



Appendix 4D

Half-yearly report
Emerald Clinics Limited
ABN 96 625 085 734

1. Company details

| | |
|-------------------|--|
| Name of entity: | Emerald Clinics Limited |
| ABN: | 96 625 085 734 |
| Reporting period: | For the half-year ended 31 December 2019 |
| Previous period: | For the half-year ended 31 December 2018 |

2. Results for announcement to the market

| | 31 Dec 2019 | 31 Dec 2018 | % change |
|---|-------------|-------------|----------|
| Revenues from ordinary activities | 432,837 | 2,170 | 19800% |
| Loss from continuing operations after tax attributable to the owners of Emerald Clinics Limited | (2,141,747) | (908,392) | 136% |
| Loss for the half-year attributable to the owners of Emerald Clinics Limited | (2,141,747) | (908,392) | 136% |

3. Net tangible assets per security

| | 31 Dec 2019 Cents | 31 Dec 2018 Cents |
|--|----------------------|----------------------|
| Net tangible (liability)/asset per ordinary security | <u>(1.08)</u> | <u>1.45</u> |

4. Dividends

No dividends were paid during the current or previous financial years and no dividends have been declared subsequent to the financial year end and up to the date of this report.

5. Dividend reinvestment plans

There are no dividend or distribution reinvestment plans in operation.

6. Foreign entities

Not applicable.

7. Gain or loss of control over entities

There were no entities over which control was gained or lost during the half-year ended 31 December 2019.

8. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

9. Attachments

Details of attachments (if any):

The Interim Report of Emerald Clinics Limited for the half-year ended 31 December 2019 is attached.

10. Signed



Michael Winlo
Managing Director
Perth
Date: 28 February 2020



EMERALD CLINICS LIMITED

ABN: 96 625 085 734

HALF YEAR FINANCIAL REPORT

31 December 2019

EMERALD CLINICS LIMITED
ABN: 96 625 085 734

HALF YEAR FINANCIAL REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

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Emerald Clinics Limited
Half Year Financial Report
For the half year ended 31 December 2019

Corporate Directory

Directors

| | |
|--------------------------|--|
| Dr Stewart Washer | <i>Executive Chairman</i> |
| Dr Michael Winlo | <i>Managing Director – appointed 26 November 2019</i> |
| Dr Alistair Vickery | <i>Executive Director</i> |
| Mr Matthew Callahan | <i>Non-Executive Director</i> |
| Sir Professor John Tooke | <i>Non-Executive Director – appointed 12 February 2020</i> |

Company Secretary

Simon Robertson

Principal and Registered Office

Level 1, 50 Angove Street
North Perth, Western Australia 6006
Telephone: +61 8 6559 2800
Website: www.emeraldclinics.com.au

Auditor

Stantons International
Level 2, 1 Walker Avenue
West Perth, Western Australia 6005
Telephone: (08) 9481 3188

Share Registry

Automic Pty Ltd
Level 2, 267 St Georges Terrace
Perth, Western Australia 6000
Telephone: 1300 288 664

Securities Exchange Listing

Emerald Clinics Limited shares are listed on the Australian Securities Exchange on 12 February 2020.

ASX Code

EMD - ordinary shares

Directors' Report

The Directors of Emerald Clinics Limited present their report on Emerald Clinics Limited ("Company" or "Emerald") and the entities it controlled at the end of, or during, the half year ended 31 December 2019 ("Consolidated Entity" or "Group").

Directors

The names and details of the Directors in office during the half year ended 31 December 2019 and until the date of this financial report are as follows. The Directors were in office for the entire period unless otherwise stated.

Dr Stewart Washer

Dr Michael Winlo – was Chief Executive Officer from 17 June 2019 to 25 November 2019 and appointed as Managing Director on 26 November 2019.

Dr Alistair Vickery

Dr Patrizia Washer – resigned as Non-Executive Director on 28 October 2019.

