



24 February 2022

Company Announcements Office
Australian Securities Exchange
Exchange Centre
20 Bridge Street
Sydney, NSW 2000

HALF-YEAR RESULTS FY22

- Revenue from ordinary operations rose 45.4% to \$3.0M
- Net loss after tax of \$3.1M (2021: \$5.3M), a decrease of 42.3%
- NanoCelle® granted US patent, now has 48 patents across 43 countries
- Australian only nutraceuticals business licenced to PharmaCare Pty Ltd
- NanaBis progression: ethics approvals in both AUST and UK, final registerable product well underway
- NSW Health approves grant for RNA COVID vaccines nasal spray research

Medlab Clinical (ASX: MDC, Medlab, the Company), a biotech healthcare company with a portfolio of novel medicinal candidates enhanced by its drug delivery platform and used for the treatment of chronic pain and disease, has today released its Financial Results for the half-year ended 31 December 2021.

Now that the NanoCelle® patents are granted, Medlab is fully focused on commercialising its global Biotech assets, regulatory approvals, partnering with consumer life science and pharmaceutical organisations, and early market access initiatives.

Our **NanaBis®** (**NanoCelle®** CBD/THC cannabis-based medicine) application for drug status with the federal drug authorities in the USA (FDA) continues to move forward. Within this half year we will:

- Produce the final registerable NanaBis® product
- Lodge our application with the FDA for NanaBis®, a treatment for chronic bone pain in cancer patients
- Commence our trials. We intend to have a total of 360 patients, for the phase 3 global studies.

Nutraceutical Australia business has been licenced to PharmaCare Pty Ltd, an established company in the Australian nutraceuticals market. We are negotiating with companies internationally to supply them with VMS products, particularly our patented products. This does not mean we have given up our interest in Nutraceuticals, we are in discussion with distributors in USA, parts of Asia and parts of the Europe, more on that as the discussions are finalised.

The Company's loss in current six months is 42.3% better than the six months for same corresponding period last year. In this loss figure, there are research and development costs, which have been necessary in gaining 48 patents, in 43 countries on our NanoCelle® technology, and progressing NanaBis™ drug application in USA. In future the Company plans to capitalise NanoCelle® development costs as an intangible asset on the Balance Sheet. The value of these patents will be based on a conservative figure and will be amortised over the life of the patents.

Our principal assets are now:

- Western World Patents on the **NanoCelle®** unique technology, this protects us for a period of approximately 15 years
- The **NanaBis™** drug development program is proceeding, final product for the Phase 3 trials is being manufactured now and all the required quality control and stability work commenced so that we can have NanaBis™ for the trials and the drug application lodged around mid-2022, subject to possible COVID-related disruptions.
- The **NRGBiotic** mental health program (**Depression Study**) has produced exceptional results with trial data showing a pathway to an improved formulation (under investigation now). The program

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was designed to elicit a far superior response by using NRGBiotic with an anti-depressant, as opposed to an anti-depressant alone. A timely result given the current focus on mental health issues associated with the COVID pandemic.

- Australian Government (Aus. Industry) granted Advanced and Overseas Finding for NanaBis™ development program. Our planned expenditure for R&D over the next three years is expected to be approximately \$28M, this would result in an R&D claim grant receivable (at 43.5% tax credit) to be circa \$12M.
- NSW Health approves grant for RNA COVID vaccines nasal spray research in collaboration with University of NSW (UNSW) and Macquarie University (MQ)

Financial Commentary

Revenue from ordinary operations rose 45.4% to \$3.0M over the corresponding period last year. This includes \$1.2M gain on disposal of AU nutraceuticals business to PharmaCare.

In H1, Medlab's AU nutraceutical business was licensed to PharmaCare for \$0.8M, plus minimum royalties of \$0.5M over two years, and inventory of \$1.0M (at cost value). The transaction enables Medlab to make savings of around \$2M annually on operating expenses and better align its focus on areas of strategic growth.

The Company recorded a net loss after tax of \$3.1M (2021: \$5.3M), a decrease of 42.3% on the prior corresponding period.

Medlab held a cash balance of \$11.2M as of December 31, 2021. The Company continued to reduce cash burn during H1 2022, and cash continues to be managed responsibly.

At period end, the consolidated entity had total assets of \$16.1M and total liabilities of \$4.2M.

