Rules 4.3A

Appendix 4E

Preliminary final report

Name of entity

EMERALD CLINICS LIMITED

ABN or equivalent company reference

96 625 085 734

Financial year ended ('current period')

30 June 2020

For announcement to the market

	Current year reported amount $	Change up/(down) from previous year $	Change up/(down) from previous year %
Revenues from customer sales	1,013,452	903,543	822.09%
Other revenues from continuing operations	493,223	464,476	1,615.74%
Total revenues from continuing operations	1,506,675	1,368,019	986.63%
Loss from ordinary activities after tax attributable to members	(5,238,040)	2,555,112	95.24%
Net loss for the period attributable to members	(5,238,040)	2,555,112	95.24%

Dividends (distributions)	Amount per security	Franked amount per security
Interim dividend	Nil	- ¢
Final dividend	Nil	- ¢
Previous corresponding period	Nil	- ¢

+Record date for determining entitlements to the dividend, (in the case of a trust, distribution)	N/A

Net Tangible Assets per share	**30 June 2020**	**30 June 2019**
Net tangible asset backing per ordinary security (cents per share)	2.06	0.38

The above results should be read in conjunction with the notes and commentary contained in this report.

+ See chapter 19 for defined terms

Annual meeting

(Preliminary final report only)

The annual meeting will be held as follows:

Place	To be advised
Date	On or before 30 November 2020
Time	To be advised
Approximate date the +annual report will be available	On or before 30 October 2020

Compliance statement

1 This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus Views or other standards acceptable to ASX.

2 This report, and the +accounts upon which the report is based (if separate), use the same accounting policies.

3 This report does give a true and fair view of the matters disclosed.

4 This report is based on +accounts to which one of the following applies.

(Tick one)

☑ The +accounts have been audited.

☐ The +accounts have been subject to review.

☐ The +accounts are in the process of being audited or subject to review.

☐ The +accounts have *not* yet been audited or reviewed.

Sign here: SR Robertson Date: 31 August 2020

Print name: Simon Robertson



ABN 96 625 085 734

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020

EMERALD CLINICS LIMITED
ABN 96 625 085 734

CORPORATE DIRECTORY

Directors
Stewart Washer (Executive Chairman)
Michael Winlo (Managing Director)
Alistair Vickery (Executive Medical Director)
Matthew Callahan (Non-Executive Director)
Sir John Tooke (Non-Executive Director)

Company Secretary
Simon Robertson

Principal and Registered Office
Level 1, 50 Angove Street
North Perth Western Australia 6006

PO Box 95
North Perth WA 6906

Telephone: (08) 6559 2800
Website: www.emeraldclinics.com.au
Email: admin@emeraldclinics.com.au

Share Registry
Automic Pty Ltd
Level 2, 267 St Georges Terrace
Perth Western Australia 6000

Auditors
Stantons International
Level 2, 1 Walker Avenue
West Perth Western Australia 6005

Bankers
National Australia Bank
Level 14, 100 St Georges Terrace
Perth Western Australia 6000

Domestic Stock Exchange
Australian Securities Exchange (ASX)
Code: EMD

EMERALD CLINICS LIMITED
ABN 96 625 085 734

CONTENTS

Directors' Report	4
Consolidated Statement of Profit or Loss and Other Comprehensive Income	21
Consolidated Statement of Financial Position	22
Consolidated Statement of Changes in Equity	23
Consolidated Statement of Cash Flows	24
Notes to the Consolidated Financial Statements	25
Directors' Declaration	52
Auditors' Independence Declaration	53
Independent Auditor's Report	54

DIRECTORS' REPORT

The directors present their report for Emerald Clinics Limited ("Emerald" or "the Company") and its subsidiaries ("the Group") for the financial year ended 30 June 2020.

Directors

The names of the directors in office at any time during or since the end of the year ended are:

Dr Stewart Washer	Executive Chairman
Dr Michael Winlo	Managing Director (appointed on 26 November 2019 and was previously Chief Executive Officer)
Professor Alistair Vickery	Executive Medical Director
Dr Patrizia Derna Washer	Research Director (resigned on 28 October 2019)
Mr Matthew Callahan	Non-Executive Director
Professor Sir John Tooke	Non-Executive Director (appointed on 12 February 2020)

Review of operations

During the financial year ended 30 June 2020, the Company became listed on the Australian Securities Exchange on 12 February 2020 and its initial public offering raised $6 million (before costs). The Group continued to provide a high level of care for its patients through Emerald's specialist clinics whilst gathering Real-World-Evidence ("RWE") insights for unregistered treatments such as cannabinoid-based medicines. To enhance the Group's digital health platform, Emerald has invested in monitoring technology to enable remote data capture from its patients.