Mr Matthew Callahan

Professor Sir John Tooke – appointed as Non-Executive Director on 12 February 2020.

Principal Activities

The principal continuing activity of the Group is clinical and data services.

Review of Operations

Operating Result

The loss from continuing operations for the half year ended 31 December 2019 after providing for income tax amounted to \$2,141,747 (2018: \$908,392).

Dividends

No dividends were paid or proposed to be paid to members during the half year ended 31 December 2019.

Significant Changes in the State of Affairs

During the half-year ended 31 December 2019, the Group opened two new clinics in Richmond, Victoria and Tintenbar, New South Wales. The clinics became operational in August 2019 and October 2019 respectively.

On 10 July 2019, the Company issued 3,500,000 options to Dr Michael Winlo for an exercise price of \$0.45 per share and expiring on 13 June 2023. The vesting conditions are:

- One third immediately on issue;
- One third one year from date of issue subject to continued employment or service and;
- One third two years from date of issue subject to continued employment or service.

On 18 July 2019, the Company entered into a strategic collaborative agreement with Zeldia Therapeutics Limited where licence fees are payable in exchange for the provision of dose dependent efficacy insights.

On 7 August 2019, the Company incorporated four wholly owned subsidiaries to for the Group:

- Emerald Clinical Network Pty Ltd
- Emerald Clinical Research Pty Ltd
- Emerald Data Management Pty Ltd
- Emerald IP Holdings Pty Ltd

Directors' Report

Significant Changes in the State of Affairs (continued)

On 26 September 2019, the Company entered into a heads of agreement with Australian Medical Research and as part of the agreement was issued 600,000 options for an exercise price of \$0.45 per share and expiring on 13 June 2023. The vesting conditions are:

- 200,000 options vested immediately on date of issue;
- 200,000 options vest after 12 months after date of issue and;
- 200,000 options vest after 18 months after date of issue.

On 30 September 2019, the Company entered into a strategic collaborative agreement with Canopy Growth Australia Pty Ltd where licence fees are payable in exchange for the provision of product specific insights.

On 30 September 2019, the Company appointed Su-Mei Sain as Chief Financial Officer of the Company.

On 24 October 2019, the Company issued options to Dr Phil Finch for an exercise price of \$0.45 per share and expiring on 13 June 2023. The vesting conditions are:

- One third immediately on issue;
- One third one year from date of issue subject to continued employment or service and;
- One third two years from date of issue subject to continued employment or service.

On 11 November 2019, the Company issued 1,000,000 options to Mrs Su-Mei Sain for an exercise price of \$0.45 per share and expiring on 13 June 2023. The vesting conditions are:

- One third immediately on issue;
- One third one year from date of issue subject to continued employment or service and;
- One third two years from date of issue subject to continued employment or service.

On 5 December 2019, the Company issued 2,777,778 at \$0.18 per share raising \$500,000 of funds.

After Balance Date Events

Since the balance date of 31 December 2019, the following events occurred:

- The Company listed on the Australian Securities Exchange issuing 30 million ordinary shares at \$0.20 per share giving the Company a market capitalisation of \$36.8 million at listing on 12 February 2020.
- On the date of the Company's listing of 12 February 2020, the Convertible Note Subscription Deed expired and all notes outstanding were converted to ordinary shares and issued. The Convertible Note value of \$3,300,000 was converted to 20,625,000 ordinary shares at \$0.18 per share.
- On the date of the Company's listing of 12 February 2020, Professor Sir John Tooke was appointed as Non-Executive Director of the Company.

Other than the above, there has been no matter or circumstance that has arisen since 31 December 2019 that has significantly affected, or may significantly affect:

- the Group's operations in future financial years;
- the result of those operations in future financial years; or
- the Group's state of affairs in future financial years.

