Attended	Held	Attended	Held	Attended	Held
Michael Hall	7	7	1	1	2	2
Drew Townsend	7	7	1	1	2	2
Sean Hall	7	7	1	1	-	-

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Future Developments

Likely developments in the operations of the consolidated group and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the consolidated group.

Environmental Issues

The consolidated group's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a State or Territory.

Shares under Option

At the date of this report, the unissued ordinary shares of Medlab Clinical Limited under option are as follows:

Grant date	Date of expiry	Exercise price	Number under option
10 July 2015	30 June 2020	$0.30	1,541,725

Option holders do not have rights to participate in any issue of shares or other interests in the company or any other entity.

Remuneration Report

The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:
- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation

Principles used to determine the nature and amount of remuneration

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and conforms to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:
- Competitiveness and reasonableness
- Acceptability to shareholders
- Performance linkage / alignment of executive compensation
- Transparency

The Nomination and Remuneration Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The Nomination and Remuneration Committee has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the consolidated entity.

Alignment to shareholders' interests:
- Has economic profit as a core component of plan design
- Focuses on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- Attracts and retains high calibre executives

Alignment to program participants' interests:
- Rewards capability and experience
- Reflects competitive reward for contribution to growth in shareholder wealth
- Provides a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive directors and executive remunerations is separate.

Non-executive directors remuneration

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Nomination and Remuneration Committee. The Nomination and Remuneration Committee may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 26 October 2015, where the shareholders approved a maximum annual aggregate remuneration of $300,000.

Executive remuneration

The consolidated entity aims to reward executives with a level and mix of remuneration based on their position and responsibility, which has both fixed and variable components.

The executive remuneration and reward framework has four components:
- Base pay and non-monetary benefits
- Short-term performance incentives
- Share-based payments
- Other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Nomination and Remuneration Committee, based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and provides additional value to the executive.

The short-term incentives ('STI') program is designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved. KPI's include profit contribution, customer satisfaction, leadership contribution and product management.

The long-term incentives ('LTI') include long service leave and share-based payments. Shares are awarded to executives under the shareholder approved Employee Share Option Plan (ESOP) based on long-term incentive measures. These include increase in shareholders value relative to the entire market and the increase compared to the consolidated entity's direct competitors. The Nomination and Remuneration Committee reviewed the long-term equity-linked performance incentives specifically for executives during the year ended 30 June 2019. As at 30 June 2019, no options were issued under the ESOP.

Voting and comments made at the company's 2018 Annual General Meeting (AGM)
At the 2018 AGM, 98% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2018. The Company did not receive any specific feedback at the AGM regarding its remuneration package.

Details of remuneration

Amounts of remuneration
Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

The key management personnel of the consolidated entity consisted of the following directors of Medlab Clinical Limited:
- Michael Hall – Non-Executive Chairman
- Drew Townsend – Non-Executive Director
- Sean Hall – Managing Director and Chief Executive Officer

And the following persons:
- Alan Dworkin – Chief Financial Officer and Company Secretary
- Dr Luis Vitetta – Director of Medical Research
- Dr David Rutolo – Director of Science
- Mr Paul Vilner – Director of Commercial Operations

2019	Short-term benefits			Post-employment benefits	Share-based benefits	Total
	Cash salary and fees $	Cash bonus $	Non-monetary $	Super-annuation $	Equity settled $	$
Directors:						
Michael Hall	124,884	-	-	4,739	-	129,623
Drew Townsend	60,225	-	-	-	-	60,225
Sean Hall	299,305	-	-	28,434	-	327,739
Other Key Management Personnel:						
Alan Dworkin	244,529	-	-	23,111	-	267,640
Luis Vitetta	250,250	-	-	23,774	-	274,024
David Rutolo	167,717	-	-	12,830	-	180,547
Paul Vilner	331,441	-	-	27,562	-	359,003
	1,478,351	**-**	**-**	**120,450**	**-**	**1,598,801**

2018	Short-term benefits			Post-employment benefits	Share-based benefits	Total
	Cash salary and fees $	Cash bonus $	Non-monetary $	Super-annuation $	Equity settled $	$
Directors:						
Michael Hall	124,863	-	-	4,737	-	129,600
Drew Townsend	60,225	-	-	-	-	60,225
Sean Hall	299,178	-	-	28,422	-	327,600
Other Key Management Personnel:						
Alan Dworkin	178,183	-	-	16,808	-	194,991
Luis Vitetta	250,250	-	-	23,774	-	274,024
David Rutolo	154,749	-	-	12,826	-	167,575
Paul Vilner*	19,121	-	-	1,644	-	20,765
	1,086,569	**-**	**-**	**88,211**	**-**	**1,174,780**

*Commenced 4 June 2018

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2019	2018	2019	2018	2019	2018
Directors:						
Michael Hall	100%	100%	-%	-%	-%	-%
Drew Townsend	100%	100%	-%	-%	-%	-%
Sean Hall	100%	100%	-%	-%	-%	-%
Other Key Management Personnel:						
Alan Dworkin	100%	100%	-%	-%	-%	-%
Luis Vitetta	100%	100%	-%	-%	-%	-%
David Rutolo	100%	100%	-%	-%	-%	-%
Paul Vilner	100%	100%	-%	-	-%	-

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements or employment contracts. Details of these agreements are as follows:

Name:	Sean Hall
Title:	Managing Director and Chief Executive Officer
Agreement commenced:	1 July 2012
Term of agreement:	No Fixed Term
Details:	Base salary for the year ending 30 June 2019 of $300,000 plus superannuation, to be reviewed annually by the Nomination and Remuneration Committee. 12 month termination notice by either party, non-solicitation and non-compete clauses.

Name:	Alan Dworkin
Title:	Chief Financial Officer and Company Secretary
Agreement commenced:	9 February 2015
Term of agreement:	No Fixed Term
Details:	Base salary for the year ending 30 June 2019 of $250,000 plus superannuation, to be reviewed annually by the Nomination and Remuneration Committee. 4 weeks termination notice by either party, eligible to be part of the consolidated entity's ESOP.

Name:	Luis Vitetta
Title:	Director of Medical Research
Agreement commenced:	4 March 2013
Term of agreement:	No Fixed Term
Details:	Base salary for the year ending 30 June 2019 of $250,250 plus superannuation, to be reviewed annually by the Nomination and Remuneration Committee. 2 weeks termination notice by either party, eligible to be part of the consolidated entity's ESOP.

Name:	David Rutolo
Title:	Director of Science
Agreement commenced:	22 January 2015
Term of agreement:	No Fixed Term
Details:	Base salary for the year ending 30 June 2019 of US$120,000 plus employment benefits, to be reviewed annually by the Nomination and Remuneration Committee. 30 days termination notice by either party.

