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ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2022

MEDLAB CLINICAL LIMITED (ABN 51 169 149 071)

MORE SCIENCE

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Empowering patients, enhancing life

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CHAIRMAN'S LETTER

Dear Shareholders

It is my pleasure to present Medlab Clinical Limited's 2022 Annual Report.

The past year has been a busy and challenging year. The impacts of COVID have certainly been felt with manufacturing and supply chain delays but despite that, the Company has continued to make significant progression in 2 key areas:

- Progression of the NanaBis™ program as we work towards a New Drug Application with the FDA
- Business development and licencing opportunities

During the year, the Board decided to licence its Australian Nutraceutical business to PharmaCare Pty Ltd. It was considered that the business would continue to require a significant number of resources to operate, and this arrangement would allow management to focus on current research programs and other emerging partnering opportunities.

The Company has continued to strengthen its intellectual property over the last year with the granting of patents for the NanoCelle® technology. The technology is vital to our research and potential commercial opportunities and is now protected for the next 15 years in the America's, Oceania, and Europe.

NanoCelle® continues to attract interest from various companies (mostly in the North Hemisphere) which is why the Board took the position to progress towards a dual listing with the NASDAQ. A dual listing will help the Company improve its global presence and greater opportunities to capital. The Board is of the view that this will have a positive impact to Australian shareholders.

Over the last 12 months Medlab has also continued to progress its non-cannabinoid projects. These projects centred around our work on depression and the NanoCelle® RNA program.

Since the end of the of the financial year, the Company announced the appointment of Mr Mohit Gupta as a non-executive director. Mr Mohit Gupta is an important appointment that broadens the Board's skill set and is aligned with the Company's strategic focus to commercialise novel pharmaceutical products and expand further into overseas markets. Mr Gupta's global focus, especially within US Global Pharma space, will be invaluable as the Company embarks on the next stage of its journey.

For further details, please refer to the CEO Report.

I would like to acknowledge and thank the work of our entire team at Medlab Clinical and thank you our shareholders for your ongoing support.

Yours sincerely,

Michael Hall
Chairman

CEO REPORT

Introduction

The past 12 months have been an exciting period for Medlab Clinical LTD (ASX: MDC, "we", "Medlab", "the company") as we have invested and progressed two key areas – process validation known as the Chemical, Manufacturing and Controls (CMC) which directly contributes to a New Drug Application (NDA) and Business Development and Licencing (BD&L).

Commencing last year through to earlier this year, we invested in protecting our assets; the most known example is NanoCelle® and the 15-year protection in the following territories:

Oceania:
Australia
New Zealand (Accepted)

Asia:
Hong Kong (Grant Requested)

America's:
Canada
United States of America

Europe:
Albania
Austria
Belgium
Bulgaria
Croatia
Cyprus
Czech Republic
Denmark
Estonia
Finland
France
Germany
Greece
Hungary
Iceland
Ireland
Italy
Latvia
Lithuania
Luxembourg
Malta
Monaco
Netherlands
North Macedonia
Norway
Poland
Portugal
Romania
San Marino
Serbia
Slovakia
Slovenia
Spain
Sweden
Switzerland
Turkey
United Kingdom

Medlab is awaiting a decision from the Singaporean Patent Office.

Considering the Company's progression in CMC, the granting of patents, the Company can offer licenses to other pharmaceutical, food and nutritional manufacturers to utlise the NanoCelle® technology in their current and future products. Presently we have several "smaller" but interesting deals executed, with potentially larger ones in some form of due diligence.

NanoCelle® is central to our research activities; beyond NanoCelle® development, the Company has several primary focus and secondary focus drug development programs that were specifically designed to be administered through the NanoCelle® technology. These include the following:

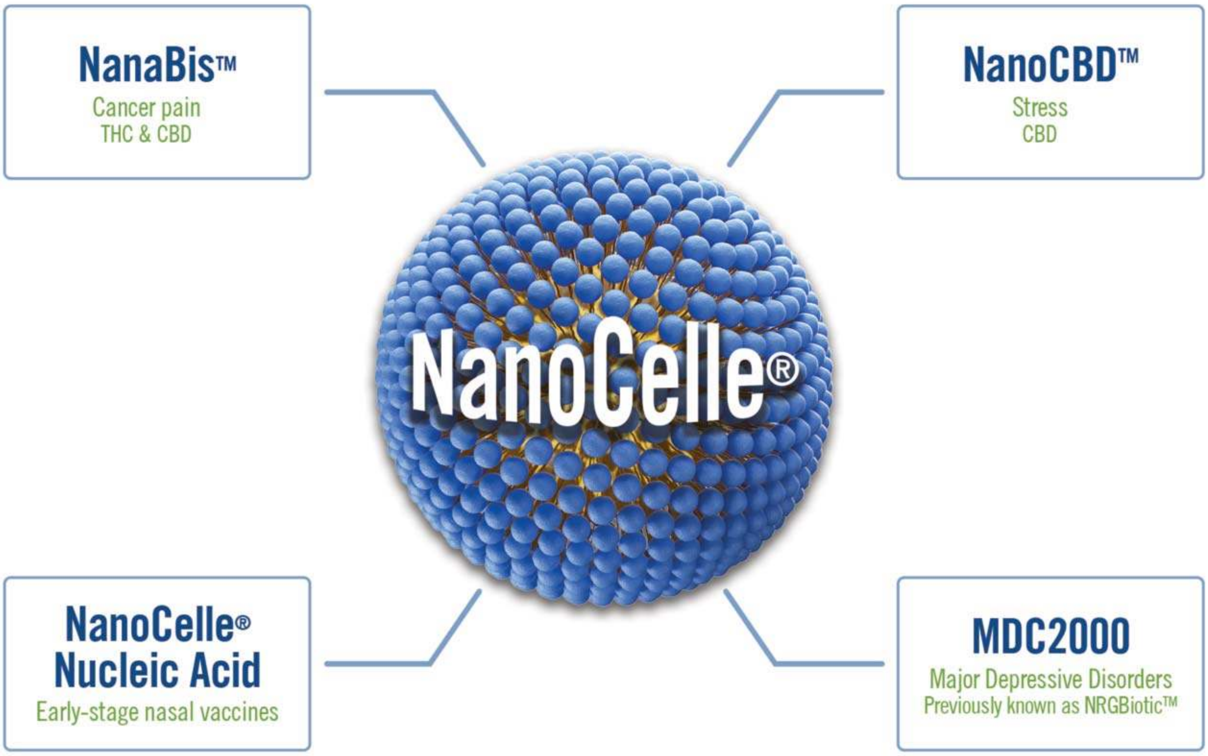
PRIMARY Drug Development:

- NANABIS™, cannabinoids (THC & CBD) with US Food and Drug Administration (FDA) recognised Active Pharmaceutical Ingredient (API) Drug Master Files (DMFs) for proposed indication of Cancer Bone Pain (aka Bone METs), with data demonstrating ongoing benefit to larger neuropathic pain populations.

SECONDARY Drug Development:

- NANOCBD™, cannabinoid (CBD) with a FDA recognised API DMF for proposed indication of Occupational Stress, with data demonstrating ongoing benefit for mild, chronic pain populations.
- MDC2000, proposed FDA 505(b)(2) program using an earlier, approved drug substance for Depression for proposed indication of Major Depressive Disorders.
- NASAL RNA, Nucleic Acid collaboration with Woolcock Institute at Macquarie University and University of New South Wales in pre-clinical stages for a NanoCelle® nasal vaccine delivery utilising nucleic acid, leading to new vaccine and/or anti-viral technologies.

Medlab's Research Activities



With NanoCelle® primary patent protection established, the Company focused on developing US based CMC data suitable for NanaBis™ from a well-respected team in the US. This saw the NanaBis™ and NanoCelle® formulations transferred into a US manufacturing and development facility experienced in US Drug Enforcement Agency (DEA) and Food and Drug Administration (FDA) guidelines and protocols.

It is here where the two synthetics are being developed, piloted and validated as a final, finished NanaBis™ formulation suitable for an NDA.

Using NanaBis™ data points from the CMC development, we transferred NanoCBD™ and optimised the packaging and formulation to share most of the same componentry as NanaBis™ allowing for a reduced but scalable manufacture OPEX, a reduced CMC development OPEX and further economies of scale as it relates to the products build of materials.

The next 12 months will see the Company back into clinical work on several fronts, including NanaBis™ and NanoCBD™; there is also expectations the NanoCelle® RNA work done in collaboration with both the Woolcock Institute (Macquarie University) and University of New South Wales will progress further as the nasal adherence study (previously published) is every compelling.

Lastly, recently we announced a NASDAQ progression and subsequently had a resounding positive response to both resolutions offered at the EGM. The NASDAQ transaction is important as it places us in the largest "biopharma" market in the world. From a BD&L perspective, most potential partners we are in talks with are in this marketplace. From a regulatory perspective we are dealing with the FDA, and from a manufacturing and distribution perspective we are dealing with well-respected companies on the east coast of the USA. A dual listing to the NASDAQ makes sense considering where we are, and what we are doing.

Why is NanoCelle® Important

Where NanoCelle® is different is in providing a manufacturing step where certain compounds are used to encapsulate a drug substance and produce nanoparticles without the historic safety or toxicity concerns.

Common benefits demonstrated by NanoCelle® use include:

- Fast absorption
- Improved bioavailability
- Lesser amounts of the physical drug substance is required
- Lesser excipients
- Lesser side effects
- Improved patient compliance
- Improved stability

CEO REPORT (cont.)

This is what we developed, it is what we patented, this is where a majority of our BD&L discussion are around, and it is what we have applied to various drug substances inclusive of:

NanoCelle® proof of concept work for patent and/or BD&L activities

Article	Particle Size (nm)	Concentration	Dosage
Ampicillin Sodium Salt (2162016AMP)-antibiotics	12.85	2 mg/mL	0.6 mg/0.3mL
Atorvastatin (1022015ATO)	11.41	10 mg/mL	3 mg/0.3mL
Atorvastatin (1232015ATO)	89.31	0.1 mg/mL	0.03 mg/0.3mL
Atorvastatin (03212017ATO)	14.4	8.3 mg/mL	2.49 mg/0.3mL
Atorvastatin (3152017ATO)	19.37	13.3 mg/mL	3.99 mg/0.3mL
Atorvastatin-25 (12142015ATO25)	14.62	1.67 mg/mL	0.5 mg/0.3mL
Atorvastatin-30 (12142015ATO30)	14.37	1.67 mg/mL	0.5 mg/0.3mL
Atorvastatin (2162016ATO)	12.71	10 mg/mL	3 mg/0.3mL
Beta-Estradiol (2162016EST)-hormones	16.43	1 mg/mL	0.3 mg/0.3mL
Fexofenadine (Telfast™)	10.6	4 mg/mL	1.2 mg/0.3mL
Dexamethasone (2162016DEX)-hormones	13.17	2.6 mg/mL	0.78 mg/0.3mL
Insulin (1022015INS)	3.843	15 IU/mL	4.5 mg/0.3mL
Perindopril Erbumine (2162016PER)-ACEi	12.7	7 mg/mL	2.1 mg/0.3mL
Progestogen (2162016PEO)-hormones	15.48	2 mg/mL	0.6 mg/0.3mL
Rosuvastatin (1022015ROS)-statin	12.19	2 mg/mL	0.6 mg/0.3mL
Rosuvastatin (1022015ROS)-statin	12.19	2 mg/mL	0.6 mg/0.3mL
Sertraline Hydrochloride (2162016SER)-SSRI	15.21	0.5 mg/mL	0.15 mg/0.3mL
Testosterone Propionate (123015TES)-hormones	14.31	15 mg/mL	4.5 mg/0.3mL
CoQ10 (2182916CoQ10)	32.3	100 mg/mL	30 mg/0.3mL
D3	86.3	3333 IU/ mL	5000 IU/0.3 mL
D3 & K2 (2182016D3K2)	28	3333 IU+150 mcg/0.3 mL	1000 IU+45 mcg/0.3 mL
Melatonin (2182016MEL)	23	8.3 mg/mL	2.5mg/0.3mL
Cyanocobalamin B12	24.8	3333 IU/ mL	1000 IU/0.3 mL
MethylcobalaminB12 (2182016B12)	18.9	3333 IU/ mL	1000 IU/0.3 mL
NanaBidial™ (<1:20 THC:CBD (20mg/mL CBD and less than 1 mg/mL THC)	20.13 nm	8.3 mg/mL	2.5mg/0.3mL
NanaBis™ 1:1 THC:CBD (8.33 mg/mL THC 8.33 mg/mL	33.33 nm	8.3 mg/mL	2.5mg/0.3mL
NanoCBD™ (16.66 mg/mL CBD)	21.99	5mh/0.3mL	5mg/0.3mL
Chloroquine	31.5 nm	5mg/mL	-

CEO REPORT (cont.)