-ENDS-

Authorisation & Additional information

This announcement was authorised by the Board of Directors of Medlab Clinical Limited.

About Medlab Clinical:

Medlab Clinical Ltd (ASX: MDC) is pioneering the development and commercialisation of a pharmaceutical delivery platform, allowing for enhanced medical properties, including increased efficacy, safety, patient compliance and stability. Medlab's pipeline comprises a number of small and large molecules from repurposing generic medicines to enhancing the delivery of immunotherapies.

Patented lead drug candidate NanaBis™ has been developed for cancer bone pain as a viable alternative to opioid use. Data to date, strongly suggests NanaBis™ may be equally effective in non-cancer neuropathic pain.

NanoCelle®, the patented delivery platform is wholly owned by Medlab and developed in Medlab's owned OGTR Registered Laboratory. Medlab operates in Australia (Head Office), USA, and the UK. For more information, please visit www.medlab.co

Medlab – *better medicines, better patient care*

For further information contact:

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1. Company details

Name of entity:	Medlab Clinical Limited
ABN:	51 169 149 071
Reporting period:	For the half-year ended 31 December 2021
Previous period:	For the half-year ended 31 December 2020

2. Results for announcement to the market

			\$
Revenues from ordinary activities *	up	45.4% to	2,970,998
Loss from ordinary activities after tax attributable to the owners of Medlab Clinical Limited *	down	42.3% to	(3,054,952)
Loss for the half-year attributable to the owners of Medlab Clinical Limited	down	42.3% to	(3,054,952)

Dividends

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

Comments

The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to \$3,054,952 (31 December 2020: \$5,293,960).

* Revenue from ordinary activities and the loss for the half-year ended 31 December 2021, includes a net gain of \$1,195,816 arising from the disposal of the Australian nutraceutical business.

Reference is made to the *Review of Operations* in the Directors' Report contained in the attached Interim Financial Report for Medlab Clinical Limited for the half-year ended 31 December 2021.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	3.49	4.36

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

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

Previous period

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

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

10. Audit qualification or review

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

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

11. Attachments

Details of attachments (if any):

The Interim Report of Medlab Clinical Limited for the half-year ended 31 December 2021 is attached.

12. Signed

Signed 

S Hall
Director
Sydney

Date: 24 February 2022

Medlab Clinical Limited

ABN 51 169 149 071

Interim Report - 31 December 2021

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Directors	M Hall - Non-Executive Chairman S Hall - Managing Director and Chief Executive Officer D Townsend - Non-Executive Director L McAllister - Executive Director C Maley - Non-Executive Director
Company secretary	Kerem Kaya
Registered office	66 McCauley Street Alexandria NSW 2015
Principal place of business	Head Office Unit 5/11 Lord Street Botany NSW 2019 Research Office & Laboratory 66 McCauley Street Alexandria NSW 2015
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	DWF Australia Level 18 363 George Street 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/investors/corporate_governance

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 half-year ended 31 December 2021.

Directors

The following persons were directors of Medlab Clinical Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

- Michael Hall (Chairman)
- Sean Hall (CEO & Managing Director)
- Drew Townsend (Non-Executive Director)
- Laurence McAllister (Executive Director)
- Cheryl Maley (Non-Executive Director)

Principal activities

During the financial half-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 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.

Review of operations

Operational highlights

- Granted Ethics for **NanaBis™** Phase III Trials in Australia
- **NanoCelle®** US Patent Granted, now have 48 Global patents, across 43 countries
- Australian Government (Aus. Industry) grants Advanced and Overseas Finding for NanaBis™ development program – \$27M spend over three years with approx. 43% cash rebate receivable of \$12M
- NSW Government cash grant received to apply **NanoCelle®** to an RNA nasal vaccine in collaboration with University of NSW (UNSW) and Macquarie University (MQ) to fight COVID-19 future potential epidemics
- Medlab Australian nutraceuticals business licenced to Pharma-Care Pty Ltd, an established company in the Australian nutraceuticals market
- Exploring variety of Partnering Models (Royalties, Joint Ventures & Asset Sales)
- Expanding Global Leadership Team with worldwide presence and increased investor relations focus (US/Europe)
- Lead candidate **NanaBis™** met Phase I/II primary and secondary endpoints in bone cancer patients, real world evidence continues to provide strong, positive signals, preparing for Phase 3 clinical trials (360 patients in USA/AUS/UK)
- UK Research Ethics Committee provided "Favourable Opinion" for the forthcoming NanaBis™ Phase 3 trial
- Commercial deal completed with The Cann Group, (ASX:CAN) whereby Medlab will charge a fee for service to educate and support physicians for selected Cann's products to complement the existing Medlab portfolio (NanaBis™ and NanoCBD™)
- The **NRGBiotic** mental health program has produced exceptional results with trial data showing a pathway to an improved formulation (under investigation now). The program was designed to elicit a far superior response by using NRGBiotic with an anti-depressant, as opposed to an anti-depressant alone. A timely result given the current focus on mental health issues associated with the COVID pandemic.