Name:	Paul Vilner
Title:	Director of Commercial Operations
Agreement commenced:	4 June 2018
Term of agreement:	No Fixed Term
Details:	Base salary for the year ending 30 June 2019 of $300,000, a motor vehicle allowance of $30,000 plus superannuation, to be reviewed annually by the Nomination and Remuneration Committee. 3 Months termination notice by either party.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Grant date	Vesting date and exercisable date $	Expiry date	Exercise price
None			

Options granted carry no dividend or voting rights.

The number of options over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the year ended 30 June 2019 are set out below:

Name	Balance at the start of year	Granted	Exercised	Balance at the end of the year
Michael Hall	850,000	-	-	850,000
Drew Townsend	-	-	-	-
Sean Hall	5,000,000	-	-	5,000,000
Alan Dworkin	1,000,000	-	-	1,000,000
Luis Vitetta	1,500,000	-	-	1,500,000
David Rutolo	-	-	-	-
Paul Vilner	-	-	-	-

Values of options over ordinary shares granted, exercised and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2019 are set out below:

Name	Balance at the start of year $	Granted	Exercised	Balance at the end of the year $
Michael Hall	255,000	-	-	255,000
Drew Townsend	-	-	-	-
Sean Hall	1,500,000	-	-	1,500,000
Alan Dworkin	300,000	-	-	300,000
Luis Vitetta	450,000	-	-	450,000
David Rutolo	-	-	-	-
Paul Vilner	-	-	-	-

Note: Funds were received for the exercise of unlisted options by 30 June 2019 but the shares were not converted by year end.

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

Ordinary shares	Balance at the start of year	Received as part of remuneration	Additions	Disposals / other	Balance at the end of the year
Michael Hall	15,194,445	-	-	68,355	15,126,090
Drew Townsend	16,055,553	-	80,000	-	16,135,553
Sean Hall	56,255,555	-	-		56,255,555
Alan Dworkin	1,222,222	-	-	-	1,222,222
Luis Vitetta	11,101	-	-	-	11,101
David Rutolo	-	-	3,000,000	-	3,000,000
Paul Vilner	-	-	241,496	-	241,496
	88,738,876	**-**	**3,321,496**	**68,355**	**91,992,017**

This concludes the remuneration report, which has been audited.

Indemnification of Officers and Auditors

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

Non-Audit Services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 21 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

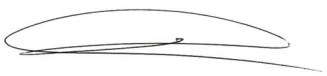
The directors are of the opinion that the services as disclosed in note 21 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Auditor's Independence Declaration

The auditor's independence declaration for the year ended 30 June 2019 has been received and can be found on page 21 of the financial report.

Signed in accordance with a resolution of the Board of Directors.



S Hall
Director

D Townsend
Director

Dated this 30th day of August 2019

ESV

AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF MEDLAB CLINICAL LIMITED AND ITS CONTROLLED ENTITIES

In accordance with the requirements of section 307C of the Corporations Act, as auditor for the audit of Medlab Clinical Limited and its Controlled Entities as at 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

(i) no contraventions of the auditor's independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Dated at Sydney the 29th day of August 2019

ESV

ESV Accounting and Business Advisors

Tim Valtwies

Tim Valtwies
Partner

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Liability limited by a scheme approved under Professional Standards Legislation.

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2019

	Notes	Consolidated	
		2019 $	2018 $
Sales revenue		**5,363,681**	4,133,612
Rendering of R&D services & consultation		**68,295**	5,843
Other income		**2,654,784**	1,406,941
Total Revenue	3	**8,086,760**	5,546,396
Raw materials and consumables used		**(3,063,663)**	(2,017,880)
Employee benefits expense		**(6,465,254)**	(4,271,038)
Depreciation and amortisation expense		**(147,490)**	(112,355)
Professional and consulting fees		**(1,003,891)**	(769,769)
Operating lease costs		**(500,897)**	(414,831)
Finance costs		**(79,772)**	(54,957)
Selling & marketing expenses		**(1,533,818)**	(647,320)
Other expenses	4	**(3,466,071)**	(2,016,447)
Loss before income tax		**(8,174,096)**	**(4,758,201)**
Income tax expense	5	**-**	-
Net loss for the period		**(8,174,096)**	**(4,758,201)**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Foreign currency translation		**5,285**	1,275
Other comprehensive loss for the year, net of tax		**5,285**	1,275
Total comprehensive loss for the year		**(8,168,811)**	**(4,756,926)**
Net loss attributable to:			
Members of the parent entity		**(8,090,937)**	(4,570,395)
Non-controlling interest		**(83,159)**	(187,806)
		(8,174,096)	(4,758,201)
Total comprehensive loss attributable to:			
Members of the parent entity		**(8,087,766)**	(4,569,631)
Non-controlling interest		**(81,045)**	(187,295)
		(8,168,811)	(4,756,926)
		Cents	Cents
Earnings per share			
Basic earnings per share	28	**(4.23)**	(2.39)
Diluted earnings per share	28	**(3.82)**	(2.32)

The accompanying notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	Notes	Consolidated	
		2019 $	2018 $
ASSETS			
Current Assets			
Cash and cash equivalents	6	**11,441,975**	20,332,694
Trade and other receivables	7	**3,813,758**	2,055,872
Inventories	8	**2,217,953**	1,164,035
Other assets	9	**1,616,143**	262,145
Total Current Assets		**19,089,829**	**23,814,746**
Non-Current Assets			
Other assets	9	**482,845**	74,452
Property, plant and equipment	10	**631,703**	437,774
Total Non-Current Assets		**1,114,548**	**512,226**
TOTAL ASSETS		**20,204,377**	**24,326,972**
LIABILITIES			
Current Liabilities			
Trade and other payables	11	**3,622,192**	1,588,518
Employee benefits	12	**389,319**	261,570
Borrowings	13	**971,976**	499,703
Total Current Liabilities		**4,983,487**	**2,349,791**
Non-Current Liabilities			
Employee benefits	12	**103,670**	61,118
Provisions	14	**69,167**	57,500
Other liabilities	15	**55,401**	-
Total Non-Current Liabilities		**228,238**	**118,618**
TOTAL LIABILITIES		**5,211,725**	**2,468,409**
NET ASSETS		**14,992,652**	**21,858,563**
EQUITY			
Issued capital	16	**41,621,320**	39,163,420
Reserves	17	**71,975**	68,804
Accumulated losses		**(26,643,581)**	(16,353,301)
Equity attributable to the owners of Medlab Clinical Limited		**15,049,714**	22,878,923
Outside equity interest	30	**(57,062)**	(1,020,360)
TOTAL EQUITY		**14,992,652**	**21,858,563**