Cannabinoid CMC, NDA Development and Global Progression

Our work over the past few months has allowed the Company to better streamline CMC development, validation and regulatory write-up.

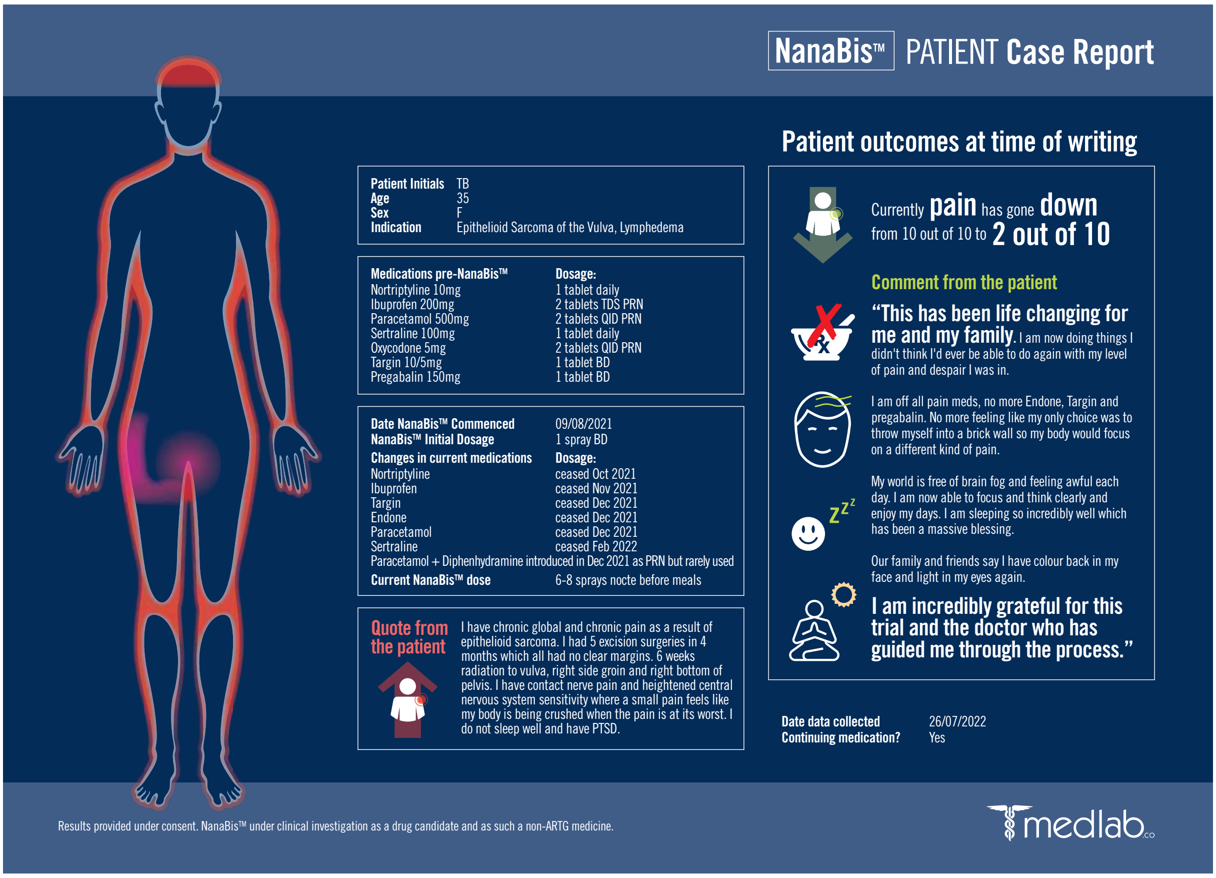
NanaBis™ CMC advancements are progressing well despite several COVID logistic delays with the bulk of work done, we are finalising impurity and trace element testing and subsequent validation – these tests and documents speak to the safety aspects of the finished product. Once completed we will revert to the FDA. From there we will be conducting further stability studies in various climates for as long as the product is viable.

In parallel, because we are working with the finished product, this means that a number of the modules needed for an NDA are well underway, with some closer to completion than originally expected.

As we look to 2023, we are expected to return to clinical work and any last-minute chemistry we have not foreseen. The advantage to this is that we will be "closing out" the efficacy evidence package on a fully and completely characterised and documented final, finished product.

As mentioned earlier, the Company "dove-tailed" NanoCBD™ into this development cycle which is expected to reduce about 1/3 time and financial OPEX in the finalisation of the CMC package.

From a clinical aspect, particular to NanaBis™ our data points continue to demonstrate strong confidence in our understanding of how NanaBis™ works with other regularly prescribed medicines, see the case report of Female TB, 35yrs of age below:



Total adverse effects associated with NanaBis™ use remain under 9% with serious and or unexpected adverse events under 2%. This data was collected from just over 1,100 Australian patients.

Last, and again specific to NanaBis™ the Company received via a potential partner, a European market access report which comprised several months of due diligence work from us, and similar from the research team who authored the European market. The report signaled NanaBis™ acceptance in key EU markets, pricing tolerance and more-so Government price re-imbursement. What this means is, we understand the value of NanaBis™, where it fits into the market and more-so those large European markets willing to offer Government price re-imbursement once approved as a registered medicine.

In short, the past 12 months has seen the Company group all elements of NanaBis™ drug development program (Marketing, BD&L, Regulatory, Clinical, Scientific, Manufacturing, Packaging) to validate why we are doing NanaBis™, the claims, the addressable market, medical and regulatory acceptance, key markets, and price re-imbursement opportunities.

CEO REPORT (cont.)

Progression in our Non-Cannabinoid Projects

Clearly, the majority of work over the past 12 months has been in NanoCelle® (as a robust, diverse and scalable drug delivery platform), NanaBis™ and NanoCBD™.

Beyond these, after several months of searching and discussions we believe we have found a suitable drug substance with an active Drug Master File for continuance of our depression program – both now receipted in our Australian facilities. This drug substance was indicated as a high potential from our historic depression work utilising the then multi-substance formulation called NRGBiotic™.

Whilst we aren't releasing the substance name at this point, the program called MDC2000 will see significant laboratory-based work in an effort to confirm drug substance acceptance to NanoCelle® and viability as a depressive disorder medication. Should this prove positive it is already understood that the program would be subject to potential accelerated regulatory pathways, such as the FDA 505(b)(2) pathway – this means in basic terms, if everything goes well, fast to approval, fast to market.

Secondly, as previously announced the NanoCelle® RNA program with the two well-respected Australian universities moves closer to an anticipated Government read-out and is expected late November 2022.

Prior work using insulin (as the RNA was not ready) confirmed NanoCelle® ability for nasal delivery – very encouraging results, and thus in the immediate future we could see the first NanoCelle® nasal RNA prototype.

BD&L, Media and Marketing

Over the past 12 months, this area has grown with this business, all three elements support each other as well as our NASDAQ opportunity.

Media is gaining more traction (more-so in the US) and we are looking at ways we can replicate and/or share this media in other territories we are working, specifically here in Australia and EU5 countries.

Some recent examples include:

https://www.youtube.com/watch?v=pe9o_TqMjmc

CEO REPORT (cont.)

Dr Sean Hall interviewed by Ari Zoldan

The Ari Zoldan Show
DATE: Saturday 21st May 2022
Author: Dr. Sean Hall,

Categories > Presentations

https://www.medlab.co/article/dr-sean-hall-interviewed-by-ari-zoldan/f2cba67d-65b9-4b74-baa2-03a7bf7f629e

Marketing and alignment with US banks and potential funds have strengthened our presence via presentations at key events. The Company has already confirmed attendance (presenter/exhibitor/partnering) at the following events:

- International Cannabinoid-Derived Pharmaceutical Summit (US)
- Jefferies London Healthcare Conference (UK)
- CPHI (GR)
- JP Morgans (US)
- Pharma R&D (US)

This all leads to BD&L; with several deals executed and others in various stages of due diligence, the prospects are exciting. With 90% of all engagements in the Atlantic corridor region, it's easier to understand why the US focus for the company is increasingly important.

Financial & Corporate Performance

Medlab's total revenue for FY22 was $6.0 million, being up 35% from last year, whilst net loss after tax was $7.2 million, being a reduction of 42% in net loss. The Board and management have continued to manage cash flow and reducing the cash burn and therefore allowing further expansion of Medlab's high value programs. During the financial year, the Company received a refund of $3.14m from the Australian Government's R&D tax incentive program. The Company is expecting a refund of approximately $3.5m in September/October 2022.

As announced on 3 November 2021, the Company has received an Advance and Overseas Finding for NanaBis™ development (part of R&D Tax Incentive Program) for approximately $27 million in future expenditure. The outcome of the Advance and Overseas Finding will significantly extend the company's cash runway, as well as the overall financial performance, along with directly supporting the Company's go-forward program for NanaBis™.

Australian Nutraceutical Business

On 19 October 2021, the Company licenced its Australian nutraceutical business to PharmaCare Pty Ltd for a cash consideration of $750,000 and $1,025,910 for the inventory. The Company is also entitled to receive an earn-out of the greater of $250,000 or 5% of net sales for the first year commencing on the completion date and for the second year commencing on the first anniversary of the completion date.

The cost of distribution in this competitive space is high and to participate effectively critical mass is essential to cover the cost of distribution, hence the sale to PharmaCare which is a sophisticated, larger, and more effective player.

This allowed Medlab to restructure its business to focus management on core local and international NanaBis™ and NanoCelle® R&D and emerging commercial partnering opportunities after having successfully gained patents in 57 worldwide markets.

Medlab reserves all its nutraceuticals rights for the rest of the world and are currently actively pursuing significant opportunities.

CEO REPORT (cont.)

In Summary

Despite COVID related issues, the Company had a busy year., The Company's programs are progressing well, we have strong line of sight on markets, impact and pricing capabilities, our partnering is thorough, well diverse and more success is expected.

Last, uniquely the Company has a strong potential to dual list to the NASDAQ. To date we have had good response from banks and funds, our media and marketing exposure is increasing and generating more interest from finance, the biopharma industry, and patient groups seeking support.

I, on behalf of Company sincerely wish to thank you, our shareholders for your on-going support. I hope you too can see measures undertaken to de-risk and look to achieve the Company's goals. I hope you too can see Medlab is becoming a brand name, that will potentially disrupt huge global markets, and in doing that, provide support and comfort to countless patients of all ages and walks of life.

Yours sincerely,

Dr Sean Hall
CEO

FINANCIAL REPORT

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General information

The financial statements cover Medlab Clinical Limited as a Consolidated Entity consisting of Medlab Clinical Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Medlab Clinical Limited's functional and presentation currency.

Medlab Clinical Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Unit 5
11 Lord Street
Botany
NSW 2019

A description of the nature of the Consolidated Entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 30 August 2022. The directors have the power to amend and reissue the financial statements.