Significant changes in state of affairs

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

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

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

On 7 August 2019, the Company incorporated four wholly owned subsidiaries namely:

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

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

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

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

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

DIRECTORS' REPORT

Significant changes in state of affairs (continued)

On 24 October 2019, the Company issued 1,000,000 options to Dr Phil Finch for an exercise price of $0.45 per share and expiring on 13 June 2023. The vesting conditions are:

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

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

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

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

On 12 February 2020, the Company became listed on the Australian Securities Exchange ("ASX") issuing 30 million ordinary shares at $0.20 per share giving the Company market capitalisation of $36.8 million. On the date of the Company's listing, the Convertible Note Subscription Deed expired and all notes outstanding were converted to ordinary shares and have been issued. The Convertible Note value of $3,300,000 was converted to 20,625,000 ordinary shares at $0.16 per share.

On 12 February 2020, Professor Sir John Tooke was appointed as Non-Executive Director of the Company.

On 27 February 2020, the Company commenced a sponsored Opioid Sparing Clinical Trial with Zelira Therapeutics Limited.

On 1 April 2020, the Company entered into an agreement with University of Sydney to provide project advisory services for the Clinical Data Analytics Platform targeted at COVID-19 patients.

On 30 April 2020, the Company entered into a Radium Capital loan agreement of $240,000 as a partial advance against its accrued R&D tax rebate for the financial year ended 30 June 2020.

On 14 May 2020, the Company incorporated Openly Care Inc. in the United States of America

Events after reporting date

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has been financially neutral for the Group up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

On 10 August 2020, the Group announced on the ASX that it would be entering into a Real-World Evidence contract with Spectrum Biomedical UK ("SBUK") which is a subsidiary of Canopy Growth Corp (a Toronto Exchange Security listed company TSX:TSE). Emerald will be responsible for collection of specific data points including de-identified patient information, use of concomitant medicines, prescribed usage and diagnoses, and a rate of patient reported outcome measures. This data will then be provided to SBUK as a per patient pricing model. The contract value is up to GBP 400,000 (~AUD 723,000 and the Group is expected to receive GBP 150,000 (~AUD 270,000) up front plus GBP 300 (~AUD 542) per patient. The contract term is 24 months.

On 14 August 2020, The Group announced on the ASX that it would be proposing a name change from "Emerald Clinics Limited" to "Emyria Limited". The name change is subject to approval by shareholder on 18 September 2020 and a notice of meeting was issued on 14 August 2020 on the ASX.

DIRECTORS' REPORT

Events after reporting date (continued)

Apart from the above, there are no other matters or circumstances that have arisen since the end of the financial year which have significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

Future development, prospects and business strategy

The Group will focus on developing its business which combines the treatment of patients and the capture of high-quality clinical data to transform the way novel therapies are understood and researched. The Group will then combine this data with health records and published information to generate powerful data sets that provide actionable insights for physicians, drug developers, research groups and government departments. The data asset developed, and associated technologies, will form the primary source of income for the Group, generating license usage fees and royalties from third parties via a data-insights-as-a-service offerings while also developing more effective clinical models internally.

Dividend paid and recommended

No dividends have been declared, provided for or paid in respect of the financial year ended 30 June 2020 (30 June 2019: nil).

DIRECTORS' REPORT

INFORMATION ON DIRECTORS AND COMPANY SECRETARY

Dr Stewart Washer – Executive Chairman (Appointed on 1 July 2018)
Stewart has 25 years of CEO and Board experience in medical and agrifood biotech companies. He is currently the Executive Chairman of Emerald Clinics Ltd, Chairman of Orthocell Ltd (ASX:OCC), a regenerative medicine company and Director of Cynata Therapeutics Ltd (ASX:CYP) stem cell therapies.

Stewart has held a number of Board positions in the past, including Chairman of Hatchtech Pty Ltd that was sold in 2015 for A$279m and was a Director of iCeutica that was sold to a US Pharma. He was also a Senator with Murdoch University and was a Director of AusBiotech Ltd. Stewart was previously Chairman of Minomic International Ltd cancer diagnosis and treatment and previously Director of Zelira Therapeutics Ltd (ASX:ZLD) medical cannabis clinical studies and research.