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

Consolidated Group	Issued Capital $	Accumulated Losses Attributable to members of the parent company $	Reserves $	Attributable to owners of the parent $	Non-Controlling Interests $	Total $
Balance at 1 July 2017	**15,598,420**	**(11,782,906)**	**68,040**	**3,883,554**	**(833,065)**	**3,050,489**
Loss after income tax for the period		(4,570,395)		(4,570,395)	(187,806)	(4,758,201)
Other comprehensive income for the period, net of tax			764	764	511	1,275
Total comprehensive income for the period	-	(4,570,395)	764	(4,569,631)	(187,295)	(4,756,926)
Transactions with owners in their capacity as owners: Contributions of equity, net of transaction costs (Note 16)	23,565,000			23,565,000		23,565,000
Balance at 30 June 2018	**39,163,420**	**(16,353,301)**	**68,804**	**22,878,923**	**(1,020,360)**	**21,858,563**

Consolidated Group	Issued Capital $	Accumulated Losses Attributable to members of the parent company $	Reserves $	Attributable to owners of the parent $	Non-Controlling Interests $	Total $
Balance at 1 July 2018	**39,163,420**	**(16,353,301)**	**68,804**	**22,878,923**	**(1,020,360)**	**21,858,563**
Loss after income tax for the period		(8,090,937)		(8,090,937)	(83,159)	(8,174,096)
Other comprehensive income for the period, net of tax			3,171	3,171	2,114	5,285
Total comprehensive income for the period	-	(8,090,937)	3,171	(8,087,766)	(81,045)	(8,168,811)
Transactions with owners in their capacity as owners: Contributions of equity, net of transaction costs (note 16)	1,302,900			1,302,900		1,302,900
Acquisition of non-controlling interest (note 30)	1,155,000	(2,199,343)		(1,044,343)	1,044,343	-
Balance at 30 June 2019	**41,621,320**	**(26,643,581)**	**71,975**	**15,049,714**	**(57,062)**	**14,992,652**

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2019

	Notes	Consolidated	
		2019 $	2018 $
Cash Flows from Operating Activities			
Receipts from customers		**5,832,745**	4,693,014
Receipts from R&D Tax incentive and government grants		**1,415,784**	927,245
Payments to suppliers and employees		**(17,834,851)**	(10,485,609)
Finance costs		**(79,772)**	(54,957)
Interest received		**349,517**	144,941
Net cash used in operating activities	6	**(10,316,577)**	**(4,775,366)**
Cash flows from Investing Activities			
Purchase of plant and equipment		**(340,323)**	(96,477)
Net cash used in investing activities		**(340,323)**	**(96,477)**
Cash flows from Financing Activities			
Repayment of borrowings	13	**(5,649,036)**	(2,287,018)
Proceeds from borrowings	13	**6,121,309**	2,490,000
Proceeds from issue of shares		**1,302,900**	24,795,000
Share issue transaction costs		**-**	(1,320,000)
Net cash from financing activities		**1,775,173**	**23,677,982**
Net decrease in cash held		**(8,881,727)**	18,806,139
Cash and cash equivalents at beginning of financial year		**20,332,694**	1,497,600
Exchange rate adjustments		**(8,992)**	28,954
Cash and cash equivalents at end of the financial year	**6**	**11,441,975**	**20,332,694**

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

The consolidated financial statements and notes represent those of Medlab Clinical Limited and controlled entities (Company, Group or consolidated entity).

The place of business of the Parent Company is:
Medlab Clinical Limited
66 McCauley Street
Alexandria NSW 2015

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in Note 2.

The Financial Statements were authorised for issue by the Directors on 30 August 2019.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

The financial statements have been prepared under the historical cost convention.

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 1.

1.2 BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Medlab Clinical Limited ('company' or 'parent entity') as at 30 June 2019 and the results of all subsidiaries for the period then ended. Medlab Clinical Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

1.4 INVENTORIES

Raw materials (capsules, bottles and labels), work in progress and finished goods are stated at the lower of cost and net realisable value on a weighted average basis. Cost comprises direct materials and delivery costs, import duties and other taxes. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Culture libraries
Costs associated with the acquisition of culture libraries are expensed in the period in which they are incurred.

1.5 PROPERTY, PLANT AND EQUIPMENT

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line or diminishing value basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

- Leasehold improvements 3-15 years
- Plant and equipment 3-13 years
- Office furniture and equipment 3-10 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

FOR THE YEAR ENDED 30 JUNE 2019

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.6 IMPAIRMENT OF NON-FINANCIAL ASSETS

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

1.7 LEASING

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight line basis over the term of the lease.

1.8 PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.9 EMPLOYEE BENEFITS

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits
The liability for long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Share-based payments
Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Liabilities recognised in respect of long-term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.10 REVENUE RECOGNITION

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Sale of nutraceuticals
Sale of goods revenue is recognised at the point of sale, which is at the time when the customer's orders are despatched. Amounts disclosed as revenue are net of sales returns and trade discounts.

Discounts, promotional and other rebates
The sale of goods revenue is net of any discounts, rebates and any contributions to customers towards promotional activities.

R&D refundable tax offset
Tax refundable tax offset is recognised when there is reasonable assurance that the incentive will be received and all attached conditions will be complied with.

Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

R&D contract revenue
R&D contract revenue is recognised by reference to the stage of the contracts. Stage of completion is measured by reference to milestones achieved as per the contract. Where the milestones are not clarified as per the contract, revenue is recognised based on other indications as per the contract.

1.11 FOREIGN CURRENCIES

1.11.1 Individual Controlled Entities

The individual Financial Statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated Financial Statements, the financial results and financial position of each Group entity are expressed in Australian Dollars ('$'), which is the functional currency of Medlab Clinical Limited, and the presentation currency for the consolidated Financial Statements.

1.11.2 Foreign Currency Transactions

In preparing the Financial Statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

1.11.3 Foreign Operations

The financial results and position of foreign operations, whose functional currency is different from the Group's presentation currency, are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- Income and expenses are translated at average exchange rates for the period where the average rate approximates the rate at the date of the transaction; and
- Retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the statement of profit or loss and other comprehensive income in the period.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

FOR THE YEAR ENDED 30 JUNE 2019

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.12 GOODS AND SERVICE TAX

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the consolidated Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

1.13 TAXATION

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The Company and its wholly owned Australian resident entities are part of a tax consolidated group. As a consequence, all members of the tax-consolidated group are taxed as a single entity. The head entity within the tax consolidated group is Medlab Clinical Limited.