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DIRECTORS' REPORT

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Consolidated Entity') consisting of Medlab Clinical Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2022.

Directors

The following persons were directors of Medlab Clinical Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:
- Michael Hall (Chairman)
- Sean Hall (Managing Director and Chief Executive Officer)
- Drew Townsend (Non-Executive Director)
- Laurence McAllister (Non-Executive Director)
- Cheryl Maley (Non-Executive Director)
- Mohit Gupta (Non-Executive Director - appointed 5 August 2022)

Principal activities

During the financial year the principal continuing activities of the Consolidated Entity consisted of:
- The continued research and development of NanaBis™ via clinical trials for drug approval
- The continued supply and use of the Australian Special Access Scheme for NanaBis™ and other Cannabis related products (NanoCBD™)
- The continued development and licencing of Medlab's proprietary delivery platform, NanoCelle®
- The divestment of Australian nutraceuticals business, licencing to PharmaCare Pty Ltd
- The development and commercialisation of export markets for various, 'ready to sell' nutraceutical products

Only significant change in the nature of these activities that occurred during the period was the divestment of the Australian only nutraceuticals business licence to PharmaCare Pty Ltd (refer note 8).

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Review of operations

Medlab Clinical's operational focus is pharmaceutical research & development and pre-commercialisation (Pharmaceutical portfolio).

As a biotechnology company, Medlab's primary focus is centred around the use of delivery platform technologies for drug improvements in the areas of pain and mental health. These areas provide a great earning potential in a huge global marketplace. As a result, on 19 October 2021, the Company licenced its Australian nutraceutical business to PharmaCare Pty Ltd.

Medlab has now significantly progressed the NanaBis™ (target indication of cancer bone pain) and NanoCBD™ (target indication of stress) Chemistry, Manufacturing and Controls (CMC) packages, strengthened by FDA Drug Master File (DMF) recognitions for the drug substances (CBD and/or THC), in preparation for submissions to the U.S. Food and Drug Authority (FDA). Medlab is planning to meet with the FDA as part of the final progression towards Phase III trial commencement for NanaBis™ and ultimately a near future application for a new drug.

Medlab recently announced that researchers at the School of Pharmacy and Medical Sciences at University of South Australia have independently confirmed that NanaBis™ has double the bioavailability over an ARTG (Australian Register of Therapeutic Goods) approved oral cannabis medicine.

The Company's MDC2000 program (formerly NRGBiotic™, target indication depression) is progressing with an optimised molecule with an existing FDA DMF has recently been sourced. We intend to combine this molecule with our proprietary NanoCelle® platform and pursue an FDA 505(b)(2) (aka accelerated or abbreviated) pathway for a new, enhanced anti-depression drug.

DIRECTORS' REPORT (cont.)

The Consolidated Entity incurred a loss after tax from continuing operations and a profit from discontinued operations as set out below:

	Consolidated	
	2022 $	2021 $
Loss after income tax expense from continuing operations	**(8,388,452)**	(9,632,983)
Profit/(loss) after income tax expense from discontinued operations	**1,159,638**	(2,769,846)
Loss after income tax expense for the year	**(7,228,814)**	**(12,402,829)**

At period end, the Consolidated Entity had total assets of $11,366,603 (2021: 20,646,306) and total liabilities of $3,617,466 (2021: $5,740,453).

For further information on the Company's operations, refer to the CEO Report.

Impact of COVID-19

The impact of the Coronavirus (COVID-19) pandemic is ongoing and has had an impact on the Consolidated Entity. The supply chain and manufacturing of the Pharma products in USA (NanaBis™ and NanoCBD™ synthetics versions) have been heavily impacted due to the virus on the workforce.

Manufacturing sites in California and New Jersey witnessed significant backlog in production and chemical manufacturing controls (CMC) testing. Supply of raw materials are experiencing delivery delays. The company is in continual contact with its major suppliers to minimise any further impact.

A previous ban on international travel (closed borders due to COVID) for the senior management team has disrupted meetings with key stakeholders for global partnering and investor relations discussions. Any further hardening of COVID restrictions in AU, US and UK may delay access to patients due to future public policy.

Significant changes in the state of affairs

On 19 October 2021, the Company licenced its Australian nutraceutical business to PharmaCare Pty Ltd for a cash consideration of $750,000 and $1,025,910 for the inventory (refer note 8). The company is also entitled to receive an earn-out of the greater of $250,000 or 5% of net sales for the first year commencing on the completion date and for the second year commencing on the first anniversary of the completion date. All nutraceutical assets have been sold to PharmaCare Pty Ltd, except for certain Medlab intellectual property assets that were provided as an ongoing licence in perpetuity for the Australian territory.

There were no other significant changes in the state of affairs of the Consolidated Entity during the financial year.

Material business risks

Despite the easing of COVID restrictions in Australia and globally, there is still a certain amount of ongoing uncertainty and whether governments will reintroduce restrictions. Government sanctioned restrictions or restrictions introduced by hospitals and other health institutions may mean the company does not have access to facilities (e.g., hospitals for clinical trials).

The ongoing threat of war in Eastern Europe, with potential impact on UK, again could potentially disrupt clinical trials and European trade partner discussions.

While the company is confident in its future new drug application, the ongoing drug application is still subject to various regulatory approvals.

Matters subsequent to the end of the financial year

On 28 July 2022, the Company convened an extraordinary general meeting of shareholders where it was approved:
- Share consolidation of every 150 shares into 1 share
- The issue of up to 4,000,000 new securities in connection with a US Nasdaq IPO

On 5 August 2022, an experienced healthcare executive, Mohit Gupta, was appointed as a Non-Executive Director.

Likely developments and expected results of operations

Information on likely developments in the operations of the Consolidated Entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the Consolidated Entity.

Environmental regulation

The Consolidated Entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on Directors

Name:	**Michael Hall**
Title:	Non-Executive Chairman
Qualifications:	B.Com, CPA
Experience and expertise:	Mr Hall has a long history in the management and building of successful nutrition companies. Mr Hall's early career was in accounting, retailing and private banking.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Risk Management and Audit Committee, member of the Nomination and Remuneration Committee and Chairman of the Board of Directors
Interests in shares:	15,907,383
Interests in options:	2,000,000
Contractual rights to shares:	Nil

Name:	**Sean Hall**
Title:	Managing Director and Chief Executive Officer
Qualifications:	MD, MBA (Clin Pharm Mtg)
Experience and expertise:	Dr Hall 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. Dr Hall 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. Dr Hall 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:	Managing Director and member of the Nomination and Remuneration Committee
Interests in shares:	58,856,010
Interests in options:	4,000,000
Contractual rights to shares:	Nil

Name:	**Drew Townsend**
Title:	Non-Executive Director
Qualifications:	B.Com, CA,, MAICD
Experience and expertise:	Mr Townsend 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 Health Group Limited
Former directorships (last 3 years):	None
Special responsibilities:	Chairman of the Risk Management and Audit Committee, and Nomination and Remuneration Committee
Interests in shares:	16,135,553
Interests in options:	2,000,000
Contractual rights to shares:	Nil

Information on Directors *(continued)*

Name:	**Laurence McAllister**
Title:	Non-Executive Director (Executive Director until 30 April 2022 and Non-Executive Director thereafter)
Experience and expertise:	Mr McAllister is an experienced senior executive with strong consumer & healthcare experience with senior international tenure with the Coca-Cola Company, Sanofi Pharmaceuticals, McPhersons and now Medlab Biotech. With dynamic multi-functional experience across 82 Countries domestically and as an expat for 12 years around the world, Mr McAllister's most recent position was the CEO & Managing Director of McPherson's (ASX), a leading supplier of health, wellness, beauty, household, and personal care across global markets. Prior to this, Mr McAllister ran the Sanofi affiliate as Managing Director, overseeing all 5 business units with a turnover of $1.1B AUD and was simultaneously on the Board of Medicines Australia to engage the interaction with the TGA and PBS on behalf of the pharmaceutical industry within the Clinical & Medical agenda for Australian patients' welfare. Prior to this, He worked for over 23 years with the Coca-Cola Company, managing Sales & Marketing, New Product Development, M&A, Innovation and the Research and Development function across Europe, Eurasia, and the Middle East across 72 Countries. Mr McAllister was also the President of the Nordics Division and the EVP and Chief Commercial, Customer & Marketing Officer for The Japan Coca-Cola Company. Throughout his business tenure, Mr McAllister has represented diverse Industry / Category / Company Boards in Germany, Sweden, Norway, Denmark and Finland, Great Britain, Japan and 3 Australian based Companies (being 2 x ASX listed, and one community/sports & health-based entities)
Other current directorships:	Director of McPherson's Limited until 9 December 2020
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Risk Management and Audit Committee, and Nomination Remuneration Committee
Interests in shares:	Nil
Interests in options:	4,000,000
Contractual rights to shares:	Nil

Name:	**Cheryl Maley**
Title:	Non-Executive Director
Qualifications:	BSc, MBA, AICD
Experience and expertise:	Ms Maley is currently a Managing Director of Oncology for global healthcare company Novartis (Australia and New Zealand). Ms Maley has strong pharmaceutical experience including over 20 years in roles across Sales, Marketing, Business Development, Commercial Excellence, Patient Access and General Management. Cheryl is also a former director of Riding for the Disabled, ending 31 July 2021. Ms Maley is a knowledgeable and multi-functional leader with a proven track record in accelerating and driving long-term strategic growth through innovation, partnering and steering organisational development and projects. Ms Maley has a Bachelor of Science Degree, a Diploma of Education, a Masters of Business Administration and is a Graduate of the Australian Institute of Company Directors. She has a passion for innovation and has completed formal innovation training with What-If Innovation (UK), Kellogg Institute (USA), Inventium (Australia) and RAW Innovation (Australia).
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	Nil
Interests in options:	1,500,000
Contractual rights to shares:	Nil

Name:	**Mohit Gupta** (appointed 5 August 2022)
Title:	Non-Executive Director
Qualifications:	BCom, MBA
Experience and expertise:	Mr Gupta is a seasoned professional with more than 20 years in various roles and geographies, with the last 10 years in Pharma in various capacities based in Australia and Switzerland. Mr Gupta previously worked in supply chain, projects and procurement and has experience in large deals for acquisition and divestments. He has led teams for various projects with conflicting priorities and timelines to achieve the goals.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	Nil
Interests in options:	Nil

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretary

The company secretary is Mr Kerem Kaya BCom, CPA. Mr Kaya has extensive pharmaceutical industry and financial experience gained at one of the world's largest pharmaceutical companies, Novartis.

Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') held during the year ended 30 June 2022, and the number of meetings attended by each director were:

	Full Board		Nomination and Remuneration Committee		Risk Management and Audit Committee	
Name	Attended	Held	Attended	Held	Attended	Held
Michael Hall	9	9	-	-	-	2
Sean Hall	9	9	-	-	-	-
Drew Townsend	9	9	-	-	2	2
Laurence McAllister	9	9	-	-	-	2
Cheryl Maley	9	9	-	-	-	-

Held: represents the number of meetings held during the time the director held office.

During the year the Board as part of its role has undertaken the responsibilities of the Nomination and Remuneration Committee and carried out the functions set out in the committee's charter to ensure that its objectives are met.

Remuneration report (audited)

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
- Additional information
- Additional disclosures relating to key management personnel

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 it is considered to conform 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. This function was performed by the Board in 2022. 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 director and executive director remuneration 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 16 October 2020, where the shareholders approved a maximum annual aggregate remuneration of $600,000**.**

Executive remuneration

The Consolidated Entity aims to reward executives based on their position and responsibility, with a level and mix of remuneration 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 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. On 12 November 2020, the Company granted 12,000,000 unlisted options under the ESOP to the following Directors for nil consideration: Michael Hall, Drew Townsend, Sean Hall and Laurence McAllister. The options vested on 31 January 2021 and expire on 31 October 2022. The value of the options at grant date was $580,000.

