



medlab

MEDLAB CLINICAL LIMITED

ABN: 51 169 149 071

**HALF YEAR REPORT FOR THE PERIOD
ENDED 31 DECEMBER 2019**

CONTENTS

Directors' Report	3
Auditors Independence Declaration	6
Statement of Profit and Loss and Other Comprehensive Income	7
Statement of Financial Position	8
Statement of Changes in Equity	9
Statement of Cash Flows	10
Notes to the Financial Statements	11
Directors' Declaration	19
Independent Auditor's Report	20

DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of Medlab Clinical Limited and its controlled entities (Company, Group or consolidated entity) at the end of, or during, the half-year ended 31 December 2019.

Directors

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

Dr S.M. Hall
Mr M.J. Hall
Mr 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 entity are:

- Sale of nutraceutical products
- Pharmaceutical research

No significant changes in the nature of these activities occurred during the period.

Review of Operations

The loss of the consolidated entity after providing for income tax and non-controlling interest amounted to \$7,098,218 (2018: \$3,665,900).

At period end, the consolidated entity had total assets of \$19,174,759 and total liabilities of \$6,596,073.

During the period, the Company has made significant advances in both research and in commercial operations, in particular its pharmaceutical operations through the commercialisation of its cannabis-based medicines.

Highlights

- Sale of goods (after discount) up 34%.
- Cash collections from customers up 49%.
- Net loss increased due to value creation via accelerating the business

NanaBis™

As a general reminder, NanaBis™ is Medlab's most accelerated and promising trial using a 1:1 blend of highly purified and standardized CBD and THC in Medlab's patented delivery nanoparticle delivery platform, NanoCelle™

NanaBis™ is subject to robust regulatory models which employs robust clinical trials for a novel cancer pain drug.

Trials at Royal North Shore Hospital under Professor Stephen Clark have concluded, and all data is currently with the independent reviewer. We anticipate their report within the immediate future.

Secondary trials (the Observational Study) were announced with Ethics and Australian federal clinical trial numbers (CTN). During the soft launch phase to test several procedural facets, approximately 12% of total

trial cohort was recruited. This trial has been formally launched and will provide valuable data that supports inter drug use, dosing models, adverse and secondary effects and drug interactions.

Since mid-December 2019, Medlab's clinical team have been reviewing multiple data points and working on the design of the next controlled trial, a multi centered, blinded study for about 350 people.

The work being undertaken on NanaBis™ through these trials are important steps in the pathway to drug registration.

NRGBiotic™

Firstly, it's important to remind people the NRGBiotic™ is a nutraceutical currently available in Australian Pharmacy.

The Depression (treatment resistant) trial has recruited 120 people from some 1100 potential candidates seeking placement. It is anticipated that this trial will finish ahead of the expected 150 candidates due to a distinct trendline in the blinded data. Trial activity is expected to conclude later this year, and presently trial feedback has been encouraging.

The ultimate endpoint is the first proven probiotic with a high-level depression treatment claim.

Nutraceuticals

Since the recent launch (8 months ago) into banner pharmacy, the nutraceutical operations have now started incurring educational and promotional costs. The Company has also taken a conservative approach regarding inventory provisions.

The Company's nutraceuticals business is expanding into new revenue territories including the US, UK and Asia where we should see revenue flow over the next few months without material operating or capital expenditure. The Australian nutraceuticals business is likely to rationalise somewhat after a period of expansion with large wholesale distribution partners and focus on better performing products. Medlab will be driven by product quality, margin and not by market share.

NanoCelle™

Further work was undertaken on the NanoCelle™ platform, work typically expected to improve regulatory data, as well as new prototypes for potential future commercial requirements.

Significant Changes in the State of Affairs.

No significant changes in the consolidated entity's state of affairs occurred during the period.

After Balance Date Events

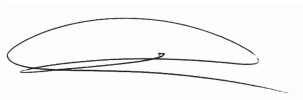
No matters or circumstances have arisen since 31 December 2019 which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Auditor's Independence Declaration

The auditor's independence declaration for the half-year ended 31 December 2019 has been received and can be found on page 6 of the financial report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the Board of Directors.

A handwritten signature in black ink, appearing to be 'S Hall', with a large loop at the end.

Dr S Hall
Director

A handwritten signature in black ink, appearing to be 'D Townsend', with a large loop at the end.