Likely Developments and Expected Results of Operation

Since listing on 12 February 2020, the Group plans to establish and grow its strategic and collaborative partnerships in the industry. This will include expanding its existing clinics and, potentially opening new clinics either in Australia or overseas, as well as conducting additional research, in order to increase the value of the Group's clinical evidence as collected from its network of patients.

Directors' Report

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under Section 307C of *the Corporations Act 2001* is set out on page 19 of the interim financial report.

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

A handwritten signature in black ink that reads "Michael Winlo". The signature is written in a cursive, flowing style.

Michael Winlo
Director
Perth
28 February 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the half year ended 31 December 2019

| | Notes | Group 31 December 2019 \$ | Company 31 December 2018 \$ |
|---|-------|------------------------------------|--------------------------------------|
| Revenue | | | |
| Sales Revenue | | 432,837 | 2,170 |
| Operating costs | | (929,051) | (123,413) |
| Gross loss | | (496,214) | (121,243) |
| Other Revenue | | | |
| Interest | | 4,613 | 17,120 |
| Expenses | | | |
| Research and Development expenses | | (375,732) | - |
| Employee wages and director fees | | (803,684) | (261,602) |
| Travel and conference expenses | | (171,457) | (42,925) |
| Corporate compliance costs | | (225,270) | (255,631) |
| Administration costs | | (110,290) | (132,722) |
| IT consultancy fees | | (63,537) | (106,768) |
| Consultancy fees | | (122,405) | (2,618) |
| Finance costs | | (17,807) | (2,003) |
| Share based payments | | (42,148) | - |
| Depreciation | | (185,993) | - |
| Total Expenses | | (2,118,323) | (804,269) |
| Loss before income tax | | (2,609,924) | (908,392) |
| Income tax benefit | | 468,177 | - |
| Loss for the period | | (2,141,747) | (908,392) |
| Other comprehensive income for the half year | | | |
| <i>Items that may be classified to profit or loss</i> | | - | - |
| <i>Items that will not be reclassified to profit or loss</i> | | - | - |
| Total Comprehensive loss for the period attributable to the members of Emerald Clinics Limited | | (2,141,747) | (908,392) |
| Loss per share for the period attributable to the Members of Emerald Clinics Limited | | | |
| | | Cents | Cents |
| Basic loss per share | 10 | (1.64) | (0.70) |

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

as at 31 December 2019

| | Notes | Group 31 December 2019 \$ | Company 30 June 2019 \$ |
|--------------------------------------|-------|------------------------------------|----------------------------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | | 1,162,052 | 2,608,814 |
| Trade and other receivables | 2 | 78,784 | 59,883 |
| Prepayments | | 27,632 | - |
| Restricted cash | | 156,558 | 106,258 |
| TOTAL CURRENT ASSETS | | 1,425,026 | 2,774,955 |
| NON-CURRENT ASSETS | | | |
| Right-of-use assets | 3 | 694,892 | - |
| Property, plant and equipment | | 680,732 | 749,953 |
| TOTAL NON-CURRENT ASSETS | | 1,375,624 | 749,953 |
| TOTAL ASSETS | | 2,800,650 | 3,524,908 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 671,355 | 231,089 |
| Provisions | | 107,029 | 41,659 |
| Lease liabilities | 4 | 89,252 | - |
| TOTAL CURRENT LIABILITIES | | 867,636 | 272,748 |
| NON-CURRENT LIABILITIES | | | |
| Convertible Notes | | 2,752,621 | 2,752,621 |
| Make good provision | | 15,333 | - |
| Lease liabilities | 4 | 605,280 | - |
| TOTAL NON-CURRENT LIABILITIES | | 3,373,234 | 2,752,621 |
| TOTAL LIABILITIES | | 4,240,870 | 3,025,369 |
| NET (LIABILITIES)/ASSETS | | (1,440,220) | 499,539 |
| EQUITY | | | |
| Share capital | 5 | 3,060,526 | 2,872,738 |
| Reserves | 6 | 416,217 | 374,069 |
| Accumulated losses | | (4,916,963) | (2,747,268) |
| TOTAL EQUITY | | (1,440,220) | 499,539 |