Nutraceuticals

Most significant operational event that occurred in October 2021 is the licence of the Australian nutraceuticals business to PharmaCare Pty Ltd. The transaction included an upfront \$750,000 (ex. GST) cash consideration and \$1,025,910 of inventory on hand (at cost ex. GST). The agreement also includes a minimum of \$500,000 split over two anniversary periods in Oct 2022 and Oct 2023.

Medlab is in negotiating with companies internationally to supply them with nutraceutical products, particularly the patented products. As Medlab continues to have interest in Nutraceuticals future revenue, ongoing discussions are being held with distributors in USA, parts of Asia and Europe, more information will be provided as discussions materialise.

Pharma

The company continues to support SAS compassionate programs in Australia for the use of NanaBis™ and NanoCBD™, while also launching similar program in UK (to be launched in Mar 2022).

Financial position

The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to \$3,054,952 (31 December 2020: \$5,293,960), a decrease of 42.3% over the corresponding period last year (this includes a \$1,195,816 gain on disposal of AU nutraceuticals business).

Total revenue from operations rose 45.4% to \$2,970,998 over the corresponding period last year (this includes a \$1,195,816 gain on disposal of AU nutraceuticals business).

At period end, the consolidated entity had total assets of \$16,108,628 and total liabilities of \$4,217,709. Net assets increased by \$3,871,882 to \$11,890,919 (over the same period last year, December 2020: \$8,019,037).

Medlab held a cash balance of \$11,219,842 as of 31 December 2021. The company has continued to improve cash burn rate during H1 2022.

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 6). 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 principal assets that were sold comprised registered patents and trademarks, inventory, customer lists, and material contracts.

There were no other significant changes in the state of affairs of the consolidated entity during the financial half-year.

Material business risks

Return of Government sanctioned lockdowns may mean the company does not have access to facilities (e.g., hospitals for clinical trials).

Threat of war in Eastern Europe, with potential impact on UK, again will disrupt to 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 half-year

The impact of the Coronavirus (COVID-19) pandemic is ongoing and has had an impact on the consolidated entity up to 31 December 2021, it is not practicable to estimate the potential impact, positive or negative, after the reporting date.

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 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.


No other matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

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.

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

On behalf of the directors



S Hall
Director



D Townsend
Director

24 February 2022

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

In accordance with the requirements of section 307C of the Corporations Act, as auditor for the review of Medlab Clinical Limited and its Controlled Entities as at 31 December 2021, I declare that, to the best of my knowledge and belief, there have been:

- (i) no contraventions of the auditor's independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

Dated at Sydney on the 24th of February 2022

E.S.V

ESV Business Advice and Accounting



Susan Prichard
Client Director

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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 half-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 are:

Registered office

Unit 5
11 Lord Street
Botany
NSW 2019

Principal place of business

66 McCauley Street
Alexandria
NSW 2015

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 24 February 2022.