1.14 ISSUED CAPITAL

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

1.15 EXPENSES

Research and development
Research and development costs are expensed in the period in which they are incurred.

Patents and trademarks
Costs associated with patents and trademarks are expensed in the period in which they are incurred.

Website development costs
Costs associated with website development are expensed in the period in which they are incurred.

1.16 TRADE AND OTHER RECEIVABLES

Trade receivables are initially recognised at original invoice amount, less any allowance for expected credit losses.
Trade receivables are generally due for settlement within 60 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expect loss allowance. To measure the expected credit losses, consideration is given to days overdue, financial difficulties of the debtor and default payments.

FOR THE YEAR ENDED 30 JUNE 2019

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.17 TRADE AND OTHER PAYABLES

Liabilities for trade creditors are carried at cost which is the fair value of the consideration to be paid in the future for goods or services received, whether or not billed to the Group at balance date. The amounts are unsecured and are usually paid within 30 days of recognition.

1.18 BORROWINGS

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs.

1.19 EARNINGS PER SHARE

Basic earnings per share
Basic earnings per share is calculated by dividing the profit or loss attributable to the owners of Medlab Clinical Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

1.20 OPERATING SEGMENTS

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

NEW, REVISED OR AMENDING ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED

The consolidated entity has not elected to adopt any accounting standards or amendments to standards or interpretations issued prior to the date of this report where application is not mandatory for the year ended 30 June 2019.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

APPLICATION OF NEW AND REVISED STANDARDS

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

AASB 9 Financial Instruments
The consolidated entity has adopted AASB 9 from 1 July 2018 which has new requirements for the classification and measurement of financial assets and liabilities. AASB 9 impacts the way the consolidated entity calculates the allowance for expected credit losses (previously the provision for doubtful debts). The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expect loss allowance. To measure the expected credit losses, consideration is given to days overdue, financial difficulties of the debtor and default payments.

AASB 15 Revenue from Contracts with Customers
The consolidated entity has adopted AASB 15 from 1 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The application of AASB 15 has not had a significant impact on the financial position and or the financial performance of the economic entity.

AASB 16 Leases
This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity will adopt this standard from 1 July 2019. If adopted at year end, it would have the effect of recognising a right-of-use asset of approximately $2,898,465 and lease liability of approximately $2,667,632 with respect to premise lease the Consolidated entity has entered into. For the first year of adoption the Profit and Loss would see lease expenses of $613,500 replaced with depreciation of $647,700 and interest expense of $102,500 . The net impact of the new standard would be to reduce profits by $136,700.

FOR THE YEAR ENDED 30 JUNE 2019

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Allowance for expected credit losses
The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

Estimation of useful lives of assets
The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Provision for impairment of inventories
The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

Employee benefits provision
As discussed in Note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Lease make good provision
A provision has been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss.

R&D tax incentive
The R&D tax incentive is recognised when there is reasonable assurance that the incentive will be received and all attached conditions will be complied with.

Promotional and other rebates
Recognition of rebate accruals at balance date requires management to exercise significant judgement with respect to the amount of required accruals which are based on customers' sales volumes for the period as well as other contributions towards the promotional activities of customers.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

NOTE 2 – PARENT INFORMATION

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards.

	2019 $	2018 $
STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME		
Loss after tax	**(868,548)**	(146,294)
Total comprehensive loss	**(868,548)**	(146,294)

	2019 $	2018 $
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Current assets	**12,991,815**	21,091,671
Non-current assets		
- Investments in subsidiaries	**2,252,374**	2,252,374
- Loans to subsidiaries	**27,041,685**	17,046,670
- Property, plant and equipment	**5,722**	11,621
TOTAL ASSETS	**42,291,596**	**40,402,336**
LIABILITIES		
Current liabilities	**639,106**	339,199
TOTAL LIABILITIES	**639,106**	**339,199**
EQUITY		
Issued capital	**41,621,321**	39,163,421
Retained earnings	**31,169**	899,716
TOTAL EQUITY	**41,652,490**	**40,063,137**

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2019.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in Note 1.

NOTE 3 – REVENUE

	2019 $	2018 $
Sales revenue:		
- Sale of goods (net discounts)	**6,074,834**	4,133,612
- Promotional costs and other rebates	**(711,153)**	-
	5,363,681	4,133,612
- Rendering of R&D services & consultation	**68,295**	5,843
	5,431,976	4,139,455
Other revenue:		
- Interest received	**336,467**	163,941
- R&D tax incentive	**2,027,076**	1,243,000
- Government grants	**92,952**	-
- Other income	**198,289**	-
	2,654,784	1,406,941
Total revenue	**8,086,760**	**5,546,396**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

NOTE 4 – OTHER EXPENSES

	2019 $	2018 $
Other expenses includes the following specific expenses:		
Insurance	**195,776**	167,663
Educational and compliance	**159,607**	96,972
Lab Consumables	**82,992**	69,512
R&D/trial costs	**1,026,085**	284,425
Software licences	**114,526**	66,141
Telephone and internet	**123,320**	86,434
Travel	**384,577**	268,371

NOTE 5 – INCOME TAX EXPENSES

	2019 $	2018 $
The prima facie tax on the (loss) from ordinary activities before income tax is reconciled to the income tax as follows:		
Prima facie tax payable on (loss) from ordinary activities before income tax at 27.5%	**(2,247,876)**	(1,308,505)
Add tax effect of:		
- non-deductible R&D expense	**1,327,447**	801,600
- entertainment	**26,338**	17,857
Less: tax effect of:		
- Tax effect of different company tax rate in USA 21% (FY18: 35%)	**34,273**	(15,613)
- R&D incentive receivable	**(557,446)**	(341,825)
Future income tax benefit not recognised	**1,417,264**	846,486
	-	-

The economic entity has separate tax entities within Australia, the UK and the United States. All tax jurisdictions have tax losses, which are not recognised in their books at 30 June 2019. The unused tax losses held in the Australian group companies as at 30 June 2019 are $13,029,347, $2,251,474 (USD) was held in the US companies and a further $10,559 (GBP) was held in the UK company. The tax losses are available for offset against future taxable profits of the companies in which losses arose within each tax jurisdiction subject to certain conditions being met.