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

for the half year ended 31 December 2019

| | Group | | | | |
|--|------------------|------------------------------------|---------------------------------|-----------------------|--------------------|
| Attributable to equity holders of the Group in \$ dollars | Share capital | Share based payment Reserves | Convertible Notes Reserve | Accumulated losses | Total |
| Balance at 1 July 2019 | 2,872,738 | 4,735 | 369,334 | (2,747,268) | 499,539 |
| Adjustment(s) on initial application of new accounting standards (AASB 16) | - | - | - | (27,948) | (27,948) |
| Balance at 1 July 2019, restated | 2,872,738 | 4,735 | 369,334 | (2,775,216) | 471,591 |
| Loss after income tax for the half year | - | - | - | (2,141,747) | (2,141,747) |
| Total comprehensive loss for the period | - | - | - | (2,141,747) | (2,141,747) |
| Transactions with owners, recorded directly in equity | | | | | |
| <i>Contributions by and distributions to owners</i> | | | | | |
| Proceeds from issued capital | 500,000 | - | - | - | 500,000 |
| Transaction costs from issued capital | (312,212) | - | - | - | (312,212) |
| Issue of share based payments | - | 42,148 | - | - | 42,148 |
| Total contributions by and distributions to owners | 187,788 | 42,148 | - | - | 229,936 |
| Balance at 31 December 2019 | 3,060,526 | 46,883 | 369,334 | (4,916,963) | (1,440,220) |

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

for the period ended 31 December 2018

| | Company | | | | |
|--|------------------|------------------------------------|---------------------------------|-----------------------|------------------|
| Attributable to equity holders of the Company in \$ dollars | Share capital | Share based payment Reserves | Convertible Notes Reserve | Accumulated losses | Total |
| Balance at 1 July 2018 | 2,872,738 | - | - | (64,340) | 2,808,398 |
| Loss after income tax for the half year | | | | | |
| Other comprehensive income for the half year, net of tax | - | - | - | (908,392) | (908,392) |
| Total comprehensive loss for the period | - | - | - | (908,392) | (908,392) |
| Transactions with owners, recorded directly in equity | | | | | |
| <i>Contributions by and distributions to owners</i> | | | | | |
| Proceeds from issued capital | | - | - | - | - |
| Transaction costs from issued capital | (5,000) | - | - | - | (5,000) |
| Total contributions by and distributions to owners | (5,000) | - | - | - | (5,000) |
| Balance at 31 December 2018 | 2,867,738 | - | - | (972,732) | 1,895,006 |

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

for the half year ended 31 December 2019

| | Notes | 31 December 2019 \$ | 31 December 2018 \$ |
|--|-------|---------------------------|---------------------------|
| Cash flows from operating activities | | | |
| Receipts from customers | | 427,068 | 2,170 |
| Cash paid to suppliers and employees | | (2,519,027) | (919,360) |
| Interest received | | 4,613 | 17,120 |
| Interest and other finance costs paid | | (9,980) | (2,003) |
| R&D refund received | | 468,177 | - |
| Net cash (used in) operating activities | | (1,629,149) | (902,073) |
| Cash flows from investing activities | | | |
| Payments for property, plant and equipment | | (17,631) | (708,837) |
| Net cash (used in) investing activities | | (17,631) | (708,837) |
| Cash flows from financing activities | | | |
| Proceeds from issue of shares | | 500,000 | - |
| Transaction costs paid from the issue of shares | | (136,704) | (201,300) |
| Repayment of lease liabilities | | (112,978) | - |
| Net payments for cash backed guarantees | | (50,300) | (106,258) |
| Net cash provided by/(used in) financing activities | | 200,018 | (307,558) |
| Net decrease used in cash and cash equivalents | | (1,446,762) | (1,918,468) |
| Cash and cash equivalents at 1 July | | 2,608,814 | 3,039,492 |
| Cash and cash equivalents at 31 December | | 1,162,052 | 1,121,024 |

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Condensed Consolidated Financial Statements

for the half year ended 31 December 2019

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Corporate Information

Emerald Clinics Limited is a listed public Company limited by shares and incorporated in Australia. The nature of operations and principal activities of the Company are described in the Directors' Report.