Mr D Townsend
Director

Dated this 26th day of February 2020

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 review of Medlab Clinical Limited and its Controlled Entities as at 31 December 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 review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

Dated at Sydney the 26th of February 2020

E.S.V

ESV Accounting and Business Advisors



Susan Prichard
Audit Executive

Registered Company Auditor
Auditor Number 448832

**STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

	Notes	Consolidated	
		31 December 2019 \$	31 December 2018 \$
Revenue and other income	3	2,521,294	3,079,012
Changes in inventories		610,994	(97,814)
Raw materials and consumables used		(1,978,706)	(931,798)
Employee benefits expense		(3,769,949)	(2,876,794)
Depreciation and amortisation expense		(460,284)	(67,796)
Professional and consulting fees		(479,310)	(565,206)
Finance costs		(107,750)	(34,079)
Selling & marketing expenses		(821,484)	(533,228)
Other expenses	4	(2,653,771)	(1,746,108)
Loss before income tax		(7,138,966)	(3,773,811)
Income tax expense		-	-
Net loss for the period		(7,138,966)	(3,773,811)
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Foreign currency translation		1,750	4,206
Other comprehensive gain/(loss) for the year, net of tax		1,750	4,206
Total comprehensive loss for the year		(7,137,216)	(3,769,605)
Net loss attributable to:			
Members of the parent entity		(7,098,218)	(3,665,900)
Non-controlling interest		(40,748)	(107,911)
		(7,138,966)	(3,773,811)
Total comprehensive loss attributable to:			
Members of the parent entity		(7,097,167)	(3,663,375)
Non-controlling interest		(40,049)	(106,230)
		(7,137,216)	(3,769,605)
Earnings per share			
Basic earnings per share	8	(3.28)	(1.76)
Diluted earnings per share	8	(3.28)	(1.74)

The accompanying notes form part of these financial statements

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019**

	Consolidated	
	31 December 2019 \$	30 June 2019 \$
ASSETS		
Current Assets		
Cash and cash equivalents	9,689,136	11,441,975
Trade and other receivables	1,881,098	3,813,758
Inventories	2,423,901	2,217,953
Other assets	1,461,421	1,616,143
Total Current Assets	15,455,556	19,089,829
Non-Current Assets		
Other assets	482,841	482,845
Right of use assets	5 2,584,666	-
Property, plant and equipment	651,696	631,703
Total Non-Current Assets	3,719,203	1,114,548
TOTAL ASSETS	19,174,759	20,204,377
LIABILITIES		
Current Liabilities		
Trade and other payables	2,692,254	3,622,192
Employee benefits	418,717	389,319
Lease liabilities	584,170	-
Borrowings	6 593,211	971,976
Total Current Liabilities	4,288,352	4,983,487
Non-Current Liabilities		
Employee benefits	114,888	103,670
Provisions	255,375	69,167
Lease liabilities	1,937,458	-
Other liabilities	-	55,401
Total Non-Current Liabilities	2,307,721	228,238
TOTAL LIABILITIES	6,596,073	5,211,725
NET ASSETS	12,578,686	14,992,652
EQUITY		
Issued capital	7 46,344,570	41,621,320
Reserves	73,026	71,975
Accumulated losses	(33,741,799)	(26,643,581)
Equity attributable to the owners of Medlab Clinical Limited	12,675,797	15,049,714
Outside equity interest	(97,111)	(57,062)
TOTAL EQUITY	12,578,686	14,992,652

The accompanying notes form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 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
	\$	\$	\$	\$	\$	\$
Consolidated Group Balance at 30 June 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		(3,665,900)		(3,665,900)	(107,911)	(3,773,811)
Other comprehensive income for the period, net of tax			2,525	2,525	1,681	4,206
Total comprehensive income for the period	-	(3,665,900)	2,525	(3,663,375)	(106,230)	(3,769,605)
Transactions with owners in their capacity as owners: Shares issued (net)	-			-		-
Balance at 31 December 2018	39,163,420	(20,019,201)	71,329	19,215,548	(1,126,590)	18,088,958
	Issued Capital	Accumulated Losses Attributable to members of the parent company	Reserves	Attributable to owners of the parent	Non- Controlling Interests	Total
	\$	\$	\$	\$	\$	\$
Consolidated Group Balance at 30 June 2019	41,621,320	(26,643,581)	71,975	15,049,714	(57,062)	14,992,652
Loss after income tax for the period		(7,098,218)		(7,098,218)	(40,748)	(7,138,966)
Other comprehensive income for the period, net of tax			1,051	1,051	699	1,750
Total comprehensive income for the period	-	(7,098,218)	1,051	(7,097,1667)	(40,049)	(7,137,216)
Transactions with owners in their capacity as owners: Shares issued (net)	4,723,250			4,723,250		4,723,250
Balance at 31 December 2019	46,344,570	(33,741,799)	73,026	12,675,797	(97,111)	12,578,686

The accompanying notes form part of these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