The Directors have not brought to account a deferred tax asset to recognise the potential tax benefit of these tax losses as any benefit will only be obtained if:

- The economic entity meets the conditions for deductibility imposed by tax legislation in relation to the same business test and continuity of ownership laws;
- The economic entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from deductions for the losses to be realised; and
- No changes in tax legislation occur in future years that would adversely affect the economic entity in realising the benefit from the deductions for the losses (in the event they qualify to be utilised by the economic entity).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

NOTE 6 – CASH AND CASH EQUIVALENTS

	2019 $	2018 $
Cash at bank and on hand	**3,441,975**	2,332,694
Cash on deposit	**8,000,000**	18,000,000
Total cash and cash equivalents	**11,441,975**	**20,332,694**
Reconciliation of cash flow from operations with loss from ordinary activities after income tax		
Loss after income tax	**(8,174,096)**	(4,758,201)
Non-cash flows in profit		
Foreign exchange gains and losses	**8,992**	(28,359)
Depreciation and amortisation	**147,490**	112,355
Changes in assets and liabilities		
- (Increase)/decrease in receivables	**(1,757,886)**	(355,082)
- (Increase)/decrease in prepayments	**(1,353,998)**	(33,423)
- Increase/(decrease) in provisions	**11,667**	10,000
- (Increase)/decrease in inventories	**(1,053,918)**	(402,976)
- Increase/(decrease) in employee benefits	**170,301**	84,308
- Increase/(decrease) payables	**1,684,871**	596,012
Cash flows from operations	**(10,316,577)**	**(4,775,366)**

NOTE 7 – TRADE AND OTHER RECEIVABLES

	2019 $	2018 $
Current		
Trade receivables	**1,824,272**	791,796
Less: Allowance for expected credit loss	**(25,000)**	(25,000)
	1,799,272	766,796
Other receivables	**2,014,486**	1,289,076
Total current receivables	**3,813,758**	**2,055,872**

Past due but not impaired
Customers with balances past due but without provision for impairment of receivables amount to $58,906.

The consolidated entity did not consider a credit risk on the aggregate balances after reviewing the credit terms of customers based on recent collection practices.

The ageing of the past due but not impaired receivables are as follows

	2019 $	2018 $
1 to 2 months overdue	**29,484**	130,456
3 to 6 months overdue	**29,422**	88,305
Over 6 months overdue	**-**	-
	58,906	**218,761**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

NOTE 7 – TRADE AND OTHER RECEIVABLES (CONTINUED)

Impairment of receivables
The consolidated entity has recognised a loss of $Nil (2018: 25,000) in profit or loss in respect of impairment of receivables for the year ended 30 June 2019.

The ageing of the impaired receivables provided for above are as follows:

	2019 $	2018 $
1 to 2 months overdue	-	-
3 to 6 months overdue	**25,000**	25,000
Over 6 months overdue	-	-
	25,000	25,000

Movements in the provision for impairment of receivables as follows:

	2019 $	2018 $
Opening balance	**25,000**	20,983
Additional provisions recognised	**63,860**	5,559
Receivables written off during the year as uncollectable	**(63,860)**	(1,542)
	25,000	**25,000**

NOTE 8 – INVENTORIES

	2019 $	2018 $
Current		
Raw materials	**385,183**	319,947
Finished goods	**1,902,770**	879,088
	2,287,953	1,199,035
Less: Provision for obsolescence	**(70,000)**	(35,000)
Total inventories	**2,217,953**	**1,164,035**

NOTE 9 – OTHER ASSETS

	2019 $	2018 $
Current		
Prepayments	**1,616,143**	262,145
Total current other assets	**1,616,143**	**262,145**
Non Current		
Security bonds and guarantees	**482,845**	74,452
Total non current other assets	**482,845**	**74,452**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

NOTE 10 – PROPERTY, PLANT AND EQUIPMENT

	2019 $	2018 $
Plant and equipment – cost	**547,349**	542,892
Less accumulated depreciation	**(303,062)**	(249,051)
	244,287	293,841
Leasehold improvements - cost	**312,391**	158,951
Less accumulated amortisation	**(101,214)**	(80,195)
	211,177	78,756
Office furniture & equipment – cost	**489,644**	304,185
Less accumulated depreciation	**(313,405)**	(239,008)
	176,239	65,177
Total property, plant and equipment	**631,703**	**437,774**

(a) Movements in carrying amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Plant & Equipment $	Office Furniture & Equipment $	Leasehold Improvements $	Total $
Consolidated Group:				
Balance at 1 July 2017	319,443	66,871	66,658	452,972
Additions	27,923	39,967	28,587	96,477
Disposals	-	-	-	-
Depreciation expense	(53,557)	(42,309)	-	(95,866)
Amortisation expense	-	-	(16,489)	(16,489)
Foreign currency translation	32	648	-	680
Carrying amount at 30 June 2018	**293,841**	**65,177**	**78,756**	**437,774**

	Plant & Equipment $	Office Furniture & Equipment $	Leasehold Improvements $	Total $
Consolidated Group:				
Balance at 1 July 2018	293,841	65,177	78,756	437,774
Additions	4,380	182,503	153,440	340,323
Disposals	-	-	-	-
Depreciation expense	(53,983)	(72,488)	-	(126,471)
Amortisation expense	-	-	(21,019)	(21,019)
Foreign currency translation	49	1,047	-	1,096
Carrying amount at 30 June 2019	**244,287**	**176,239**	**211,177**	**631,703**

NOTE 11 – TRADE AND OTHER PAYABLES

	2019 $	2018 $
Current		
Unsecured liabilities:		
Trade payables	**2,549,418**	990,929
Accrued expenses	**991,349**	415,472
Sundry payables	**81,425**	182,117
	3,622,192	1,588,518

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

NOTE 12 – EMPLOYEE BENEFITS

	2019 $	2018 $
Current		
Provision for annual leave	**389,319**	261,570
	389,319	**261,570**
Non Current		
Provision for long service leave	**103,670**	61,118
	103,670	**61,118**

The provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances.

NOTE 13 – BORROWINGS

	2019 $	2018 $
Current		
Debtor finance facility (a)	**929,535**	464,597
Insurance funding facility (b)	**42,441**	35,106
Total current borrowings	**971,976**	**499,703**

(a) A debtor finance facility was established with Scottish Pacific Business Finance. The facility is over a 24-month term with a discount charge of 8.04% and is for $2m.
(b) An insurance premium funding facility was established with Hunter Premium. The facility is over a 12-month term with an interest rate of 7.56%

Reconciliation of borrowings balance arising from financing activities	Opening Balance $	Cash Inflow $	Cash Outflow $	Non-Cash $	Closing Balance $
2018					
Debtor finance facility	**-**	2,335,111	(1,870,514)		464,597
Insurance funding facility	**32,267**	154,889	(152,050)		35,106
Loan from director	**264,454**		(264,454)		-
	296,721	**2,490,000**	**(2,287,018)**		**499,703**
2019					
Debtor finance facility	**464,597**	5,952,000	(5,487,062)		929,535
Insurance funding facility	**35,106**	169,309	(161,974)		42,441
	499,703	**6,121,309**	**(5,649,036)**		**971,976**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

NOTE 14 – PROVISIONS

	2019 $	2018 $
Non-Current		
Provision for lease make-good	**69,167**	57,500
Total non-current provisions	**69,167**	**57,500**

Lease make good
The provision represents the present value of the estimated costs to make good the premises leased by the consolidated entity at the end of the respective lease terms.