Consolidated entity performance and link to remuneration
The Company aims to align its executive remuneration to its strategic and business objective and the creation of shareholder wealth. Refer to the section 'Additional information' below for measures of the Consolidated Entity's financial performance over the last five years. These measures are not necessarily consistent with the measures used in determining the variable amounts of remuneration to be awarded to key management personnel. As a consequence, there may not always be a direct correlation between the key performance measures and the variable remuneration awarded.

Use of remuneration consultants
The Consolidated Entity did not engage remuneration consultants to prepare a formal remuneration report during the financial year ended 30 June 2022.

Voting and comments made at the Company's 13 October 2021 Annual General Meeting ('AGM')
At the 13 October 2021 AGM, 88.41% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2021. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

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
- Sean Hall - Managing Director and Chief Executive Officer
- Drew Townsend - Non-Executive Director
- Laurence McAllister - Non-Executive Director (Executive Director until 30 April 2022 and Non-Executive Director thereafter)
- Cheryl Maley - Non-Executive Director

And the following persons:
- Kerem Kaya - Chief Financial Officer, Company Secretary and Chief Operations Officer
- Dr Luis Vitetta - Director of Medical Research
- Dr David Rutolo - Director of Science
- Ian Curtinsmith - Chief Information Officer

Changes since the end of the reporting period:
Dr Luis Vitetta (Director of Medical Research) resigned in July 2022.
Dr Jeremy Henson (Director of Medical Research) was promoted to a new role in July 2022.

	Short-term benefits			Post-employment benefits	Non-cash Long-term benefits	Non-cash Share-based benefits	
2022	**Cash salary and fees $**	**Cash in lieu of leave $**	**Non-monetary $**	**Super-annuation $**	**Long service leave**	**Equity settled** *(see note b)* **$**	**Total $**
Non-Executive Directors:							
Michael Hall	176,923	-	-	10,192	-	-	187,115
Drew Townsend	66,000	-	-	-	-	-	66,000
Cheryl Maley	66,000	-	-	-	-	179,805	245,805
Laurence McAllister[(a)]	66,000	-	-	-	-	-	66,000
Executive Directors:							
Laurence McAllister[(a)]	554,500	-	-	-	-	-	554,500
Sean Hall	441,346	66,826	-	51,017	14,921	-	576,110
Other Key Management							
Personnel:							
Kerem Kaya	262,260	-	-	26,226	4,343	-	292,829
Luis Vitetta	297,003	-	-	29,581	11,638	-	338,222
David Rutolo	173,913	-	-	13,527	-	-	187,440
Ian Curtinsmith	209,808	-	-	20,981	3,632	-	234,421
	2,313,753	**66,826**	**-**	**151,524**	**34,534**	**179,805**	**2,748,442**

(a) Laurence McAllister was an Executive Director until 30 April 2022 and a Non-Executive Director thereafter.
(b) The amounts included in the share-based remuneration represent the grant date fair value of performance rights and options, amortised on a straight-line basis over the expected vesting period.

Note: During the financial year ended 30 June 2022, there were 27 fortnightly pay periods.

	Short-term benefits			Post-employment benefits	Non-cash Long-term benefits	Non-cash Share-based benefits	
2021	**Cash salary and fees $**	**Cash in lieu of leave $**	**Non-monetary $**	**Super-annuation $**	**Long service leave**	**Equity settled** *(see note c)* **$**	**Total $**
Non-Executive Directors:							
Michael Hall	125,000	-	-	4,750	-	92,000	221,750
Drew Townsend	60,225	-	-	-	-	92,000	152,225
Cheryl Maley[a]	10,950	-	-	-	-	-	10,950
Executive Directors:							
Laurence McAllister[a]	361,350	-	-	-	-	212,000	573,350
Sean Hall	372,116	72,115	-	42,202	6,337	184,000	676,770
Other Key Management							
Personnel:							
Kerem Kaya[b]	24,038	-	-	2,284	509	11,255	38,086
Alan Dworkin[b]	263,294	-	-	20,710	(22,779)	-	261,225
Luis Vitetta	250,250	-	-	23,774	4,260	-	278,284
David Rutolo	170,697	-	-	13,277	-	-	183,974
Ian Curtinsmith	186,923	-	-	17,758	3,710	-	208,391
	1,824,843	**72,115**	**-**	**124,755**	**(7,963)**	**591,255**	**2,605,005**

(a) Laurence McAllister and Cheryl Maley were appointed Directors on 5 August 2020 and 19 March 2021 respectively.
(b) Alan Dworkin resigned on 1 April 2021 and Kerem Kaya was appointed on 13 May 2021.
(c) The amounts included in the share-based remuneration represent the grant date fair value of performance rights and options, amortised on a straight-line basis over the expected vesting period performance rights and options, amortised on a straight-line basis over the expected vesting period.

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

	Fixed remuneration		At risk - STI		At risk - LTI	
Name	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Non-Executive Directors:						
Michael Hall	100%	59%	-	-	-	41%
Drew Townsend	100%	40%	-	-	-	60%
Cheryl Maley	27%	100%	-	-	73%	-
Laurence McAllister	100%	-	-	-	-	-
Executive Directors:						
Laurence McAllister	100%	63%	-	-	-	37%
Sean Hall	100%	73%	-	-	-	27%
Other Key Management Personnel:						
Kerem Kaya	100%	70%	-	-	-	30%
Alan Dworkin	-	100%	-	-	-	-
Luis Vitetta	100%	100%	-	-	-	-
David Rutolo	100%	100%	-	-	-	-
Ian Curtinsmith	100%	100%	-	-	-	-

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. 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 (plus super) increased to $425,000 on 21 June 2021. Base salary is reviewed annually by the Nomination and Remuneration Committee. 12 month termination notice by either party, non-solicitation and non-compete clauses.

Name:	Kerem Kaya
Title:	Chief Financial Officer and Company Secretary
Agreement commenced:	13 May 2021
Term of agreement:	No fixed term
Details:	Base annual salary increased in February 2022 from $250,000 to $256,250 plus superannuation. Base salary 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:	24 March 2013
Term of agreement:	No fixed term. Resigned in July 2022.
Details:	Base annual salary increased in September 2021 from $250,000 to $297,250 plus superannuation, and increased to $297,250 in February 2022. 2 weeks termination notice by either party, was 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 ended 30 June 2022 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:	Ian Curtinsmith
Title:	Chief Information Officer
Agreement commenced:	9 July 2019
Term of agreement:	No fixed term
Details:	Base annual salary increased in February 2022 from $200,000 to $205,000 plus superannuation. Base salary 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:	Laurence McAllister
Title:	Executive Director (Contract Position)
Agreement commenced:	31 January 2021
Term of agreement:	One Year to 31 January 2022 and extended to 30 April 2022
Details:	Base fee of $600,000 plus GST, and 3,000,000 unlisted options upon successful completion of KPIs. Three (3) months termination notice by either party, eligible to be part of the consolidated entity's ESOP. Medlab engaged Laurie as a contract executive to provide a focus on optimisation of the Nutraceutical business.

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

Share-based compensation

Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2022.

Options

The grant of options is designed to incentivise key management personnel by participating in the future growth and prosperity of the Company through share ownership and in recognition made to the Company by the key management personnel and their ongoing responsibility.

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:

Name	Number of options granted	Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
Michael Hall	2,000,000	12/11/2020	31/1/2021	31/10/2022	$0.20	$0.0460
Drew Townsend	2,000,000	12/11/2020	31/1/2021	31/10/2022	$0.20	$0.0460
Sean Hall	4,000,000	12/11/2020	31/1/2021	31/10/2022	$0.20	$0.0460
Laurence McAllister	4,000,000	12/11/2020	31/1/2021	31/10/2022	$0.18	$0.0530
Kerem Kaya	250,000	25/6/2021	25/6/2021	24/6/2024	$0.21	$0.0450
Cheryl Maley	1,500,000	18/10/2021	18/10/2021	18/10/2024	$0.21	$0.0516

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 2022 are set out below:

Name	Number of options granted during the year 2022	Number of options granted during the year 2021	Number of options vested during the year 2022	Number of options vested during the year 2021
Michael Hall	-	2,000,000	-	2,000,000
Drew Townsend	-	2,000,000	-	2,000,000
Sean Hall	-	4,000,000	-	4,000,000
Laurence McAllister	-	4,000,000	-	4,000,000
Cheryl Maley	1,500,000	-	1,500,000	-
Kerem Kaya	-	250,000	-	250,000

There were no options that were exercised or lapsed during the year ended 30 June 2022.

Additional information

The earnings of the Consolidated Entity for the five years to 30 June 2022 are summarised below:

	2022 $	2021 $	2020 $	2019 $	2018 $
Revenue from ordinary activities	3,803,741	4,399,412	2,848,395	5,363,681	4,139,455
Loss after income tax	(7,228,814)	(12,402,829)	(13,488,317)	(8,174,096)	(4,758,201)

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2022 $	2021 $	2020 $	2019 $	2018 $
Share price at financial year end (cents)	5	15	15	35	55
Basic earnings per share (cents per share)*	(314)	(627)	(891)	(635)	(359)

*Basic earnings per share has been adjusted for the share consolidation that completed on 5 August 2022.

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	15,907,383	-	-	-	15,907,383
Drew Townsend	16,135,553	-	-	-	16,135,553
Sean Hall	58,425,555	-	305,634	-	58,731,189
Luis Vitetta	111,101	-	-	-	111,101
David Rutolo	3,000,000	-	-	-	3,000,000
Ian Curtinsmith	464,356	-	-	-	464,356
	94,043,948	**-**	**305,634**	**-**	**94,349,582**

*Includes the removal from the table of the share holdings for key management personnel who have resigned during the period.

Option holding

The number of options over ordinary 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:

Options over ordinary shares	Balance at the start of year	Granted	Exercised	Expired / forfeited / other	Balance at the end of the year
Michael Hall	2,000,000	-	-	-	2,000,000
Drew Townsend	2,000,000	-	-	-	2,000,000
Sean Hall	4,000,000	-	-	-	4,000,000
Laurence McAllister	4,000,000	-	-	-	4,000,000
Cheryl Maley	-	1,500,000	-	-	1,500,000
Kerem Kaya	250,000	-	-	-	250,000
	12,250,000	**1,500,000**	**-**	**-**	**13,750,000**

This concludes the remuneration report, which has been audited.

Shares under option

Unissued ordinary shares of Medlab Clinical Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
12 November 2020	31 October 2022	$0.20	8,000,000
12 November 2020	31 October 2022	$0.18	4,000,000
29 June 2021	24 June 2024	$0.21	1,083,333
18 October 2021	18 October 2024	$0.21	1,500,000
			14,583,333

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate.

Shares issued on the exercise of options

There were no ordinary shares of Medlab Clinical Limited issued on the exercise of options during the year ended 30 June 2022 and up to the date of this report.

Indemnity and insurance of officers

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

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.

Indemnity and insurance of auditor

The Company has not, 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 to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to 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 part of those proceedings.

Non-audit services

The directors are of the opinion that the services as disclosed in note 25 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.

Officers of the Company who are former partners of ESV Business Advice and Accounting

There are no officers of the Company who are former partners of ESV Business Advice and Accounting.

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 immediately after this directors' report.