	Consolidated	
	31 December 2019 \$	31 December 2018 \$
Cash Flows from Operating Activities		
Receipts from customers	3,703,354	2,488,775
Receipts from government grants and R&D tax incentive	2,099,779	1,387,832
Payments to suppliers and employees	(10,980,423)	(7,685,657)
Finance costs	(107,750)	(34,079)
Interest received	55,298	150,360
Net (used) from operating activities	(5,229,742)	(3,692,769)
Cash flows from Investing Activities		
Purchase of plant and equipment	(143,287)	(40,671)
Net cash (used in) investing activities	(143,287)	(40,671)
Cash flows from Financing Activities		
Proceeds from borrowings	2,584,000	1,852,000
Repayment of borrowings	(3,327,617)	(2,323,328)
Repayment of lease liabilities	(330,558)	-
Proceeds from issue of shares	5,000,000	-
Share issue transaction costs	(275,000)	-
Net cash from financing activities	3,650,825	(471,328)
Net increase in cash held	(1,722,204)	(4,204,768)
Cash and cash equivalents at beginning of financial year	11,441,975	20,332,694
Exchange rate adjustments	(30,635)	(11,736)
Cash and cash equivalents at end of the financial half-year	9,689,136	16,116,190

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

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

The Registered Office and primary laboratory of the Parent Company is:
66 McCauley Street
Alexandria NSW 2015

The Corporate Office is:
Unit 5
11 Lord Street
Botany NSW 2019

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only.

The Financial Statements were authorised for issue by the Directors on 26 February 2020.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

These general-purpose financial statements for the interim half-year reporting period ended 31 December 2019 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general-purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

(a) New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 16 Leases

The consolidated entity has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (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 improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities.

Impact of adoption

AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The impact of adoption on opening retained profits as at 1 July 2019 was as follows:

Reconciliation of Lease Liabilities and Right of Use Asset as at 1 July 2019

	1 July 2019
Operating lease obligations as of 1 July 2019 (gross, without discounting)	3,081,114
Lease term	5 years
Reasonably certain extension or termination options	nil
Incremental borrowing rate	4.30%
Lease liabilities due to initial application of AASB 16 as of 1 July 2019	2,799,025
Make good provision	180,786
Straight-lining adjustment as at 1 July 2019	(55,401)
Right of Use Asset due to initial application of AASB 16 as of 1 July 2019	2,924,410

Reconciliation of Lease Liabilities and Right of Use Asset as at 31 December 2019

	31 December 2019
Interest expense	56,552
Depreciation expense	336,977
Right of Use Asset	2,584,666
 Lease liabilities - current	 584,170
Lease liabilities - non current	1,937,458

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

NOTE 2 – 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

	Nutraceutical \$	Pharmaceutical Research \$	Corporate/ Other \$	Total \$
Consolidated 2019				
Revenue				
Sales to external customers (net of discount)	2,359,778	367,784	-	2,727,562
Provision for sale returns	(300,000)	-	-	(300,000)
Promotional costs and rebates	(1,106,614)	-	-	(1,106,614)
Intersegment sales				-
Total sales revenue	953,164	367,784	-	1,320,948
Other revenue	-	1,150,988	49,348	1,200,346
Total segment revenue	953,164	1,518,772	49,348	2,521,294
Intersegment eliminations				-
Total revenue				2,521,294
EBITDA	(4,391,889)	(1,757,294)	(421,749)	(6,570,932)
Depreciation				(460,284)
Finance costs				(107,750)
				(7,138,966)
Assets				
Segment assets	5,983,636	2,780,945	10,410,178	19,174,759
Intersegment eliminations				-
Total assets				19,174,759
Liabilities				
Segment liabilities	3,389,931	2,601,608	604,533	6,596,072
Intersegment eliminations				-
Total liabilities				6,596,072

AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. Therefore, the current and comparisons are not directly comparable.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

NOTE 2 – SEGMENT REPORTING (CONTINUED)

	Nutraceutical \$	Pharmaceutical Research \$	Corporate/ Other \$	Total \$
Consolidated 2018				
Revenue				
Sales to external customers	1,929,408	157,947	-	2,087,355
Intersegment sales				-
Total sales revenue	1,929,408	157,947	-	2,087,355
Other revenue	56,219	732,078	203,360	991,657
Total segment revenue	1,985,627	890,025	203,360	3,079,012
Intersegment eliminations				-
Total revenue				3,079,012
EBITDA	(2,164,126)	(1,504,072)	(3,738)	(3,671,936)
Depreciation				(67,796)
Finance costs				(34,079)
				(3,773,811)
Assets				
Segment assets	2,323,373	1,483,300	16,411,551	20,218,224
Intersegment eliminations				-
Total assets				20,218,224
Liabilities				
Segment liabilities	1,339,810	641,072	148,384	2,129,266
Intersegment eliminations				-
Total liabilities				2,129,266