Movements in provisions
Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

	Lease Make Good $
Carrying amount at the start of the year	57,500
Additional provisions recognised	11,667
Carrying amount at the end of the year	**69,167**

NOTE 15 – OTHER LIABILITIES

	2019 $	2018 $
Non Current		
Deferred lease liability	**55,401**	-
	55,401	-

NOTE 16 – ISSUED CAPITAL

	2019 Number	2018 Number	2019 $	2018 $
Ordinary shares – fully paid	**211,021,667**	208,021,667	**41,621,320**	39,163,420
	211,021,667	208,021,667	**41,621,320**	39,163,420

Movements in ordinary share capital

Details	Date	No. of Shares	Issue Price $	Total $
Balance	30 June 2018	208,021,667		39,163,420
Issue of shares – NCI (note 30)	8 March 2019	3,000,000	0.385	1,155,000
Exercise of options – proceeds*	30 June 2019	-		1,302,900
Share issue costs, net of tax		-		-
Balance	**30 June 2019**	**211,021,667**		**41,621,320**

- Proceeds were received for the conversion of 4,343,000 unlisted options at 30c per option but the shares were only issued on 1 July 2019.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

FOR THE YEAR ENDED 30 JUNE 2019

NOTE 16 – ISSUED CAPITAL (CONTINUED)

Capital risk management
The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies. The consolidated entity would also look to raise capital if there is a need for additional funds for strategic (whether nutraceutical or R&D) or working capital requirements.

NOTE 17 – RESERVES

Foreign Currency Translation Reserve: The foreign currency translation reserve records exchange differences arising on translation of overseas controlled subsidiaries in the United States and United Kingdom.

	2019 $	2018 $
Reserves		
Foreign currency translation reserve	**71,975**	68,804
	71,975	**68,804**

Movements in reserves
Movements in each class of reserve during the current and previous financial year are set out below:

	Foreign Currency
Consolidated	
Balance at 30 June 2017	68,040
Foreign currency translation	764
Balance at 30 June 2018	**68,804**
Foreign currency translation	3,171
Balance at 30 June 2019	**71,975**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

NOTE 18 – SHARE-BASED PAYMENTS

No share options were granted during the financial year. Set out below is the summary of the options:

2019 Grant Date	Expiry Date	Grant Price	Exercise Price	Balance at start of year	Granted	Exercised	Forfeited/ Expired/ Other	Balance at end of year
17/04/2014	30/06/2019	Nil	$0.30	7,350,000	-	-	-	7,350,000
10/07/2015	30/6/2020	Nil	$0.30	1,541,725	-	-	-	1,541,725
2/11/2015	30/06/2019	Nil	$0.30	1,000,000	-	-	-	1,000,000
				9,891,725	-	-	-	9,891,725

2018 Grant Date	Expiry Date	Grant Price	Exercise Price	Balance at start of year	Granted	Exercised	Forfeited/ Expired/ Other	Balance at end of year
17/04/2014	30/06/2019	Nil	$0.30	10,000,000	-	2,650,000	-	7,350,000
10/07/2015	30/6/2020	Nil	$0.30	1,541,725	-	-	-	1,541,725
2/11/2015	30/06/2019	Nil	$0.30	1,000,000	-	-	-	1,000,000
				12,541,725	-	2,650,000	-	9,891,725

An employee share option plan has been established by the consolidated entity and approved by shareholders at a general meeting, whereby the consolidated entity may, at the discretion of the board of Directors, grant options over ordinary shares in the company to certain staff of the consolidated entity. The options are issued for nil consideration and are granted in accordance with performance guidelines established by the Nomination and Remuneration Committee. No options have been issued under this employee share option plan as of the date of this financial report.

Of the 8,350,000 options expiring on 30 June 2019, 4,343,000 options were exercised and converted into ordinary shares on 1 July 2019 and the balance of 4,007,000 expired and lapsed.

NOTE 19 – EVENTS SUBSEQUENT TO BALANCE DATE

No matters or circumstances have arisen since 30 June 2019 which significantly affected or may significantly affect the operations of the consolidated group, the results of those operations, or the state of affairs of the consolidated group in future financial years other than the issue of 4,343,000 ordinary shares as a result of the exercise of 30c unlisted options on 1 July 2019.

NOTE 20 – COMMITMENTS

Operating Lease Commitments	2019 $	2018 $
Payable:		
- not later than 12 months	**632,273**	323,182
- between 12 months and five years	**2,328,952**	581,671
Total operating lease commitments	**2,961,225**	**904,853**

Operating lease commitments includes contracted amounts for business premises and equipment leases under non-cancellable operating leases expiring within one to 5 years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

NOTE 21 – AUDITORS REMUNERATION

	2019 $	2018 $
- audit and review of financial report	**39,700**	38,500
- other services	**1,000**	2,000
	40,700	**40,500**

During the financial year the following fees were paid or payable for services provided by ESV Accounting and Business Advisors, the auditor of the company, its network firms and unrelated firms:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

NOTE 22 – CONTINGENT LIABILITIES

The Company has given bank guarantees as at 30 June 2019 of $482,845 towards the rental bond and credit cards.

NOTE 23 – INTERESTS IN SUBSIDIARIES

Name	Principal Place of Business/Country of Incorporation	Ownership Interest 2019	Ownership Interest 2018
Medlab Pty Ltd	Australia	100%	100%
Medlab Clinical US Inc	United States of America	100%	60%
Medlab IP Pty Ltd	Australia	100%	100%
Medlab Research Pty Ltd	Australia	100%	100%
Medlab Nutraceuticals Inc	United States of America	60%	60%
Medlab Research Ltd	United Kingdom	100%	100%

NOTE 24 – FINANCIAL INSTRUMENTS

Financial risk management objectives
The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of foreign exchange and other price risks, ageing analysis for credit risk.

Risk management is carried out by the CFO ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

Market risk
Foreign currency risk
The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions, net assets of subsidiaries and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

In order to protect against exchange rate movement, the consolidated entity has entered into forward foreign exchange contracts. These contracts are hedging highly probable forecasted cash flows for the ensuing financial year. Management has a risk policy to hedge around 50% of anticipated foreign currency transactions for the subsequent 6 to 12 months.