Medlab Clinical Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2021



	Note	31 Dec 2021 \$	31 Dec 2020 \$
Revenue from continuing operations	3	434,889	361,549
Other income	4	2,585,752	2,430,491
Interest revenue		14,802	13,768
Total revenue		<u>3,035,443</u>	<u>2,805,808</u>
Expenses			
Raw materials and consumables used		(118,278)	(89,892)
Employee benefits expense		(3,643,103)	(3,300,958)
Depreciation and amortisation expense		(423,260)	(437,909)
Operating leases		(99,052)	(70,823)
Professional and consulting fees		(1,051,615)	(798,209)
R&D/trial expenses		(566,991)	(1,214,122)
Selling and marketing		(129,166)	(126,068)
Other expenses	5	(1,189,305)	(1,282,047)
Finance costs		(59,022)	(71,492)
Total expenses		<u>(7,279,792)</u>	<u>(7,391,520)</u>
Loss before income tax expense from continuing operations		(4,244,349)	(4,585,712)
Income tax expense		-	-
Loss after income tax expense from continuing operations		(4,244,349)	(4,585,712)
Profit/(loss) after income tax expense from discontinued operations	6	1,159,638	(746,194)
Loss after income tax expense for the half-year		(3,084,711)	(5,331,906)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(7,590)	(14,925)
Other comprehensive income for the half-year, net of tax		(7,590)	(14,925)
Total comprehensive income for the half-year		<u>(3,092,301)</u>	<u>(5,346,831)</u>
Loss for the half-year is attributable to:			
Non-controlling interest		(29,759)	(37,946)
Owners of Medlab Clinical Limited		(3,054,952)	(5,293,960)
		<u>(3,084,711)</u>	<u>(5,331,906)</u>
Total comprehensive income for the half-year is attributable to:			
Continuing operations		(38,795)	(43,916)
Discontinued operations		-	-
Non-controlling interest		(38,795)	(43,916)
Continuing operations		(4,213,144)	(4,556,721)
Discontinued operations		1,159,638	(746,194)
Owners of Medlab Clinical Limited		<u>(3,053,506)</u>	<u>(5,302,915)</u>
		<u>(3,092,301)</u>	<u>(5,346,831)</u>

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

Medlab Clinical Limited
 Consolidated statement of profit or loss and other comprehensive income
 For the half-year ended 31 December 2021



31 Dec 2021 31 Dec 2020

		Cents	Cents
Earnings per share for loss from continuing operations attributable to the owners of Medlab Clinical Limited			
Basic earnings per share	15	(1.23)	(1.63)
Diluted earnings per share	15	(1.23)	(1.63)
Earnings per share for profit/(loss) from discontinued operations attributable to the owners of Medlab Clinical Limited			
Basic earnings per share	15	0.34	(0.27)
Diluted earnings per share	15	0.34	(0.27)
Earnings per share for loss attributable to the owners of Medlab Clinical Limited			
Basic earnings per share	15	(0.89)	(1.90)
Diluted earnings per share	15	(0.89)	(1.90)

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

Medlab Clinical Limited
Consolidated statement of financial position
As at 31 December 2021



	Note	31 Dec 2021 \$	30 June 2021 \$
Assets			
Current assets			
Cash and cash equivalents	7	11,219,842	13,434,762
Trade and other receivables	8	2,023,371	3,355,925
Inventories		-	792,371
Other		487,192	496,418
Total current assets		13,730,405	18,079,476
Non-current assets			
Trade and other receivables	8	217,764	-
Property, plant and equipment	9	417,191	483,316
Right-of-use assets	10	1,260,580	1,600,978
Other		482,688	482,536
Total non-current assets		2,378,223	2,566,830
Total assets		16,108,628	20,646,306
Liabilities			
Current liabilities			
Trade and other payables	11	1,843,013	2,990,805
Borrowings		-	67,834
Lease liabilities		592,556	638,066
Employee benefits		511,119	516,429
Provisions		305,422	305,422
Total current liabilities		3,252,110	4,518,556
Non-current liabilities			
Lease liabilities		710,423	989,176
Employee benefits		255,176	232,721
Total non-current liabilities		965,599	1,221,897
Total liabilities		4,217,709	5,740,453
Net assets		11,890,919	14,905,853
Equity			
Issued capital		66,811,113	66,811,113
Reserves	12	778,769	699,956
Accumulated losses		(55,421,612)	(52,366,660)
Equity attributable to the owners of Medlab Clinical Limited		12,168,270	15,144,409
Non-controlling interest		(277,351)	(238,556)
Total equity		11,890,919	14,905,853