Auditor

ESV Business Advice and Accounting continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

S Hall
Director

D Townsend
Director

Dated this 30th day of August 2022
Sydney

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 2022, 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 30th day of August 2022

E.S.V

ESV Business Advice and Accounting

Susan Prichard
Client Director

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2022

	Note	Consolidated	
		2022 $	**2021 $**
REVENUE FROM CONTINUING OPERATIONS	4	**1,282,434**	732,727
Other income	5	**4,704,110**	3,700,039
Interest revenue		**44,727**	25,198
Total revenue		**6,031,271**	**4,457,964**
EXPENSES			
Raw materials and consumables used		**(336,292)**	(16,425)
Employee benefits expense		**(7,104,763)**	(6,169,223)
Depreciation and amortisation expense		**(851,310)**	(873,498)
Operating leases		**(207,175)**	(185,814)
Professional and consulting fees		**(1,858,227)**	(1,731,430)
R&D/trial expenses		**(1,503,443)**	(2,102,753)
Selling and marketing		**(186,778)**	(240,854)
Other expenses		**(2,269,819)**	(2,631,885)
Finance costs	6	**(101,916)**	(139,065)
Total expenses		**(14,419,723)**	**(14,090,947)**
Loss before income tax expense from continuing operations		**(8,388,452)**	**(9,632,983)**
Income tax expense	7	**-**	-
Loss after income tax expense from continuing operations		**(8,388,452)**	(9,632,983)
Profit/(loss) after income tax expense from discontinued operations	8	**1,159,638**	(2,769,846)
Loss after income tax expense for the year		**(7,228,814)**	**(12,402,829)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		**(5,269)**	(15,649)
Other comprehensive income for the year, net of tax		**(5,269)**	(15,649)
Total comprehensive income for the year		**(7,234,083)**	**(12,418,478)**
Loss for the year is attributable to:			
Non-controlling interest		**(66,381)**	(79,124)
Owners of Medlab Clinical Limited		**(7,162,433)**	(12,323,705)
		(7,228,814)	**(12,402,829)**
Total comprehensive income for the year is attributable to:			
Continuing operations		**(93,370)**	(96,698)
Discontinued operations		**-**	-
Non-controlling interest		**(93,370)**	(96,698)
Continuing operations		**(8,300,351)**	(9,551,934)
Discontinued operations		**1,159,638**	(2,769,846)
Owners of Medlab Clinical Limited		**(7,140,713)**	(12,321,780)
		(7,234,083)	**(12,418,478)**

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

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2022

	Note	Consolidated 2022 Cents	Consolidated 2021 Cents
Earnings per share for loss from continuing operations attributable to the owners of Medlab Clinical Limited			
Basic earnings per share	32	**(365)**	(486)
Diluted earnings per share	32	**(365)**	(486)
Earnings per share for profit/(loss) from discontinued operations attributable to the owners of Medlab Clinical Limited			
Basic earnings per share	32	**51**	(141)
Diluted earnings per share	32	**51**	(141)
Earnings per share for loss attributable to the owners of Medlab Clinical Limited			
Basic earnings per share	32	**(314)**	(627)
Diluted earnings per share	32	**(314)**	(627)

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

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

	Note	Consolidated	
		2022 $	2021 $
ASSETS			
Current Assets			
Cash and cash equivalents	9	**5,191,031**	13,434,762
Trade and other receivables	10	**3,868,593**	3,355,925
Inventories	11	**80,107**	792,371
Other	12	**102,268**	496,418
Total Current Assets		**9,241,999**	**18,079,476**
Non-Current Assets			
Trade and other receivables	10	**226,267**	-
Property, plant and equipment	13	**344,306**	483,316
Right-of-use assets	14	**1,071,090**	1,600,978
Other	12	**482,941**	482,536
Total Non-Current Assets		**2,124,604**	**2,566,830**
TOTAL ASSETS		**11,366,603**	**20,646,306**
LIABILITIES			
Current Liabilities			
Trade and other payables	15	**1,461,954**	2,990,805
Borrowings	16	**-**	67,834
Lease liabilities	17	**568,233**	638,066
Employee benefits	18	**541,081**	516,429
Provisions	19	**305,422**	305,422
Total Current Liabilities		**2,876,690**	**4,518,556**
Non-Current Liabilities			
Lease liabilities	17	**554,560**	989,176
Employee benefits	18	**186,216**	232,721
Total Non-Current Liabilities		**740,776**	**1,221,897**
TOTAL LIABILITIES		**3,617,466**	**5,740,453**
NET ASSETS		**7,749,137**	**14,905,853**
EQUITY			
Issued capital	20	**66,811,113**	66,811,113
Reserves	21	**799,043**	699,956
Accumulated losses		**(59,529,093)**	(52,366,660)
Equity attributable to the owners of Medlab Clinical Limited		**8,081,063**	15,144,409
Non-controlling interest		**(331,926)**	(238,556)
TOTAL EQUITY		**7,749,137**	**14,905,853**

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2022

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Non-controlling interest $	Total equity $
Balance at 1 July 2020	**51,361,909**	**78,195**	**(40,042,955)**	**(141,858)**	**11,255,291**
Loss after income tax expense for the year	-	-	(12,323,705)	(79,124)	(12,402,829)
Other comprehensive income for the year, net of tax	-	1,925	-	(17,574)	(15,649)
Total comprehensive income for the year	-	1,925	(12,323,705)	(96,698)	(12,418,478)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (note 20)	15,449,204	-	-	-	15,449,204
Share-based payments (note 33)	-	619,836	-	-	619,836
Balance at 30 June 2021	**66,811,113**	**699,956**	**(52,366,660)**	**(238,556)**	**14,905,853**

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Non-controlling interest $	Total equity $
Balance at 1 July 2021	**66,811,113**	**699,956**	**(52,366,660)**	**(238,556)**	**14,905,853**
Loss after income tax expense for the year	-	-	(7,162,433)	(66,381)	(7,228,814)
Other comprehensive income for the year, net of tax	-	21,720	-	(26,989)	(5,269)
Total comprehensive income for the year	-	21,720	(7,162,433)	(93,370)	(7,234,083)
Transactions with owners in their capacity as owners:					
Share-based payments (note 33)	-	77,367	-	-	77,367
Balance at 30 June 2022	**66,811,113**	**799,043**	**(59,529,093)**	**(331,926)**	**7,749,137**

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2022

	Note	Consolidated	
		2022 $	2021 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**5,704,078**	4,806,980
Payments to suppliers and employees (inclusive of GST)		**(18,265,329)**	(18,411,597)
Interest received		**44,727**	25,198
Receipts from R&D Tax incentive and government grants		**3,375,726**	3,365,518
Interest and other finance costs paid		**(126,735)**	(139,065)
Net cash used in operating activities	31	**(9,267,533)**	**(10,352,966)**
Cash flows from investing activities			
Payments for property, plant and equipment	13	**(28,609)**	(83,304)
Payments for security deposits		**(405)**	-
Proceeds from disposal of investments	8	**1,775,910**	-
Proceeds from release of security deposits		**-**	404
Net cash from/(used in) investing activities		**1,746,896**	**(82,900)**
Cash flows from financing activities			
Proceeds from issue of shares	20	**-**	16,573,392
Proceeds from borrowings		**-**	2,775,177
Repayment of lease liabilities	31	**(656,944)**	(612,357)
Share issue transaction costs	20	**-**	(1,124,188)
Repayment of borrowings	31	**(67,834)**	(2,801,564)
Net cash from/(used in) financing activities		**(724,778)**	**14,810,460**
Net increase/(decrease) in cash and cash equivalents		**(8,245,415)**	4,374,594
Cash and cash equivalents at the beginning of the financial year		**13,434,762**	9,063,044
Effects of exchange rate changes on cash and cash equivalents		**1,684**	(2,876)
Cash and cash equivalents at the end of the financial year	9	**5,191,031**	**13,434,762**

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

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.

Going concern

For the year ended 30 June 2022, the consolidated entity incurred a loss of $7,228,814 after income tax (2021: $12,402,829 net loss) and net cash outflows from operating activities of $9,267,533 (2021: $10,352,966 net cash outflows).

The ability of the consolidated entity to continue as a going concern is principally dependent upon raising additional capital or securing other forms of financing, as and when necessary to meet the levels of expenditure required for the consolidated entity to continue to meet the consolidated entity's working capital requirements.

These conditions give rise to a material uncertainty, which may cast significant doubt over the consolidated entity's ability to continue as a going concern.

The Directors have concluded that the going concern basis of preparation of the financial statements is appropriate and any uncertainty regarding going concern is mitigated by the following:

- The Company recently convened an EGM (28 July 2022), where approval was provided by shareholders for the issue of up to 4,000,000 shares in connection with a US Nasdaq IPO.
- The Company is in negotiations for future licencing agreements.
- The Company is expecting to receive in excess of $3.5 million in September/October 2022 for the FY 2022 R&D Tax Incentive Program.
- The Company will consider any other equity/debt funding arrangements, deemed necessary.
- As announced on 3 November 2021, the Company has received an Advance and Overseas Finding for NanaBis™ development (part of R&D Tax Incentive Program) for approximately $27 million in expenditure.

The Board of Directors are confident of successfully raising capital when required.

Based on the above, the Directors are of the opinion that at the date of signature of the financial report there are reasonable and supportable grounds to believe that the consolidated entity will be able to meet its liabilities from its assets in the ordinary course of business, for a period of not less than 12 months from the date of this financial report and has accordingly prepared the financial report on a going concern basis.

Should the consolidated entity be unable to continue as a going concern, it may be required to realise its assets and liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or to the amount and classification of liabilities that might be required should the consolidated entity not be able to continue as a going concern.

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').

Historical cost convention
The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates
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 Consolidated Entity'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 2.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Parent entity information

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 28.

Principles 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 2022 and the results of all subsidiaries for the year 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.

Where the Consolidated Entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Consolidated Entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Foreign currency translation

The financial statements are presented in Australian dollars, which is Medlab Clinical Limited's functional and presentation currency.

Foreign currency transactions
Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations
The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax

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 the 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 be applied 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.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Consolidated Entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Consolidated Entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Consolidated Entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it's carrying value is written off.

Financial assets at amortised cost
A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets
The Consolidated Entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Consolidated Entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

Expenses

Special Access Scheme (SAS)
Any inventory purchased to be supplied under the Government's SAS or other approved trials are expensed when incurred.

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.

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.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position. Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Consolidated Entity for the annual reporting period ended 30 June 2022. The Consolidated Entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 2 – CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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.

Coronavirus (COVID-19) pandemic
Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Consolidated Entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Consolidated Entity operates.

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, the impact of the Coronavirus (COVID-19) pandemic and forward-looking information that is available.

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.

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.

Lease term
The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the Consolidated Entity's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The Consolidated Entity reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

NOTE 2 – CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Incremental borrowing rate
Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the Consolidated Entity estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Employee benefits provision
As discussed in note 18, 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. The receivable for R&D tax incentive is calculated based on actual R&D expenses incurred, and knowledge of historical tax receivable in the past for similar projects that have been approved.

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.

Provision for sales returns
The provision for sales returns requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing and quantity of inventories at major clients.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 3 – OPERATING SEGMENTS

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.

The principal products and services of each of these operating segments are as follows:

Nutraceutical	The supply of Medlab's self-branded nutraceutical range, predominantly in Australia (now discontinued)
Pharmaceutical	Various research activities (depression and oncology) and the supply of cannabis-based medicines

Intersegment transactions
There are no intersegment transactions.

Intersegment receivables, payables and loans
Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

Major customers
During the year ended 30 June 2022, there was no customer who contributed more than 10% of the Consolidated Entity's external revenue.

During the year ended 30 June 2021, approximately 49% of the Consolidated Entity's external revenue was derived from sales to two major distributors in the Nutraceuticals business.