The maturity, settlement amounts and the average contractual exchange rates of the consolidated entity's outstanding forward foreign exchange contracts at the reporting date were as follows:

	Sell Australian dollars 2019	Sell Australian dollars 2018	Average exchange rates 2019	Average exchange rates 2018
Buy US dollars Maturity:				
3-6 months	**528,415**	-	**0.6915**	-

FOR THE YEAR ENDED 30 JUNE 2019

NOTE 24 – FINANCIAL INSTRUMENTS

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

	Assets		Liabilities	
	2019 $	2018 $	2019 $	2018 $
US dollars	111,191	116,089	-	5,050
Pounds	4,750	18,666	-	3,530
	115,941	**134,755**	**-**	**8,580**

The consolidated entity had net assets denominated in foreign currencies of $115,941 (assets of $115,941 less liabilities of $Nil) as at 30 June 2019 (2018: $126,175 (assets of $134,755 less liabilities of $8,580)). Based on this exposure, had the Australian dollar weakened by 10%/strengthened by 5% (2018: weakened by 5%/strengthened by 5%) against these foreign currencies with all other variables held constant, the consolidated entity's profit before tax for the year would have been $18,000 lower/$7,000 higher (2018: $6,000 lower/$6,000 higher). The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 6 months each year and the spot rate at each reporting date. The actual foreign exchange loss for the year ended 30 June 2019 was $13,000 (2018: gain of $28,000).

Price risk
The consolidated entity is not exposed to any significant price risk.

NOTE 24 – FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

The consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available.

The consolidated entity has a credit risk exposure with two major Australian retailers, which as at 30 June 2019 owed the consolidated entity $1,302,416 (74% of trade receivables) (2018: $Nil)). This balance was within its terms of trade and no impairment was made as at 30 June 2019. There are no guarantees against this receivable but management closely monitors the receivable balance on a monthly basis and is in regular contact with this customer to mitigate risk

Liquidity risk

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available debtors facility by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities. In addition the consolidated entity maintains a $2m debtors facility that assists with cash flow management.

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2019	Weighted average interest rate %	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
Non-derivatives						
Non-interest bearing						
Trade payables	-%	2,549,418	-	-	-	2,549,418
Other payables	-%	1,072,774	-	-	-	1,072,774
Interest-bearing - fixed rate						
Borrowings	8.04%	971,976	-	-	-	971,976
Total non-derivatives		**4,594,168**	**-**	**-**	**-**	**4,594,168**

Consolidated - 2018	Weighted average interest rate %	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
Non-derivatives						
Non-interest bearing						
Trade payables	-%	990,929	-	-	-	990,929
Other payables	-%	597,589	-	-	-	597,589
Interest-bearing - fixed rate						
Borrowings	8.04%	499,703	-	-	-	499,703
Total non-derivatives		**2,088,221**	**-**	**-**	**-**	**2,088,221**

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

NOTE 25 – ACCUMULATED LOSSES

	2019 $	2018 $
Accumulated losses at the beginning of the year	**16,353,301**	11,782,906
Loss for the year	**8,090,937**	4,570,395
Acquisition of non-controlling interest	**2,199,343**	-
Accumulated losses at the end of the year	**26,643,581**	**16,353,301**

NOTE 26 – KEY MANAGEMENT PERSONNEL DISCLOSURES

Compensation
The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	2019 $	2018 $
Short-term employee benefits	**1,478,351**	1,086,569
Post-employment benefits	**120,450**	88,211
	1,598,801	**1,174,780**

NOTE 27 – RELATED PARTY TRANSACTIONS

Parent entity
Medlab Clinical Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 23.

Key management personnel
Disclosures relating to key management personnel are set out in note 26 and the remuneration report in the directors' report.

Transactions with related parties
The following transactions occurred with related parties:

	2019 $	2018 $
Payment for goods and services:		
Payment for taxation services from Hall Chadwick		
(director-related entity of Drew Townsend)	**28,846**	23,400
Payment for employee benefits (related party to Sean Hall)	**67,136**	112,520
Receivable from and payable to related parties		
The following balances are outstanding at the reporting date in relation		
to transactions with related parties:		
Trade payable to Hall Chadwick (director-related entity of Drew Townsend)	**-**	-
Loans to/from related parties:		
Loan repayment to Sean Hall	**-**	**268,401**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

NOTE 28 – EARNINGS PER SHARE

	2019 $	2018 $
Loss for the year	**8,174,096**	4,758,201
Non-controlling interest	**(83,159)**	(187,806)
Loss attributable to the owners of Medlab Clinical Limited	**8,090,937**	4,570,395
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	**208,961,227**	191,266,081
Adjustments for calculation of diluted earnings per share:		
- Options over ordinary shares	**2,671,768**	5,590,975
Weighted average number of ordinary shares used in calculating diluted earnings per share	**211,632,995**	196,857,056
	Cents	Cents
Basic earnings per share	**(4.23)**	(2.39)
Diluted earnings per share	**(3.82)**	(2.32)

Note: As a result of exercise of unlisted options, 4,343,000 ordinary shares were issued on 1 July 2019. If this share were issued on 30 June 2019, there would have been no impact on the basic earnings per share, however the revised diluted earnings per share would be ($3.86).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

NOTE 29 – SEGMENT REPORTING

Identification of reportable operating segments
The consolidated entity is organised into two operating segments based on pharmaceutical research and nutraceutical sales. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on a monthly basis.

Operating segment information

Consolidated 2019	Nutraceutical $	Pharmaceutical Research $	Corporate / Other $	Total $
Revenue				
Sales to external customers				
(net of discount)	5,793,356	281,478	-	6,074,834
Promotional costs	(711,153)	-	-	(711,153)
Rendering of R&D services & consultation	-	68,295	-	68,295
Intersegment sales	-	-	-	-
Total sales revenue	5,082,203	349,773	-	5.431,976
Other revenue	-	2,318,317	336,467	2,654,784
Total segment revenue	5,082,203	2,668,090	336,467	8,086,760
Intersegment eliminations				
Total revenue				**8,086,760**
EBITDA	**(5,313,763)**	**(2,550,790)**	**(82,281)**	**(7,946,834)**
Assets				
Segment assets	5,746,017	2,519,935	11,938,425	20,204,377
Intersegment eliminations				-
Total assets				**20,204,377**
Liabilities				
Segment liabilities	3,225,898	1,025,051	960,776	5,211,725
Intersegment eliminations				-
Total liabilities				**5,211,725**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

NOTE 29 – SEGMENT REPORTING (CONTINUED)