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

Medlab Clinical Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2021



	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 half-year	-	-	(5,293,960)	(37,946)	(5,331,906)
Other comprehensive income for the half-year, net of tax	-	(8,955)	-	(5,970)	(14,925)
Total comprehensive income for the half-year	-	(8,955)	(5,293,960)	(43,916)	(5,346,831)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs	1,530,577	-	-	-	1,530,577
Share-based payments (note 16)	-	580,000	-	-	580,000
Balance at 31 December 2020	52,892,486	649,240	(45,336,915)	(185,774)	8,019,037
	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 half-year	-	-	(3,054,952)	(29,759)	(3,084,711)
Other comprehensive income for the half-year, net of tax	-	1,446	-	(9,036)	(7,590)
Total comprehensive income for the half-year	-	1,446	(3,054,952)	(38,795)	(3,092,301)
<i>Transactions with owners in their capacity as owners:</i>					
Share-based payments (note 16)	-	77,367	-	-	77,367
Balance at 31 December 2021	66,811,113	778,769	(55,421,612)	(277,351)	11,890,919

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

Medlab Clinical Limited
Consolidated statement of cash flows
For the half-year ended 31 December 2021



	Note	31 Dec 2021 \$	31 Dec 2020 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		4,734,963	2,567,632
Payments to suppliers and employees (inclusive of GST)		(11,406,921)	(8,962,590)
		(6,671,958)	(6,394,958)
Interest received		14,802	13,768
Receipts from R&D Tax incentive and government grants		3,142,242	3,237,033
Interest and other finance costs paid		(66,155)	(27,307)
Net cash used in operating activities		(3,581,069)	(3,171,464)
Cash flows from investing activities			
Payments for property, plant and equipment		(17,512)	(16,321)
Payments for security deposits		(152)	-
Proceeds from licencing of Australian nutraceuticals business	6	1,775,910	-
Net cash from/(used in) investing activities		1,758,246	(16,321)
Cash flows from financing activities			
Proceeds from issue of shares		-	1,570,473
Proceeds from borrowings		-	1,450,000
Repayment of borrowings		(67,834)	(1,626,140)
Repayment of lease liabilities		(324,263)	(342,686)
Share issue transaction costs		-	(39,896)
Net cash from/(used in) financing activities		(392,097)	1,011,751
Net decrease in cash and cash equivalents		(2,214,920)	(2,176,034)
Cash and cash equivalents at the beginning of the financial half-year		13,434,762	9,063,044
Effects of exchange rate changes on cash and cash equivalents		-	(10,734)
Cash and cash equivalents at the end of the financial half-year	7	<u>11,219,842</u>	<u>6,876,276</u>

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

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2021 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

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.

Note 2. 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
Pharmaceutical	Various research activities (depression and oncology) and the supply of cannabis-based medicines

Note 2. Operating segments (continued)

Operating segment information

31 Dec 2021	Nutraceutical \$	Pharmaceutical \$	Corporate/ Other \$	Total \$
Revenue				
Sales to external customers	3,014,795	382,985	-	3,397,780
Provision for sales returns, promotional costs and other rebates	(441,584)	-	-	(441,584)
Total sales revenue	<u>2,573,211</u>	<u>382,985</u>	<u>-</u>	<u>2,956,196</u>
Interest revenue	7,133	-	7,669	14,802
Total revenue	<u>2,580,344</u>	<u>382,985</u>	<u>7,669</u>	<u>2,970,998</u>
EBITDA	<u>(334,141)</u>	<u>(3,478,906)</u>	<u>-</u>	<u>(3,813,047)</u>
Depreciation and amortisation				(423,260)
Gain on disposal of discontinued operation				1,195,816
Interest revenue				14,802
Finance costs				(59,022)
Loss before income tax expense				<u>(3,084,711)</u>
Income tax expense				-
Loss after income tax expense				<u>(3,084,711)</u>
Assets				
Segment assets	1,109,503	3,296,598	11,702,527	16,108,628
Total assets				<u>16,108,628</u>
Liabilities				
Segment liabilities	2,124,188	2,093,521	-	4,217,709
Total liabilities				<u>4,217,709</u>

Note 2. Operating segments (continued)

31 Dec 2020	Nutraceutical \$	Pharmaceutical \$	Corporate/ Other \$	Total \$
Revenue				
Sales to external customers	2,127,621	354,116	-	2,481,737
Provision for sales returns, promotional costs and other rebates	(452,151)	-	-	(452,151)
Total sales revenue	<u>1,675,470</u>	<u>354,116</u>	<u>-</u>	<u>2,029,586</u>
Interest revenue	2,643	11,125	-	13,768
Total revenue	<u>1,678,113</u>	<u>365,241</u>	<u>-</u>	<u>2,043,354</u>
EBITDA	<u>(1,180,758)</u>	<u>(1,357,767)</u>	<u>(2,297,748)</u>	<u>(4,836,273)</u>
Depreciation and amortisation				(437,909)
Interest revenue				13,768
Finance costs				(71,492)
Loss before income tax expense				<u>(5,331,906)</u>
Income tax expense				-
Loss after income tax expense				<u>(5,331,906)</u>