Operating segment information

Consolidated 2022	Nutraceutical $	Pharmaceutical Research $	Corporate / Other $	Total $
Revenue				
Sales to external customers	2,618,067	1,282,434	-	3,900,501
Provision for sales returns, promotional				
costs and other rebates	(96,760)	-	-	(96,760)
Total sales revenue	2,521,307	1,282,434	-	3,803,741
Interest revenue	-	-	44,727	44,727
Total revenue	**2,521,307**	**1,282,434**	**44,727**	**3,848,468**
EBITDA	**(48,214)**	**(7,467,917)**	**-**	**(7,516,131)**
Depreciation and amortisation	-	-	-	(851,310)
Loss on disposal of discontinued operation	-	-	-	1,195,816
Interest revenue	-	-	-	44,727
Finance costs	-	-	-	(101,916)
Loss before income tax expense	-	-	-	(7,228,814)
Income tax expense	-	-	-	-
Loss after income tax expense	-	-	-	(7,228,814)
Assets				
Segment assets	470,635	5,221,996	5,673,972	11,366,603
Total assets				11,366,603
Total assets includes:				
Acquisition of non-current assets	-	28,609	-	28,609
Liabilities				
Segment liabilities	-	3,617,466	-	3,617,466
Total liabilities				**3,617,466**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 3 – OPERATING SEGMENTS (CONTINUED)

Consolidated 2021	Nutraceutical $	Pharmaceutical Research $	Corporate / Other $	Total $
Revenue				
Sales to external customers	4,516,253	732,727	-	5,248,980
Provision for sales returns, promotional				
costs and other rebates	(849,568)	-	-	(849,568)
Total sales revenue	3,666,685	732,727	-	4,399,412
Interest revenue	10,177	15,020	1	25,198
Total revenue	**3,676,862**	**747,747**	**1**	**4,424,610**
EBITDA	**(9,106,449)**	**(2,309,015)**	**-**	**(11,415,464)**
Depreciation and amortisation	-	-	-	(873,498)
Interest revenue	-	-	-	25,198
Finance costs	-	-	-	(139,065)
Loss before income tax expense	-	-	-	(12,402,829)
Income tax expense	-	-	-	-
Loss after income tax expense	-	-	-	(12,402,829)
Assets				
Segment assets	5,690,967	1,038,041	13,917,298	20,646,306
Total assets				20,646,306
Total assets includes:				
Acquisition of non-current assets	12,778	70,526	-	83,304
Liabilities				
Segment liabilities	4,351,304	1,321,316	67,833	5,740,453
Total liabilities				**5,740,453**

Geographical information
For the financial year ended 30 June 2022 and 30 June 2021, there was no revenue from external customers attributed to foreign countries.

Accounting policy for 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 4 – REVENUE

	Consolidated	
	2022 $	**2021 $**
From continuing operations		
Sale of goods (net discounts)	**1,379,195**	990,811
Sales returns	**(96,761)**	(208,084)
Provision for sale returns	**-**	(50,000)
Revenue from contimuing operations	**1,282,434**	**732,727**

Disaggregation of revenue
The disaggregation of revenue from contracts with customers is as follows:

	Consolidated	
	2022 $	**2021 $**
Major product lines		
Pharmaceuticals	**1,282,434**	732,727
Timing of revenue recognition		
Goods transferred at a point in time	**1,282,434**	732,727

Included in the following tables are reconciliations of the disaggregated revenue with the consolidated entity's reportable segments (refer note 3).

30 June 2022	Nutraceutical $	Pharmaceutical $	Total $
Continuing operations			
Pharmaceutical	-	1,282,434	1,282,434
Discontinuing operations			
Nutraceutical	2,521,307	-	2,521,307
Total segment revenue	**2,521,307**	**1,282,434**	**3,803,741**

30 June 2021	Nutraceutical $	Pharmaceutical $	Total $
Continuing operations			
Pharmaceutical	-	732,727	732,727
Discontinuing operations			
Nutraceutical	3,666,685	-	3,666,685
Total segment revenue	**3,666,685**	**732,727**	**4,399,412**

Accounting policy for revenue recognition
The Consolidated Entity recognises revenue as follows:

Revenue from contracts with customers
Revenue is recognised at an amount that reflects the consideration to which the Consolidated Entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Consolidated Entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 4 – REVENUE (CONTINUED)

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Sale of goods
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.

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.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

NOTE 5 – OTHER INCOME

	Consolidated	
	2022 $	2021 $
Government incentives	-	825,700
Government grants	**61,954**	102,885
R&D tax incentive	**4,621,501**	2,265,000
Other*	**20,655**	506,454
Other income	**4,704,110**	3,700,039

*Included in other is $500,000 received by the Company as a result of the Company terminating a sub-distributor agreement with a licensor.

NOTE 6 – EXPENSES

	Consolidated	
	2022 $	2021 $
Loss before income tax from continuing operations includes		
the following specific expenses:		
Finance costs		
Interest and finance charges paid/payable on borrowings	**44,702**	57,284
Interest and finance charges paid/payable on lease liabilities	**57,214**	81,781
Finance costs expensed	**101,916**	139,065
Superannuation expense		
Defined contribution superannuation expense	**561,976**	525,657
Share-based payments expense		
Share-based payments expense	**77,367**	619,836

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 6 – EXPENSES (CONTINUED)

Other expenses includes the following specific expenses (continuing and discontinued operations):

	Consolidated	
	2022 $	2021 $
Other expenses includes the following specific expenses:		
Educational and compliance	**115,215**	888,101
Insurance	**246,045**	268,401
Lab consumables	**17,050**	35,377
Provision for expected credit losses on receivables	**-**	650,000
Software licences	**118,045**	131,809
Telephone and internet	**63,026**	76,213
Travel	**100,047**	71,097

NOTE 7 – INCOME TAX EXPENSE

	Consolidated	
	2022 $	2021 $
Income tax expense		
Current tax	**-**	-
Deferred tax - origination and reversal of temporary differences	**-**	-
Aggregate income tax expense	**-**	-
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense from continuing operations	**(8,388,452)**	(9,632,983)
Profit/(loss) before income tax expense from discontinued operations	**1,159,638**	(2,769,846)
	(7,228,814)	(12,402,829)
Tax at the statutory tax rate of 25% (2021: 26%)	**(1,807,204)**	(3,224,736)
Tax effect amounts which are not deductible/(taxable)		
in calculating taxable income:		
- Non-deductible R&D expense	**2,090,470**	1,641,847
- Entertainment expenses	**8,837**	5,217
- Donations	**4,500**	1,907
- Cash flow boost receipts	**(750)**	(26,000)
	295,853	(1,601,765)
Difference in overseas tax rates	**(35,404)**	(15,586)
R&D incentive receivable	**(1,155,375)**	(588,900)
Current year tax losses and temporary differences not recognised	**894,926**	2,206,251
Income tax expense	**-**	-

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 2022. The unused tax losses held in the Australian group companies as at 30 June 2022 are $29,075,882, $4,856,208 (USD) was held in the US companies and a further $88,029 (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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 8 – DISCONTINUED OPERATIONS

Description
On 19 October 2021, the Company licenced its Australian nutraceutical business to PharmaCare Pty Ltd for for a cash consideration of $750,000 and $1,025,910 for the inventory. The principal assets that were sold comprised registered patents and trademarks, inventory, customer lists, and material contracts.

In terms of the sale agreement, the Company is entitled to receive an earn-out of the greater of $250,000 or 5% of net sales for each of the two successive years following completion. At the time of the sale, the fair value of the minimum additional cash consideration was determined to be $445,816 and has been recognised as a deferred consideration receivable (refer note 10). Subsequent to recognition, the deferred consideration receivable is accounted for at amortised cost and at 30 June 2022, the receivable increased to $470,635 as a result of the unwinding of the discount. The fair value of any contingent consideration above the minimum annual earn-out of $250,000 has been assessed to have a nil fair value.

Financial performance information

	Consolidated	
	2022 $	**2021 $**
Sales of goods (net discounts)	**2,775,239**	4,258,169
Promotional costs and other rebates	**(253,932)**	(591,484)
Total revenue	**2,521,307**	3,666,685
Other income - Provision for expected credit losses on receivables		
- unused provision	**400,000**	-
Raw materials and consumables used	**(2,027,305)**	(2,923,369)
Employee benefits expense	**(724,969)**	(1,765,552)
Selling and marketing	**(152,366)**	(529,839)
Other expenses	**(52,845)**	(1,217,771)
Total expenses	**(2,957,485)**	(6,436,531)
Loss before income tax expense	**(36,178)**	(2,769,846)
Income tax expense	**-**	-
Loss after income tax expense	**(36,178)**	(2,769,846)
Gain on disposal before income tax	**1,195,816**	-
Income tax expense	**-**	-
Gain on disposal after income tax expense	**1,195,816**	-
Profit/(loss) after income tax expense from discontinued operations	**1,159,638**	(2,769,846)

Cash flow information

	Consolidated	
	2022 $	**2021 $**
Net cash used in operating activities	**(1,483,239)**	(3,382,441)
Net cash from investing activities	**-**	-
Net cash from financing activities	**-**	-
Net decrease in cash and cash equivalents from discontinued operations	**(1,483,239)**	(3,382,441)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 8 – DISCONTINUED OPERATIONS (CONTINUED)

Carrying amounts of assets and liabilities disposed

	Consolidated	
	2022 $	2021 $
Inventories	**1,025,910**	-
Total assets	**1,025,910**	-
Net assets	**1,025,910**	-

Details of the disposal

	Consolidated	
	2022 $	2021 $
Total sale consideration	**2,221,726**	-
Carrying amount of net assets disposed	**(1,025,910)**	-
Gain on disposal before income tax	**1,195,816**	-
Gain on disposal after income tax	**1,195,816**	-

Accounting policy for discontinued operations
A discontinued operation is a component of the Consolidated Entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income.

NOTE 9 – CASH AND CASH EQUIVALENTS

	Consolidated	
	2022 $	2021 $
Current assets		
Cash at bank	**5,191,031**	13,434,762

Accounting policy for 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 10 – TRADE AND OTHER RECEIVABLES

	Consolidated	
	2022 $	2021 $
Current assets		
Trade receivables	**88,982**	1,719,467
Less: Allowance for expected credit losses	**(10,000)**	(675,000)
	78,982	1,044,467
Other receivables	**508**	-
Other receivables (a)	**3,544,735**	2,311,458
Deferred consideration (b)	**244,368**	-
	3,868,593	3,355,925
Non-current assets		
Deferred consideration (b)	**226,267**	-
	4,094,860	3,355,925

(a) Other receivables
Other receivables represent amounts due from Government agencies for the R&D tax incentive (Australia) and indirect tax for which there is no expected credit loss.

(b) Deferred consideration
On 19 October 2021, the Company licenced its Australian nutraceutical business to PharmaCare Pty Ltd (refer note 8). The Company is entitled to receive an earn-out of the greater of $250,000 or 5% of net sales for each of the two successive years following completion. The deferred consideration represents the fair value of the minimum earn-out the company will receive.

Allowance for expected credit losses
The ageing of the past due but not impaired receivables are as follows:

	Carrying amount	
	2022 $	2021 $
0 to 3 months overdue	**2,973**	238,439
3 to 6 months overdue	**-**	7,201
Over 6 months overdue	**-**	2,474
	2,973	**248,114**

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

	Consolidated	
	2022 $	2021 $
0 to 3 months overdue	**10,000**	168,536
3 to 6 months overdue	**-**	465,635
Over 6 months overdue	**-**	40,829
	10,000	**675,000**

Movements in the allowance for expected credit losses are as follows:

	Consolidated	
	2022 $	2021 $
Opening balance	**675,000**	25,000
Additional provisions recognised	**10,000**	650,000
Provision utilised/reversed	**(675,000)**	-
Closing balance	**10,000**	**675,000**

Accounting policy for trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Consolidated Entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 11 – INVENTORIES

	Consolidated	
	2022 $	2021 $
Current assets		
Raw materials - at cost	**56,774**	253,754
Finished goods - at cost	**23,333**	618,618
Provision for obsolescence	**-**	(80,001)
	80,107	**792,371**

Accounting policy for inventories
Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Stock on hand is stated at the lower of cost and net realisable value. Cost comprises of 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.

Any inventory purchased to be supplied under the Government's SAS or other approved trials are expensed when incurred.