Consolidated 2018	Nutraceutical $	Pharmaceutical Research $	Corporate / Other $	Total $
Revenue				
Sales to external customers	4,133,612	-	-	4,133,612
Intersegment sales	-	-	-	-
Total sales revenue	4,133,612	-	-	4,133,612
Other revenue	-	1,248,843	163,941	1,412,784
Total segment revenue	4,133,612	1,248,843	163,941	5,546,396
Intersegment eliminations				-
Total revenue				**5,546,396**
EBITDA	**(2,137,164)**	**(2,176,544)**	**(277,182)**	**(4,590,890)**
Assets				
Segment assets	2,255,814	1,640,690	20,430,468	24,326,972
Intersegment eliminations				-
Total assets				**24,326,972**
Liabilities				
Segment liabilities	1,328,593	648,161	491,655	2,468,409
Intersegment eliminations				-
Total liabilities				**2,468,409**

NOTE 30 – ACQUISTION OF NON-CONTROLLING INTEREST IN SUBSIDIARY

Pursuant to the terms of the Share Purchase Agreement executed on 16 September 2018, the Company acquired the remaining 40% shareholding in Medlab Clinical US Inc by issuing 3,000,000 ordinary shares in Medlab Clinical Limited on 8 March 2019.

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 22 to 50;
   a. Comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
   b. Comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements; and
   c. Give a true and fair view of the company's financial position as at 30 June 2019 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements.

2. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Board of Directors:

S Hall
Director

D Townsend
Director

Dated this 30th day of August 2019

ESV

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MEDLAB CLINICAL LIMITED AND CONTROLLED ENTITIES

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Medlab Clinical Limited (the Company) and its controlled entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Liability limited by a scheme approved under Professional Standards Legislation.

Key Audit Matter	How the scope of our audit responded to the key audit matter
Revenue Recognition For the year ended 30 June 2019 the Group has recognised net sales revenue of $5,363,681 from the sale of Neutraceutical products. We determined revenue recognition to be a key audit matter due to the following: With the development of new products and agreements with large distributors to supply to major retailers', revenue is growing and has become significant to the Group. The contractual terms of sale of Neutraceutical products including discounts and rebates vary between each distributor.	**Our procedures included but were not limited to:** • On a sample basis, agreeing sales transactions to supporting documentation including invoices, proof of delivery documents and bank statements to assess the existence and accuracy of the recorded sales revenue. • Review of agreements with distributors to ensure recording of rebates and discounts are in accordance with the terms and conditions as per the agreement and the revenue recognition criteria required by AASB 15 Revenue. • Reviewing sales transactions occurring near the reporting date to ensure that revenue had been recognised in the correct period. • Performing testing over journal entries to identify any management override and adjustments impacting sales revenue. We have also assessed the appropriateness of the revenue recognition policy in Note 1.10 and the adequacy of the net sales disclosures contained in Note 29 - Segment Reporting

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report, Chairman's letter, CEO report included in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities for the Financial Report

The directors are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf . This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 19 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Medlab Clinical Limited, for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Dated at Sydney the 30th day of August 2019

ESV

ESV Accounting and Business Advisors

Tim Valtwies

Tim Valtwies
Partner

SHAREHOLDER INFORMATION

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 15 August 2019.

Distribution of equitable securities
Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares
1 to 1,000	859
1,001 to 5,000	1,926
5,001 to 10,000	640
10,001 to 100,000	939
100,001 and over	126
	4,490

Equity security holders

Top 20 quoted equity security holders
The holders of the Top 20 security holders of equity securities are listed below:

	Ordinary Shares	
	Number Held	% of total shares issued
SEAN MICHAEL HALL	57,925,555	26.90
FARJOY PTY LTD	23,979,322	11.13
FIT INVESTMENTS PTY LTD <HALLAB INVESTMENT A/C>	12,334,445	5.73
REALM GROUP PTY LTD	10,500,000	4.88
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	7,131,022	3.31
RICHARD ALBARRAN <ALBARRAN FAMILY NO 2 A/C>	5,555,553	2.58
UNITED TROLLEY COLLECTIONS P/L	4,945,500	2.30
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	4,377,106	2.03
ROLAY PTY LTD	3,750,000	1.74
MR MICHAEL JACK HALL + MRS ELIZABETH ANN JONES		
<HALL JONES SUPER FUND A/C>	3,641,645	1.69
VILLAMAGNA INC	3,000,000	1.39
ACRON HOLDINGS PTY LIMITED <ACRON SUPER FUND A/C>	2,920,000	1.36
D J FAIRFULL PTY LTD <FAIRFULL SUPER FUND A/C>	2,480,967	1.15
CITICORP NOMINEES PTY LIMITED	2,417,856	1.12
ROLAY PTY LIMITED	1,805,553	0.84
LEGEND DEVELOPMENTS PTY LTD <A&D DWORKIN FAMILY A/C>	1,761,111	0.82
BNP PARIBAS NOMINEES PTY LTD	1,555,595	0.72
L & S INVESTMENTS (AUST) PTY LTD <L&S SUPERANNUATION FUND A/C>	1,111,110	0.52
MS HANG THU THI NGUYEN	1,072,121	0.50
WASHINGTON H SOUL PATTINSON AND COMPANY LIMITED	1,008,560	0.47
	153,273,021	**71.17**

Unquoted equity securities

	Number Held	Number of holders
Options over ordinary shares issued:	1,541,725	1

Substantial Shareholders

	Ordinary Shares	
	Number Held	% of total shares issued
SEAN MICHAEL HALL	57,925,555	26.90
FARJOY PTY LTD	23,979,322	11.13
FIT INVESTMENTS PTY LTD <HALLAB INVESTMENT A/C>	12,334,445	5.73

CORPORATE DIRECTORY

Directors:	Michael Hall Sean Hall Drew Townsend
Company Secretary:	Alan Dworkin
Notice of Annual General Meeting:	The details of the annual general meeting of Medlab Clinical Limited are: Hall Chadwick 40/2 Park Street Sydney NSW 2000 10:00am on Friday 1 November 2019
Registered Office:	66 McCauley Street Alexandria NSW 2015
Principal Place of Business:	66 McCauley Street Alexandria NSW 2015
Share Registry:	Advanced Share Registry 110 Stirling Highway Nedlands WA 6009
Auditors:	ESV Accounting and Business Advisors Level 18 City Centre 55 Market Street Sydney NSW 2000
Solicitors:	DWF Australia Level 18 363 George Street Sydney NSW 2000
Patent Attorneys:	Davies Collison Cave 255 Elizabeth Street Sydney NSW 2000
Bank:	Commonwealth Bank Australia Limited
Securities Exchange Listing:	Medlab Clinical Limited shares are listed on the Australian Securities Exchange (ASX: MDC)
Website:	www.medlab.co
Corporate Governance Statement:	http://www.medlab.co/investor/corporate-governance

ASX: MDC

medlab

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