30 June 2021

Assets				
Segment assets	5,690,967	1,038,041	13,917,298	20,646,306
Total assets				<u>20,646,306</u>
Liabilities				
Segment liabilities	4,351,304	1,321,316	67,833	5,740,453
Total liabilities				<u>5,740,453</u>

Note 3. Revenue

	31 Dec 2021 \$	31 Dec 2020 \$
From continuing operations		
Sale of goods (net discounts)	622,541	550,718
Sales returns	(187,652)	(189,169)
Revenue from continuing operations	<u>434,889</u>	<u>361,549</u>

Disaggregation of revenue

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

	31 Dec 2021 \$	31 Dec 2020 \$
<i>Major product lines</i>		
Nutraceutical	51,904	7,433
Pharmaceutical	382,985	354,116
	<u>434,889</u>	<u>361,549</u>
<i>Timing of revenue recognition</i>		
Goods transferred at a point in time	<u>434,889</u>	<u>361,549</u>

Note 3. Revenue (continued)

Included in the following tables are reconciliations of the disaggregated revenue with the consolidated entity's reportable segments (refer note 2).

	Nutraceutical \$	Pharmaceutical \$	Total \$
31 Dec 2021			
<i>Continuing operations</i>			
Nutraceutical	51,904	-	51,904
Pharmaceutical	-	382,985	382,985
	<u>51,904</u>	<u>382,985</u>	<u>434,889</u>
<i>Discontinuing operations</i>			
Nutraceutical	<u>2,521,307</u>	-	<u>2,521,307</u>
Total segment revenue	<u><u>2,573,211</u></u>	<u><u>382,985</u></u>	<u><u>2,956,196</u></u>
	Nutraceutical \$	Pharmaceutical \$	Total \$
31 Dec 2020			
<i>Continuing operations</i>			
Nutraceutical	7,433	-	7,433
Pharmaceutical	-	354,116	354,116
	<u>7,433</u>	<u>354,116</u>	<u>361,549</u>
<i>Discontinuing operations</i>			
Nutraceutical	<u>1,668,037</u>	-	<u>1,668,037</u>
Total segment revenue	<u><u>1,675,470</u></u>	<u><u>354,116</u></u>	<u><u>2,029,586</u></u>

Note 4. Other income

	31 Dec 2021 \$	31 Dec 2020 \$
Government incentives	-	774,400
Government grants	-	25,000
R&D tax incentive	2,583,707	1,125,000
Other*	<u>2,045</u>	<u>506,091</u>
Other income	<u><u>2,585,752</u></u>	<u><u>2,430,491</u></u>

* Included in other at 31 December 2020, is \$500,000 received by the Company as a result of the Company terminating a sub-distributor agreement with a licensor.

Note 5. Other expenses

Other expenses includes the following specific expenses:

	31 Dec 2021 \$	31 Dec 2020 \$
Bad debts	-	184,830
Educational and compliance	49,755	81,621
Insurance	131,087	151,168
Lab consumables	15,831	14,655
Provision for inventory obsolescence/inventory adjustments	-	187,041
Telephone and Internet	29,292	42,241
Travel	<u>36,564</u>	<u>14,128</u>

Note 6. Discontinued operations

Description

On 19 October 2021, the company licenced its Australian nutraceutical business to PharmaCare Pty Ltd for a cash consideration of \$1,775,910. 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 8). Subsequent to recognition, the deferred consideration receivable is accounted for at amortised cost and at 31 December 2021, the receivable increased to \$452,949 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