Statement of Compliance

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with Australia Accounting Standards ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The half-year financial report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

Basis of preparation

The consolidated general purpose financial statements have been prepared on the basis of historical cost modified, where applicable, by the measurement at fair value of selected financial assets and financial liabilities. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Group's annual financial report for the financial year ended 30 June 2019 except for the application of AASB 16 *Leases* for the first time for the half year end commencing 1 July 2019. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Additional accounting policies adopted by the entity during the half year ended:

- **Revenue recognition - Research and development tax incentive**

The research and development tax incentives are recognised at their fair value on receipt when all conditions have been complied with. The research and development tax incentives are recognised as income tax benefits in the consolidated statements of profit or loss and other comprehensive income.

- **Principles of consolidation**

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Emerald at the end of the reporting year. A controlled entity is any entity over which Emerald has the ability and right to govern the financial and operating policies so as to obtain benefits from the entity's activities.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of controlled entities is contained in note 11 to the financial statements.

In preparing the consolidated financial statements, all intragroup balances and transactions between entities in the consolidated Group have been eliminated in full on consolidation.

Use of estimates and judgements

The preparation of the half year financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense.

The judgements, estimates and assumptions applied in the half year financial report, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2019, except for the impact of the new Standards and Interpretations effective 1 July 2019 as disclosed under "Changes in accounting policy" below.

Notes to the Condensed Consolidated Financial Statements

for the half year ended 31 December 2019

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New and amended standards adopted by the entity

The Group has adopted AASB 16: Leases using modified retrospective approach with the cumulative effect of initially applying AASB 16 recognised as at 1 July 2019. In accordance with AASB 16, the comparatives for the 2018 reporting period have not been restated. The impact of the adoption of this standard and the respective account policies is disclosed below.

Changes in accounting policy

The Group has recognised a lease liability and right-of-use asset for all leases (with exception of short-term and low value leases) recognised as operating leases under AASB 117: Leases where the Company is a lessee.

Lease liabilities are measured at the present value of the remaining lease payments. The Company's incremental borrowing rate as at 1 July 2019 was used to discount the lease payments.

The right-of-use assets were measured at their carrying values as if AASB 16 Leases had been applied since the commencement date but discounted using the Company's incremental borrowing rate per lease term as at 1 July 2019. The right-of-use assets have been recognised in the statement of financial position as at 1 July 2019.

The following practical expedients have been used by the Group in applying AASB 16 for the first time:

- For a portfolio of leases that have been reasonably similar characteristics, a single discount rate has been applied.
- Leases that have remaining lease term of less than 12 months as at 1 July 2019 have been accounted for in the same way as short-term lease.
- The use of hindsight to determine lease terms or contracts that have options to extend or terminate.

The Group's weighted average incremental borrowing rate on 1 July 2019 applied to the lease liabilities was 6%.

Impact of standards issued but not yet applied by the entity

There were no new standards issued since 30 June 2019 that have been applied by the Group. The 30 June 2019 annual report disclosed that the Company anticipated no material impacts (amounts recognised and/or disclosed) arising from initial application of those standards issued but not yet applied at that date, and this remains the assessment as at 31 December 2019.

NOTE 2. TRADE AND OTHER RECEIVABLES

| | 31 December 2019 \$ | 30 June 2019 \$ |
|----------------------|---------------------------|-----------------------|
| Current | | |
| Trade receivables | 12,473 | 792 |
| GST receivables, net | 66,311 | 59,091 |
| | 78,784 | 59,883 |

Due to the short term nature of the trade and other receivables, their carrying amount is considered to be the same as their fair value. The Company measures its trade and other receivables at amortised cost. None of these are past due or impaired.