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

NOTE 3 – REVENUE AND OTHER INCOME	Consolidated	
	31 December 2019 \$	31 December 2018 \$
Sales revenue:		
Sale of goods (net discounts)	2,727,562	2,025,997
Provision for sale returns	(300,000)	-
Promotional costs and other rebates	(1,106,614)	-
	1,320,948	2,025,997
Rendering of R&D services & consultation	-	61,358
	1,320,948	2,087,355
Other revenue:		
Interest received	49,348	203,360
Government grants and R&D tax incentive	1,149,998	772,078
Other income	1,000	16,219
	1,200,346	991,657
Total revenue	2,521,294	3,079,012

NOTE 4 – OTHER EXPENSES	Consolidated	
	31 December 2019 \$	31 December 2018 \$
Other expenses includes the following specific expenses:		
Educational and compliance	146,450	39,415
Lab consumables	13,299	27,424
Telephone and internet	53,758	49,260
R&D Trial costs	720,171	258,375
Provision for inventory obsolescence	420,000	25,000
Travel	326,976	203,084

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

NOTE 5 – RIGHT OF USE ASSETS	Consolidated	
	31 December 2019	30 June 2019
	\$	\$
Leasehold properties	2,921,643	-
Less: Accumulated depreciation	(336,977)	-
	2,584,666	-

Additions to the right-of-use assets during the half-year were \$2,921,643 (refer to note 1(a)).

The consolidated entity leases land and buildings for its offices, warehouses under agreements of between two to five years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

NOTE 6 – BORROWINGS

The Company entered into a Debtor Finance Facility Agreement with Scottish Pacific Business Finance which was renewed on 26 June 2019, with a facility limit of \$2,000,000 for a minimum period of 24 months on eligible debtor balances. As at 31 December 2019, the outstanding balance under the debtor financing facility is \$389,543 (June 2019: \$929,535). The Company has also entered into an insurance funding arrangement, as at 31 December 2019, the outstanding balance under the arrangement is \$203,383 (June 2019: \$42,156).

NOTE 7 – ISSUED CAPITAL	31 December 2019	31 December 2018
	Number	Number
Ordinary shares – fully paid	233,221,810	208,021,667
	233,221,810	208,021,667

Movements in ordinary share capital

Details	Date	No of shares	Issue Price \$	Amount \$
Balance	30 June 2019	211,021,667		40,318,420
Exercise of options (proceeds received prior 30 June 2019)	1 July 2019	4,343,000	0.30	1,302,900
Placement	23 December 2019	17,857,143	0.28	5,000,000
Balance	31 December 2019	233,221,810		46,621,320
Costs of Capital Raising				(276,750)
				46,344,570

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

	Consolidated	
	31 December 2019	31 December 2018
	\$	\$
NOTE 8 – EARNINGS PER SHARE		
Loss for the period	7,138,966	3,773,811
Non-controlling interest	(40,748)	(107,911)
Loss attributable to the owners of Medlab Clinical Limited	7,098,218	(3,665,900)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	216,145,307	208,021,667
Adjustments for calculation of diluted earnings per share:		
- Options over ordinary shares	433,173	3,044,019
Weighted average number of ordinary shares used in calculating diluted earnings per share	216,578,480	211,065,686
	Cents	Cents
Basic earnings per share	(3.28)	(1.76)
Diluted earnings per share	(3.28)	(1.74)

NOTE 9 – EVENTS SUBSEQUENT TO BALANCE DATE

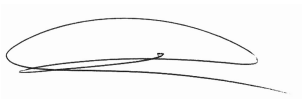
No matters or circumstances have arisen since 31 December 2019 which significantly affected or may significantly affect the operations of the consolidated group, the results of those operations, or the state of affairs of the consolidated group in future financial years.

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 7 to 18;
 - a. Comply with the Corporations Act 2001, the Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
 - b. Give a true and fair view of the company's financial position as at 31 December 2019 and of its performance for the financial half-year ended on that date.
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.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.



Dr S Hall
Director



Mr D Townsend
Director

Dated this 26th day of February 2020



INDEPENDENT REVIEW REPORT TO THE MEMBERS OF MEDLAB CLINICAL LIMITED AND CONTROLLED ENTITIES

Report on the Financial Report

We have reviewed the accompanying half-year financial report of Medlab Clinical Limited and its Controlled Entities ("the Group") which comprises of the statement of financial position as at 31 December 2019 and the statement of profit and loss and other comprehensive income, statement of changes in equity, statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' declaration.

Directors' Responsibility for the Financial Report

The Directors of Medlab Clinical Limited are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

INDEPENDENT REVIEW REPORT TO THE MEMBERS OF MEDLAB CLINICAL LIMITED AND CONTROLLED ENTITIES

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Opinion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Medlab Clinical Limited and Controlled Entities is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Dated at Sydney the 26th of February 2020



ESV Accounting and Business Advisors



Susan Prichard
Audit Executive

Registered Company Auditor
Auditor Number 448832