	31 Dec 2021	31 Dec 2020
	\$	\$
Sales of goods (net discounts)	2,775,239	1,931,019
Promotional costs and other rebates	<u>(253,932)</u>	<u>(262,982)</u>
Total revenue	<u>2,521,307</u>	<u>1,668,037</u>
Other income - Provision for expected credit losses on receivables - unused provision reversed	400,000	-
Raw materials and consumables used	(2,027,305)	(1,187,790)
Employee benefits expense	(724,969)	(627,364)
Selling and marketing	(152,366)	(572,779)
Other expenses	(52,845)	(26,298)
Total expenses	<u>(2,957,485)</u>	<u>(2,414,231)</u>
Loss before income tax expense	(36,178)	(746,194)
Income tax expense	<u>-</u>	<u>-</u>
Loss after income tax expense	<u>(36,178)</u>	<u>(746,194)</u>
Gain on disposal before income tax	1,195,816	-
Income tax expense	<u>-</u>	<u>-</u>
Gain on disposal after income tax expense	<u>1,195,816</u>	<u>-</u>
Profit/(loss) after income tax expense from discontinued operations	<u><u>1,159,638</u></u>	<u><u>(746,194)</u></u>

Cash flow information

	31 Dec 2021	31 Dec 2020
	\$	\$
Net cash used in operating activities	(1,483,239)	(1,275,431)
Net cash from investing activities	-	-
Net cash from financing activities	<u>-</u>	<u>-</u>
Net decrease in cash and cash equivalents from discontinued operations	<u><u>(1,483,239)</u></u>	<u><u>(1,275,431)</u></u>

Note 6. Discontinued operations (continued)

Carrying amount assets disposed

	31 Dec 2021 \$	31 Dec 2020 \$
Inventory	1,025,910	-

Details of the disposal

	31 Dec 2021 \$	31 Dec 2020 \$
Total sale consideration including fair value of earn out	2,221,726	-
Carrying amount of assets disposed	<u>(1,025,910)</u>	<u>-</u>
Gain on disposal before income tax	1,195,816	-
Income tax expense	<u>-</u>	<u>-</u>
Gain on disposal after income tax	<u>1,195,816</u>	<u>-</u>

Note 7. Cash and cash equivalents

	31 Dec 2021 \$	30 June 2021 \$
<i>Current assets</i>		
Cash at bank	<u>11,219,842</u>	<u>13,434,762</u>

Note 8. Trade and other receivables

	31 Dec 2021 \$	30 June 2021 \$
<i>Current assets</i>		
Trade receivables	501,653	1,719,467
Less: Allowance for expected credit losses	<u>(275,000)</u>	<u>(675,000)</u>
	226,653	1,044,467
Other receivables (a)	1,561,533	2,311,458
Deferred consideration (b)	<u>235,185</u>	<u>-</u>
	2,023,371	3,355,925
<i>Non-current assets</i>		
Deferred consideration (b)	<u>217,764</u>	<u>-</u>
	<u>2,241,135</u>	<u>3,355,925</u>

(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 6). 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.

Note 9. Property, plant and equipment

	31 Dec 2021 \$	30 June 2021 \$
<i>Non-current assets</i>		
Leasehold improvements - at cost	429,102	429,102
Less: Accumulated depreciation	(283,003)	(258,465)
	<u>146,099</u>	<u>170,637</u>
Plant and equipment - at cost	611,150	607,432
Less: Accumulated depreciation	(444,007)	(416,271)
	<u>167,143</u>	<u>191,161</u>
Office furniture and equipment	641,909	628,115
Less: Accumulated depreciation	(537,960)	(506,597)
	<u>103,949</u>	<u>121,518</u>
	<u><u>417,191</u></u>	<u><u>483,316</u></u>

Reconciliations

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

	Leasehold improvements \$	Plant and equipment \$	Office furniture and equipment \$	Total \$
Balance at 1 July 2021	170,637	191,161	121,518	483,316
Additions	-	3,718	13,794	17,512
Exchange differences	-	-	(1,475)	(1,475)
Depreciation expense	(24,538)	(27,736)	(29,888)	(82,162)
	<u>146,099</u>	<u>167,143</u>	<u>103,949</u>	<u>417,191</u>

Note 10. Right-of-use assets

	31 Dec 2021 \$	30 June 2021 \$
<i>Non-current assets</i>		
Leasehold properties - right-of-use	2,598,406	2,597,706
Less: Accumulated depreciation	(1,337,826)	(996,728)
	<u>1,260,580</u>	<u>1,600,978</u>

Reconciliations

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

	Leasehold properties \$
Balance at 1 July 2021	1,600,978
Exchange differences	700
Depreciation expense	(341,098)
	<u>1,260,580</u>