Notes to the Condensed Consolidated Financial Statements

for the half year ended 31 December 2019

NOTE 3. RIGHT-OF-USE ASSETS

The Group's lease portfolio includes office and clinic leases. The average term of these leases are 4-6 years.

(a) Carrying value

| | Premises |
|---------------------------------------|----------------|
| | \$ |
| Balance at inception of lease | 964,030 |
| Accumulated depreciation | (269,138) |
| Carrying value as at 31 December 2019 | <u>694,892</u> |

Reconciliation

| | Premises |
|--|----------------|
| | \$ |
| Net carrying amount as at 1 July 2019 | 791,295 |
| Depreciation expense during the half-year period | (96,403) |
| Net carrying amount as at 31 December 2019 | <u>694,892</u> |

(b) AASB 16 related amounts recognised in Statement of Profit and Loss and Other Comprehensive Income Statement

| | \$ |
|--|--------------|
| Reversal of operating lease expenditure previously recognised under AASB 117 | (117,204) |
| Interest expense for the half-year ended 31 December 2019 | <u>7,827</u> |
| | (109,377) |

(c) Total half-yearly cash outflows for leases

| | \$ |
|--------------------------------|-----------|
| Repayment of lease liabilities | (112,978) |

(d) Options to extend or terminate

The Group uses hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

NOTE 4. LEASE LIABILITIES

Carrying value

| | Premises |
|---------------------------------------|----------------|
| | \$ |
| Current liabilities | 89,252 |
| Non-current liabilities | 605,280 |
| Carrying value as at 31 December 2019 | <u>694,532</u> |

Reconciliation

| | Premises |
|--|----------------|
| | \$ |
| 31 December 2019 | |
| Recognised on 1 July 2019 on adoption of AASB 16 | 809,811 |
| Less: principal repayments | (123,106) |
| Add: Interest expense on lease liability | <u>7,827</u> |
| Closing Balance | <u>694,532</u> |

Notes to the Condensed Consolidated Financial Statements

for the half year ended 31 December 2019

NOTE 5. SHARE CAPITAL

| | 31 December 2019 No of Shares | 31 December 2019 \$ | 30 June 2019 No of Shares | 30 June 2019 \$ |
|-----------------------------------|-------------------------------------|---------------------------|---------------------------------|-----------------------|
| Ordinary shares fully paid | 133,277,778 | 3,060,526 | 130,500,000 | 2,872,738 |
| Ordinary shares fully paid | | | | |
| Balance at beginning of period | 130,500,000 | 2,872,738 | 130,500,000 | 2,872,738 |
| Shares issued at \$0.18 per share | 500,000 | 500,000 | - | - |
| Capital transaction costs | - | (312,212) | - | - |
| Balance at period end | 133,277,778 | 3,060,526 | 130,500,000 | 2,872,738 |

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Group in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

NOTE 6. RESERVES

| | 31 December 2019 \$ | 30 June 2019 \$ |
|---------------------------|---------------------------|-----------------------|
| Convertible notes reserve | 369,334 | 369,334 |
| Share based payments | 46,883 | 4,735 |
| | 416,217 | 374,069 |

NOTE 7. SHARE BASED PAYMENTS

The following share-based payments arrangements were issued during the reporting period:

Options

| Options Series | Number | Grant Date | Expiry Date | Exercise Price \$ | Fair value at Grant Date \$ |
|---------------------------------|-----------|------------|-------------|-------------------|-----------------------------|
| (4) Issued at 10 July 2019 | 3,500,000 | 10/07/19 | 13/06/2023 | 0.45 | 0.0185 |
| (5) Issued at 26 September 2019 | 600,000 | 26/09/19 | 26/09/2023 | 0.45 | 0.0188 |
| (6) Issued at 7 June 2019 | 1,000,000 | 7/06/19 | 13/06/2023 | 0.45 | 0.0008 |
| (7) Issued at 11 November 2019 | 1,000,000 | 11/11/19 | 13/06/2023 | 0.45 | 0.0496 |