NOTE 12 – OTHER

	Consolidated	
	2022 $	2021 $
Current assets		
Prepayments	**99,268**	429,083
Deposits for inventory	**-**	67,335
Other current assets	**3,000**	-
	102,268	496,418
Non-current assets		
Security bonds and guarantees	**482,941**	482,536
	585,209	**978,954**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 13 – PROPERTY, PLANT AND EQUIPMENT

	Consolidated	
	2022 $	2021 $
Non-current assets		
Leasehold improvements - at cost	**429,102**	429,102
Less: Accumulated depreciation	**(303,786)**	(258,465)
	125,316	170,637
Plant and equipment - at cost	**611,227**	607,432
Less: Accumulated depreciation	**(471,038)**	(416,271)
	140,189	191,161
Office furniture and equipment	**480,377**	628,115
Less: Accumulated depreciation	**(401,576)**	(506,597)
	78,801	121,518
	344,306	**483,316**

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Leasehold improvements $	Plant & equipment $	Office furniture & equipment $	Total $
Balance at 1 July 2020	231,604	234,124	126,690	592,418
Additions	5,001	12,200	66,103	83,304
Exchange differences	-	-	(129)	(129)
Depreciation expense	(65,968)	(55,163)	(71,146)	(192,277)
Balance at 30 June 2021	170,637	191,161	121,518	483,316
Additions	-	3,672	24,937	28,609
Exchange differences	-	-	948	948
Depreciation expense	(45,321)	(54,644)	(68,602)	(168,567)
Balance at 30 June 2022	**125,316**	**140,189**	**78,801**	**344,306**

Accounting policy for 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 basis to write off the net cost of each item of property, plant and equipment 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 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 Consolidated Entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 14 – RIGHT-OF-USE ASSETS

	Consolidated	
	2022 $	2021 $
Non-current assets		
Leasehold properties - right-of-use	**2,726,212**	2,597,706
Less: Accumulated depreciation	**(1,655,122)**	(996,728)
	1,071,090	1,600,978

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Leasehold properties $
Balance at 1 July 2020	2,288,492
Exchange differences	(6,293)
Depreciation expense	(681,221)
Balance at 30 June 2021	1,600,978
Additions	152,495
Exchange differences	360
Depreciation expense	(682,743)
Balance at 30 June 2022	**1,071,090**

Accounting policy for 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 15 – TRADE AND OTHER PAYABLES

	Consolidated	
	2022 $	2021 $
Current liabilities		
Trade payables	**530,958**	1,476,953
Accrued expenses	**546,015**	1,033,624
Provision for sales returns	**-**	65,485
Sundry payables	**384,981**	414,743
	1,461,954	**2,990,805**

Refer to note 23 for further information on financial instruments.

Accounting policy for trade and other payables
These amounts represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

NOTE 16 – BORROWINGS

	Consolidated	
	2022 $	2021 $
Current liabilities		
Insurance premium funding[(b)]	**-**	**67,834**

Refer to note 23 for further information on financial instruments.

Insurance premium funding
At 30 June 2021, the consolidated entity had an insurance premium funding facility established with Hunter Premium. The facility was over a 12-month term with an interest rate of 8%. *Accounting policy for borrowings*Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 17 – LEASE LIABILITIES

	Consolidated	
	2022 $	**2021 $**
Current liabilities		
Lease liability	**568,233**	638,066
Non-current liabilities		
Lease liability	**554,560**	989,176
	1,122,793	**1,627,242**

Refer to note 23 for further information on financial instruments.

Accounting policy for 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.

NOTE 18 – EMPLOYEE BENEFITS

	Consolidated	
	2022 $	**2021 $**
Current liabilities		
Annual leave	**463,120**	516,429
Long service leave	**77,961**	-
	541,081	516,429
Non-current liabilities		
Long service leave	**186,216**	232,721
	727,297	**749,150**

Accounting policy for 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 annual leave and 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 high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense
Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 19 – PROVISIONS

	Consolidated	
	2022 $	2021 $
Current liabilities		
Lease make good	**305,422**	**305,422**

Accounting policy for provisions
Provisions are recognised when the Consolidated Entity has a present (legal or constructive) obligation as a result of a past event, it is probable the Consolidated Entity 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 reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

NOTE 20 – ISSUED CAPITAL

	Consolidated			
	2022 Shares	2021 Shares	2022 $	2021 $
Ordinary shares – fully paid	**342,175,671**	342,175,671	**66,811,113**	66,811,113

Movements in ordinary share capital

Details	Date	Shares	Issue Price $	Total $
Balance	1 July 2020	269,205,830		51,361,909
Share purchase plan[a]	10 July 2020	10,469,841	$0.15	1,570,473
Placement - Tranche 1[b]	25 March 2021	48,379,990	$0.24	11,614,117
Placement - Tranche 2[b]	30 April 2021	14,120,010	$0.24	3,388,802
Share issue costs		-	$0.00	(1,124,188)
Balance	30 June 2021	342,175,671		66,811,113
Balance	**30 June 2022**	**342,175,671**		**66,811,113**

Accounting policy for 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.

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 20 – ISSUED CAPITAL (CONTINUED)

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

(a) Share purchase plan
On 10 July 2020, the Company issued 10,469,841 new fully paid ordinary shares in terms of a share purchase plan at 15 cents per share.

(b) Share placement
The Company issued a total of 62,500,000 new fully paid ordinary shares in two tranches to professional and sophisticated investors at 24 cents per share on 25 March 2021 and 30 April 2021.

Share buy-back
There is no current on-market share buy-back.

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.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

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 would also look to raise capital if there is a need for additional funds for working capital requirements.

The Consolidated Entity does not have any externally imposed capital requirements.

The capital risk management policy remains unchanged from the 2021 Annual Report.

The Consolidated Entity monitors capital on the basis of its working capital position (i.e. liquidity risk). The Consolidated Entity's net working capital at 30 June 2022 was $6,365,309 (2021: $13,560,920). Refer to note 1 - Going concern.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 21 – RESERVES

	Consolidated	
	2022 $	2021 $
Foreign currency reserve	**101,840**	80,120
Share-based payments reserve	**697,203**	619,836
	799,043	699,956

Foreign currency reserve
The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

Share-based payments reserve
The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

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

Consolidated	Share-based payments reserve $	Foreign currency reserve $	Total $
Balance at 1 July 2020	-	78,195	78,195
Foreign currency translation	-	1,925	1,925
Share-based payment expenses	619,836	-	619,836
Balance at 30 June 2021	619,836	80,120	699,956
Foreign currency translation	-	21,720	21,720
Share-based payment expenses	77,367	-	77,367
Balance at 30 June 2022	**697,203**	**101,840**	**799,043**

NOTE 22– DIVIDENDS

There were no dividends paid, recommended or declared during the current or previous financial year.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 23 – 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.

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	
Consolidated	2022 $	2021 $	2022 $	2021 $
US dollars	146,995	-	140,700	310,521
Pound Sterling	8,799	-	9,902	503
Canadian dollars	-	-	-	71,590
	155,794	**-**	**150,602**	**382,614**

The Consolidated Entity had net assets denominated in foreign currencies of $5,192 (assets of $155,794 less liabilities of $150,602) as at 30 June 2022 (2021: net liabilities of $382,614 (assets of $nil less liabilities of $382,614)). Based on this exposure, had the Australian dollar weakened by 10%/strengthened by 5% (2021: weakened by 10%/strengthened by 5%) against these foreign currencies with all other variables held constant, the Consolidated Entity's loss before tax for the year would have been $94,948 lower/$54,970 higher (2021: $42,513 lower/$18,220 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 2022 was $51,129 (2021: loss of $25,607).

Price risk
The Consolidated Entity is not exposed to any significant price risk.

Interest rate risk
The Consolidated Entity is not exposed to any significant interest rate risk.

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 did not have any significant credit risk exposure at 30 June 2022. At 30 June 2021, the Consolidated Entity had a credit risk exposure with two major Australian retailers, which as at 30 June 2021 owed the consolidated entity $1.022 million. The balance at 30 June 2021 was within its terms of trade and no impairment was made as at 30 June 2021.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 23 – FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk

Vigilant liquidity risk management requires the Consolidated Entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities 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 borrowing facilities 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 - 2022	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	530,958	-	-	-	530,958
Other payables	930,996	-	-	-	930,996
Interest-bearing - fixed rate					
Lease liability	600,370	535,740	27,965	-	1,164,075
Total non-derivatives	**2,062,324**	**535,740**	**27,965**	**-**	**2,626,029**

Consolidated - 2021	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	1,476,953	-	-	-	1,476,953
Other payables	1,513,852	-	-	-	1,513,852
Interest-bearing - fixed rate					
Lease liability	692,874	548,855	478,486	-	1,720,215
Borrowings	67,834	-	-	-	67,834
Total non-derivatives	**3,751,513**	**548,855**	**478,486**	**-**	**4,778,854**

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 2022

NOTE 24 – 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:

	Consolidated	
	2022 $	2021 $
Short-term employee benefits	**2,382,579**	1,896,958
Post-employment benefits	**151,524**	124,755
Long-term benefits	**34,534**	(7,963)
Share-based payments	**179,805**	591,255
	2,748,442	**2,605,005**

NOTE 25 – REMUNERATION OF AUDITORS

During the financial year the following fees were paid or payable for services provided by ESV Business Advice and Accounting, the auditor of the Company:

	Consolidated	
	2022 $	2021 $
Audit services - ESV Business Advice and Accounting		
Audit or review of the financial statements	**68,400**	63,000
Other services - ESV Business Advice and Accounting		
Assisting overseas advisers review audit files	**4,900**	-
	73,300	**63,000**

NOTE 26 – CONTINGENT LIABILITIES

The Company has given bank guarantees as at 30 June 2022 of $482,522 (2021: $482,522) towards the rental bond and corporate credit cards.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 27 – RELATED PARTY TRANSACTIONS

Parent entity
Medlab Clinical Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 29.

Key management personnel
Disclosures relating to key management personnel are set out in note 24 and the remuneration report included in the directors' report.

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

	Consolidated	
	2022 $	2021 $
Payment for goods and services:		
Payment for taxation services from Hall Chadwick -		
director-related entity of Drew Townsend	**17,032**	13,996
Payment for employee benefits - related party to Sean Hall	**160,897**	109,313

Receivable from and payable to related parties
There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties
There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 28 – PARENT ENTITY INFORMATION

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2022 $	2021 $
Loss after income tax	**(923,653)**	(9,730,643)
Total comprehensive income	**(923,653)**	**(9,730,643)**
The loss after tax for the year ended 30 June 2022 includes an impairment of inter-group loans of $38,447,501.		

Statement of financial position

	Parent	
	2022 $	2021 $
Total current assets	**8,717,917**	15,395,795
Total assets	**11,111,344**	55,961,338
Total current liabilities	**1,832,675**	1,804,841
Total liabilities	**1,990,865**	1,994,573
Net assets	**9,120,479**	53,966,765
Equity		
- Issued capital	**66,811,113**	66,811,113
- Share-based payments reserve	**697,203**	619,836
- Accumulated losses	**(58,387,837)**	(13,464,184)
Total equity	**9,120,479**	**53,966,765**

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2022 and 30 June 2021.

Contingent liabilities
Other than as disclosed in note 26, the parent entity had no contingent liabilities as at 30 June 2022and 30 June 2021.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2022 and 30 June 2021.