Note 11. Trade and other payables

	31 Dec 2021 \$	30 June 2021 \$
<i>Current liabilities</i>		
Trade payables	697,930	1,476,953
Accrued expenses	567,617	1,033,624
Provision for sales returns	100,000	65,485
Sundry payables	477,466	414,743
	<u>1,843,013</u>	<u>2,990,805</u>

Note 12. Reserves

	31 Dec 2021 \$	30 June 2021 \$
Foreign currency reserve	81,566	80,120
Share-based payments reserve	697,203	619,836
	<u>778,769</u>	<u>699,956</u>

Movements in reserves

Movements in each class of reserve during the current financial half-year are set out below:

	Foreign currency reserve \$	Share-based payments reserve \$	Total \$
Balance at 1 July 2021	80,120	619,836	699,956
Foreign currency translation	1,446	-	1,446
Share-based payment	-	77,367	77,367
	<u>81,566</u>	<u>697,203</u>	<u>778,769</u>

Note 13. Dividends

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

Note 14. Events after the reporting period

The impact of the Coronavirus (COVID-19) pandemic is ongoing and has had an impact on the consolidated entity up to 31 December 2021, it is not practicable to estimate the potential impact, positive or negative, after the reporting date.

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 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.

No other matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 15. Earnings per share

	31 Dec 2021 \$	31 Dec 2020 \$
<i>Earnings per share for loss from continuing operations</i>		
Loss after income tax	(4,244,349)	(4,585,712)
Non-controlling interest	29,759	37,946
Loss after income tax attributable to the owners of Medlab Clinical Limited	<u>(4,214,590)</u>	<u>(4,547,766)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	342,175,671	279,160,761
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	-	(575,050)
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>342,175,671</u>	<u>278,585,711</u>
	Cents	Cents
Basic earnings per share	(1.23)	(1.63)
Diluted earnings per share	(1.23)	(1.63)
	31 Dec 2021 \$	31 Dec 2020 \$
<i>Earnings per share for profit/(loss) from discontinued operations</i>		
Profit/(loss) after income tax attributable to the owners of Medlab Clinical Limited	<u>1,159,638</u>	<u>(746,194)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	342,175,671	279,160,761
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	-	(575,050)
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>342,175,671</u>	<u>278,585,711</u>

Note 15. Earnings per share (continued)

	Cents	Cents
Basic earnings per share	0.34	(0.27)
Diluted earnings per share	0.34	(0.27)
	31 Dec 2021	31 Dec 2020
	\$	\$
<i>Earnings per share for loss</i>		
Loss after income tax	(3,084,711)	(5,331,906)
Non-controlling interest	29,759	37,946
	<u>(3,054,952)</u>	<u>(5,293,960)</u>
Loss after income tax attributable to the owners of Medlab Clinical Limited		
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	342,175,671	279,160,761
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	-	(575,050)
	<u>342,175,671</u>	<u>278,585,711</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share		
	Cents	Cents
Basic earnings per share	(0.89)	(1.90)
Diluted earnings per share	(0.89)	(1.90)

Note 16. Share-based payments

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.

For the options granted to Ms Maley during the current financial half-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

Share-based payments expense

	31 Dec 2021	31 Dec 2020
	\$	\$
Share-based payment transactions recognised as part of employee benefits expense	<u>77,367</u>	<u>580,000</u>

Medlab Clinical Limited
Directors' declaration
31 December 2021



In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the financial half-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.

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

On behalf of the directors

A handwritten signature in black ink, appearing to be "S Hall", written over a horizontal line.

S Hall
Director

A handwritten signature in black ink, appearing to be "D Townsend", written over a horizontal line.

D Townsend
Director

24 February 2022

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Medlab Clinical Limited and its Controlled Entities ("the Group") which comprises of the statement of financial position as at 31 December 2021 and the statement of profit and loss and other comprehensive income, statement of changes in equity, statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the Directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the accompanying half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and of its consolidated financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' Responsibility for the Financial Report

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

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial report does not give a true and fair view of the financial position of the Group as at 31 December 2021 and of its financial performance and its cash flows for the half-year ended on that date, in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

Independence

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

Dated at Sydney on the 24th of February 2022

E.S.V

ESV Business Advice and Accounting



Susan Prichard
Client Director