- (4) The 3,500,000 options in series 4 where one third vests immediately on date of issue, one third vests after one year of service and one third vests after two years of service from date of issue, were issued to a Director under the option terms and conditions issued by the Company.
- (5) The 600,000 options in series 5 where one third vests immediately on date of issue, one third vests after 12 months from date of issue and one third vests after 18 months from date of issue, were issued to a third party under the terms outlined in a licence agreement with the Company.
- (6) The 1,000,000 options in series 6 where one third vests immediately on date of issue, one third vests after one year of service and one third vests after two years of service from date of issue, were issued to a consultant under the option terms and conditions issued by the Company.
- (7) The 1,000,000 options in series 7 where one third vests immediately on date of issue, one third vests after one year of service and one third vests after two years of service from date of issue, were issued to an employee under the option terms and conditions issued by the Company.

Notes to the Condensed Consolidated Financial Statements

for the half year ended 31 December 2019

NOTE 7. SHARE BASED PAYMENTS (CONTINUED)

The Options granted during the half year ended 31 December 2019, were priced using a Black-Scholes option pricing model using the inputs below:

| | Series 4 | Series 5 | Series 6 | Series 7 |
|------------------------|----------|----------|----------|----------|
| Grant date share price | \$0.10 | \$0.10 | \$0.023 | \$0.18 |
| Exercise price | \$0.45 | \$0.45 | \$0.45 | \$0.45 |
| Expected volatility | 70% | 70% | 70% | 70% |
| Option life | 4 years | 4 years | 4 years | 4 years |
| Dividend yield | 0% | 0% | 0% | 0% |
| Interest rate | 0.97% | 0.70% | 1.08% | 0.70% |

The total share based payments expense for the half-year ended 31 December 2019 was:

| | 31 December 2019 \$ | 31 December 2018 \$ |
|-------------------------------|---------------------------|---------------------------|
| Directors | 21,578 | - |
| Employees | 16,552 | - |
| Consultants and third parties | 4,017 | - |
| | 42,148 | - |

NOTE 8. RELATED PARTIES

During the half year ended 31 December 2019, options were issued to the following Directors and Key Management Personnel:

| | Grant Date | Number of Options | Share Based Payments \$ |
|-------------------|-------------|----------------------|-------------------------------|
| Management | | | |
| Michael Winlo | 10 Jul 2019 | 3,500,000 | 21,578 |
| Su-Mei Sain | 11 Nov 2019 | 1,000,000 | 16,552 |
| | | 4,500,000 | 38,130 |

Other than the Key Management Personnel stated above, there were no new related party transactions for the half year ended 31 December 2019.

Notes to the Condensed Consolidated Financial Statements

for the half year ended 31 December 2019

NOTE 9. EVENTS OCCURRING AFTER THE REPORTING DATE

Since the balance date of 31 December 2019, the following events occurred:

- The Company listed on the Australian Securities Exchange issuing 30 million ordinary shares at \$0.20 per share giving the Company a market capitalisation of \$36.8 million at listing on 12 February 2020.
- On the date of the Company's listing of 12 February 2020, the Convertible Note Subscription Deed expired and all notes outstanding were converted to ordinary shares and issued. The Convertible Note value of \$3,300,000 was converted to 20,625,000 ordinary shares at \$0.18 per share.

Other than the above, there has been no matter or circumstance that has arisen since 31 December 2019 that has significantly affected, or may significantly affect:

- the Group's operations in future financial years;
- the result of those operations in future financial years; or
- the Group's state of affairs in future financial years.