*Significant accounting policies*The accounting policies of the parent entity are consistent with those of the Consolidated Entity, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 29 – INTERESTS IN SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal place of business/Country of incorporation	Ownership interest	
		2022 %	2021 %
Medlab Pty Ltd	Australia	100%	100%
Medlab Clinical US Inc	United States of America	100%	100%
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%
MDC Europe Ltd	Malta	100%	100%

NOTE 30 – EVENTS AFTER THE REPORTING PERIOD

On 28 July 2022, the Company convened an extraordinary general meeting of shareholders where it was approved:
- Share consolidation of every 150 shares into 1 share
- The issue of up to 4,000,000 new securities in connection with a US Nasdaq IPO

On 5 August 2022, an experienced healthcare executive, Mohit Gupta, was appointed as a Non-Executive Director.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 31 – CASH FLOW INFORMATION

Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2022 $	2021 $
Loss after income tax expense for the year	**(7,228,814)**	(12,402,829)
Adjustments for:		
Depreciation and amortisation	**851,310**	873,498
Share-based payments	**77,367**	619,836
Net gain on disposal of non-current assets	**(1,195,816)**	-
Finance costs - non-cash	**(24,819)**	-
Foreign currency differences	**(8,261)**	(6,351)
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	**(268,300)**	23,098
Decrease/(increase) in inventories	**(313,646)**	680,765
Decrease/(increase) in prepayments	**329,815**	(65,972)
Decrease in other operating assets	**64,335**	79,024
Decrease in trade and other payables	**(1,528,851)**	(227,011)
Increase/(decrease) in employee benefits	**(21,853)**	72,976
Net cash used in operating activities	**(9,267,533)**	**(10,352,966)**

Changes in liabilities arising from financing activities

Consolidated	Leases $	Debtor finance $	Insurance premium funding $	Total $
Balance at 1 July 2020	2,239,599	27,048	67,173	2,333,820
Net cash from/(used in) financing activities	(612,357)	(27,048)	661	(638,744)
Balance at 30 June 2021	1,627,242	-	67,834	1,695,076
Net cash used in financing activities	(656,944)	-	(67,834)	(724,778)
Acquisition of leases	152,495	-	-	152,495
Balance at 30 June 2022	**1,122,793**	**-**	**-**	**1,122,793**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 32 – EARNINGS PER SHARE

	Consolidated	
	2022 $	2021 $
Earnings per share for loss from continuing operations		
Loss after income tax	**(8,388,452)**	(9,632,983)
Non-controlling interest	**66,381**	79,124
Loss after income tax attributable to the owners of Medlab Clinical Limited	**(8,322,071)**	(9,553,859)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	**2,281,171**	1,965,371
Weighted average number of ordinary shares used in calculating diluted earnings per share	**2,281,171**	1,965,371
	Cents	**Cents**
Basic earnings per share	**(365)**	(486)
Diluted earnings per share	**(365)**	(486)

	Consolidated	
	2022 $	2021 $
Earnings per share for profit/(loss) from discontinued operations		
Profit/(loss) after income tax attributable to the owners of Medlab Clinical Limited	**1,159,638**	(2,769,846)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	**2,281,171**	1,965,371
Weighted average number of ordinary shares used in calculating diluted earnings per share	**2,281,171**	1,965,371
	Cents	**Cents**
Basic earnings per share	**51**	(141)
Diluted earnings per share	**51**	(141)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 32 – EARNINGS PER SHARE (CONTINUED)

	Consolidated	
	2022 $	**2021 $**
Earnings per share for loss		
Loss after income tax	**(7,228,814)**	(12,402,829)
Non-controlling interest	**66,381**	79,124
Loss after income tax attributable to the owners of Medlab Clinical Limited	**(7,162,433)**	(12,323,705)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	**2,281,171**	1,965,371
Weighted average number of ordinary shares used in calculating diluted earnings per share	**2,281,171**	1,965,371
Basic earnings per share	**Cents**	**Cents**
Diluted earnings per share	**(314)**	(627)
	(314)	(627)

Share consolidation after the reporting period and impact on weighted average number of shares
On 5 August 2022, the Company completed a share consolidation at the ratio of 150 fully paid ordinary shares into 1 fully paid ordinary share (refer note 30). The weighted average number of ordinary shares for 30 June 2022 and 30 June 2021 have been adjusted for the effect of the share consolidation, in accordance with AASB 133 *Earnings per share*.

Accounting policy for earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit 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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 33 – SHARE-BASED PAYMENTS

Employee share option plan
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.

On 12 November 2020, the Company granted 12,000,000 unlisted options to the following Directors for nil consideration:
- Michael Hall - 2,000,000 options exercisable at 20 cents per share
- Drew Townsend - 2,000,000 options exercisable at 20 cents per share
- Sean Hall - 4,000,000 options exercisable at 20 cents per share
- Laurence McAllister - 4,000,000 options exercisable at 18 cents per share

The grant of options is designed to incentivise the Directors by participating in the future growth and prosperity of the Consolidated Entity through share ownership and in recognition made to the Consolidated Entity by the Directors and their ongoing responsibility. The options vested on 31 January 2021 and expire on 31 October 2022. The value of the options at grant date was $580,000.

On 25 June 2021, the Company granted 833,333 and 250,000 unlisted options to the Investor Relations Consultant and the Chief Financial Officer respectively. The options are exercisable at 21 cents per share. The options vest on grant date and expire on 24 June 2024. The value of the options at grant date was $39,836.

On 18 October 2021, the company granted 1,500,000 options to Ms Cheryl Maley (Non-Executive Director) for nil consideration. The options vested on the grant date and expire on 16 October 2024. The fair value of the options at grant date was $77,367. The purpose of the issue of the options is to provide an incentive to Ms Maley to continue to play a key and integral role in the future benefit of the company and therefore increase shareholder value.

Set out below are summaries of other options granted:

2022 Grant Date	Expiry date	Exercise price	Balance at start of year	Granted	Exercised	Forfeited/ expired/ other	Balance at end of year
12/11/2020	31/10/2022	$0.20	8,000,000	-	-	-	8,000,000
12/11/2020	31/10/2022	$0.18	4,000,000	-	-	-	4,000,000
25/06/2021	24/06/2024	$0.21	1,083,333	-	-	-	1,083,333
18/10/2021	18/10/2024	$0.21	-	1,500,000	-	-	1,500,000
			13,083,333	1,500,000	-	-	14,583,333
Weighted average exercise price			$0.19	$0.21	$0.00	$0.00	$0.20

2021 Grant Date	Expiry date	Exercise price	Balance at start of year	Granted	Exercised	Forfeited/ expired/ other	Balance at end of year
10/07/2015	30/06/2020	$0.30	1,541,725	-	-	(1,541,725)	-
12/11/2020	31/10/2022	$0.20	-	8,000,000	-	-	8,000,000
12/11/2020	31/10/2022	$0.18	-	4,000,000	-	-	4,000,000
25/06/2021	24/06/2024	$0.21	-	1,083,333	-	-	1,083,333
			1,541,725	13,083,333	-	(1,541,725)	13,083,333
Weighted average exercise price			$0.30	$0.19	$0.00	$0.30	$0.19

The weighted average remaining contractual life of options outstanding at the end of the financial year was 4.96 years (2021: 5.66 years).

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant Date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
18/10/2021	18/10/2024	$0.16	$0.21	60.00%	-	0.68%	$0.0516

NOTE 33 – SHARE-BASED PAYMENTS (CONTINUED)

Accounting policy for 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 the 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 the 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.

DIRECTORS' DECLARATION

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Consolidated Entity's financial position as at 30 June 2022 and of its performance for the financial year ended on that date; and
- 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.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

S Hall
Director

D Townsend
Director

Dated this 30th day of August 2022
Sydney

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 statement of financial position as at 30 June 2022, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the consolidated statements of cash flows for the year then ended, and notes to the financial statement, including a summary of significant accounting policies, and the directors' declaration of the Group.

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 2022 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report, which indicates that the Group incurred a net loss of $7,228,814 during the year ended 30 June 2022 and net cash outflows from operating activities of $9,267,533. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Research and Development Tax Offset	
Key Audit Matter	**How the scope of our audit responded to the key audit matter**
Revenue and other receivables include $3,450,000 worth of research and development refundable tax offset (the "offset"). This offset is recognised when there is reasonable assurance that the incentive will be received, and all attached conditions will be complied with.	Our procedures included but were not limited to: • Reviewing the work of management's expert in calculating the offset. • Review of the prior year offset received to ensure the accounting treatment was on a consistent basis. • Discussions with management regarding the type of research and development work performed to ensure it is in the nature of eligible spend • Agreeing the balances used in the offset calculation to general ledger and checking reasonability.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2022 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. Refer to Note 1 of the financial report for details of the material uncertainty relating to going concern.

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 on page 8 of the Directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Medlab Clinical Limited, for the year ended 30 June 2022, 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 on the 30th day of August 2022.

E.S.V

ESV Business advice and accounting

Susan Prichard
Client Director

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 18 August 2022.

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

	Number of holders of ordinary shares
1 to 1,000	4,986
1,001 to 5,000	174
5,001 to 10,000	21
10,001 to 100,000	17
100,001 and over	3
	5,201

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	386,838	16.94
FARJOY PTY LTD	205,663	9.01
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	106,111	4.65
UBS NOMINEES PTY LTD	85,316	3.74
FIT INVESTMENTS PTY LTD <HALLAB INVESTMENT A/C>	75,563	3.31
BNP PARIBAS NOMINEES PTY LTD	73,787	3.23
REALM GROUP PTY LTD	70,000	3.07
RICHARD ALBARRAN <ALBARRAN FAMILY NO 2 A/C>	37,038	1.62
ROLAY PTY LTD	37,038	1.62
UNITED TROLLEY COLLECTIONS P/L	32,970	1.44
MR MICHAEL JACK HALL + MRS ELIZABETH ANN JONES <HALL JONES SUPER FUND A/C>	29,820	1.31
CITICORP NOMINEES PTY LIMITED	21,193	0.93
VILLAMAGNA INC	20,000	0.88
NETWEALTH INVESTMENTS LIMITED	18,839	0.83
ACRON HOLDINGS PTY LIMITED <ACRON SUPER FUND A/C>	16,181	0.71
ASSUMO (NOMINEES) PTY LTD <ASSUMO SUPER FUND A/C>	13,334	0.58
D J FAIRFULL PTY LTD <FAIRFULL SUPER FUND A/C>	12,651	0.55
MISS XIAODAN FU	11,902	0.52
DENI FREIGHTERS SUPER FUND PTY LTD <DENILIQUIN FREIGHTERS SUPER FUND A/C>	10,001	0.44
DANIEL P MOSES (NOMINEES) PTY LTD <DANIEL MOSES FAMILY A/C>	10,000	0.44
	1,274,245	**55.8**

Unquoted equity securities

	Number Held	Number of holders
Options over ordinary shares issued	97,223	7

SHAREHOLDER INFORMATION (cont.)

Substantial holders

	Ordinary Shares	
	Number Held	% of total shares issued
SEAN MICHAEL HALL	389,040	17.05
FARJOY PTY LTD	205,663	9.01

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.

CORPORATE DIRECTORY

Directors	M Hall - Non-Executive Chairman S Hall - Managing Director and Chief Executive Officer D Townsend - Non-Executive Director L McAllister - Non-Executive Director C Maley - Non-Executive Director M Gupta - Non-Executive Director
Company secretary	Kerem Kaya
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, 30 September 2022
Registered office and principal place of business	Unit 5/11 Lord Street Botany NSW 2019
Share register	Advanced Share Registry 110 Stirling Highway Nedlands WA 6009
Auditor	ESV Business Advice and Accounting Level 13 68 York Street Sydney NSW 2000
Solicitors	McCabe Curwood Level 38 MLC Centre 19 Martin Place Sydney NSW 2000
Patent Attorneys	Davies Collison Cave 255 Elizabeth Street Sydney NSW 2000
Bankers	Commonwealth Bank Australia Limited 48 Martin Place Sydney NSW 2000
Stock exchange listing	Medlab Clinical Limited shares are listed on the Australian Securities Exchange (ASX code: MDC)
Website	www.medlab.co
Corporate Governance Statement	www.medlab.co/about/corporate_governance

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medlab.co

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ASX: MDC