NOTE 10. LOSS PER SHARE

(a) Reconciliation of loss used in calculating Loss Per Share

Basic loss per share

Loss attributable to the ordinary equity holders used in calculating basic loss per share

| 31 December 2019 \$ | 31 December 2018 \$ |
|---------------------------|---------------------------|
| (2,141,747) | (908,392) |

(b) Weighted average number of shares used as the Denominator

Ordinary shares used as the denominator in calculating basic loss per share

| 31 December 2019 Number | 31 December 2018 Number |
|-------------------------------|-------------------------------|
| 130,894,657 | 130,500,000 |

(c) Loss per share

Basic loss per share

| 31 December 2019 Cents | 31 December 2018 Cents |
|------------------------------|------------------------------|
| (1.64) | (0.70) |

Where loss per share is non-dilutive, it is not disclosed.

NOTE 11. CONTROLLED ENTITIES

| Name of entity | Country of incorporation | Class of Shares | 2019 | 2018 |
|-----------------------------------|-----------------------------|--------------------|------|------|
| Emerald Clinical Network Pty Ltd | Australia | Ordinary | 100% | - |
| Emerald Clinical Research Pty Ltd | Australia | Ordinary | 100% | - |
| Emerald Data Management Pty Ltd | Australia | Ordinary | 100% | - |
| Emerald IP Holdings Pty Ltd | Australia | Ordinary | 100% | - |

These entities were created on 7 August 2019.

Directors' Declaration

The Directors of the Company declare that:

1. The interim financial statements and notes set out on pages 7 to 17 are in accordance with the Corporations Act 2001 and other professional reporting requirements including:
 - (a) complying with Accounting Standard AASB 134: Interim Financial Reporting; and
 - (b) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2019 and of its performance for the 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.

This declaration is made in accordance with a resolution of the Board of Directors made pursuant to section 295(5)(a) of the Corporations Act 2001.



Michael Winlo
Director
Perth
28 February 2020

28 February 2020

Board of Directors
Emerald Clinics Limited
Level 1, 50 Angove Street
North Perth, WA 6005

Dear Directors

RE: EMERALD CLINICS LIMITED

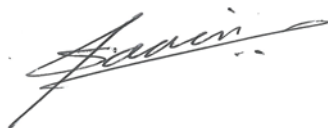
In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Emerald Clinics Limited.

As Audit Director for the review of the financial statements of Emerald Clinics Limited for the half year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)



Samir Tirodkar
Director

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
EMERALD CLINICS LIMITED**

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Emerald Clinics Limited, which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the half-year ended on that date, condensed notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for Emerald Clinics Limited (the consolidated entity). The consolidated entity comprises both Emerald Clinics Limited (the Company) and the entities it controlled during the half year.

Directors' Responsibility for the Half-Year Financial Report

The directors of Emerald Clinics 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 (including the Australian Accounting Interpretations) 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 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 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 consolidated entity's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Emerald Clinics Limited, 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.

Whilst we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by the directors or management.

Independence

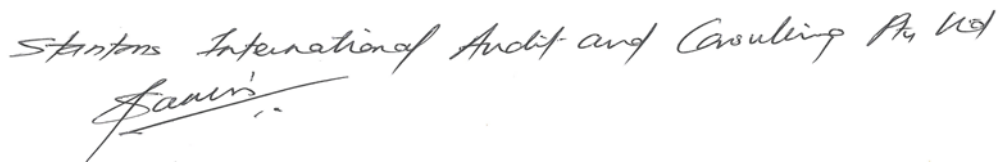
In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of Emerald Clinics Limited on 28 February 2020.

Conclusion

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

- (a) giving a true and fair view of the consolidated entity'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*.

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

A handwritten signature in cursive script, appearing to read 'Samir', is written over the company name 'Stantons International Audit and Consulting Pty Ltd'.

Samir Tirodkar
Director

West Perth, Western Australia
28 February 2020