Other current directorships of a public listed company
Cynata Therapeutics Limited – appointed as Director on 1 August 2013
Orthocell Limited – appointed as Chairman on 7 April 2014
Botanix Pharmaceuticals Limited – appointed as Director on 21 February 2019

Former directorships in last three years of a public listed company
Zelira Therapeutics Limited – from 17 November 2016 to 2 December 2019

Interest in shares and options
Shareholding – 48,550,499 (28,950,499 shares are in the control of Dr Stewart Washer and Dr Patrizia Washer)
Option holding – 1,500,000 (options held are in the control of Dr Stewart Washer and Dr Patrizia Washer)

Dr Michael Winlo – Managing Director (Appointed on 17 June 2019)
Michael has a Bachelor of Medicine and Bachelor of Surgery with Honours from the University of Western Australia as well as a Master of Business Administration from Stanford University. Prior to Emerald, Michael was CEO at Linear Clinical Research Ltd (Linear) until October 2019 –a company providing clinical trial services for US- and Asia-based biotech companies. Linear was the first site in Australia and one of only a few in the world to successfully adopt electronic data capture technology. Under Michael's leadership, Linear's revenues grew over 300% in just over three years (to over $23 million per year). Michael retains a Directorship at Linear. Prior to Linear, Michael was Health Lead at Palantir Technologies – a Big Data company based in Silicon Valley California.

Other current directorships of a public listed company
None

Former directorships in last three years of a public listed company
None

Interest in shares and options
Shareholding - nil
Option holding – 3,500,000

Professor Alistair Vickery – Executive Medical Director (Appointed on 18 March 2019)
Alistair is the medical director of Emerald Clinics and has a wealth of expertise in clinical practice, health service management, clinical and educational research and board director skills. He is adjunct Clinical Professor of Primary Health Care at the University of Western Australia and Notre Dame University and an active specialist general practitioner. He is the clinical lead of the research group CHASM (The Collaborative for Health Care Analysis and Statistical Modelling) - providing high-level analysis and statistical modelling to inform clinical service planning and service evaluation. Alistair is Board Chair of Black Swan Health, one of the largest NFP primary health care service providers in Western Australia, and a Fellow of the Australasian College of Health Service Management and an AICD graduate.

DIRECTORS' REPORT

INFORMATION ON DIRECTORS AND COMPANY SECRETARY (CONTINUED)

Other current directorships of a public listed Group
None

Former directorships in last three years of a public listed Group
None

Interest in shares and options
Shareholding - nil
Option holding – 2,000,000

Dr Patrizia Derna Washer – Research Director (Appointed on 1 July 2018 and resigned as a Director on 28 October 2019)
Dr Washer holds a doctorate in microbiology from The University of Western Australia with postdoctoral experience in cancer research. She has over ten years' experience in business development managing the commercialisation of technologies from early stage research and development through to clinical development within the university and medical technology sector. Patrizia has previously worked as a clinical trial consultant for a medical device Group, a medical cannabis research and development Group and has been a board member of two medical start-up companies.

Other current directorships of a public listed Group
None

Former directorships in last three years of a public listed Group
None

Interest in shares and options
Shareholding – 28,950,499
Option holding – 1,500,000
The shares and options held by Dr Patrizia Washer are also in the control of Dr Stewart Washer.

Mr Matthew Callahan – Non -Executive Director (Appointed on 1 July 2018)
Matthew is an experienced life sciences executive based in Philadelphia. He is a founding director of Emerald and has been the founding CEO or Executive Director of a number of pharmaceutical and health tech companies including Botanix Pharmaceuticals Ltd (ASX:BOT), iCeutica Inc, Churchill Pharma Inc. Dimerix Biosciences (ASX:DXB) and Orthocell (ASX:OCC). He has led the development of four pharmaceutical products that have received FDA approval and he has more than 25 years legal, IP and investment management experience. Mr Callahan has worked as an investment director for two venture capital firms investing in lifesciences, technology and other sectors, and was general manager of Australian listed technology and licensing company ipernica (now Nearmap ASX:NEA), where he was responsible for the licensing programs that generated more than $120M in revenue.

Other current directorships of a public listed Group
Botanix Pharmaceuticals Limited – re-appointed as Director on 10 February 2020
Orthocell Limited – re-appointed as Director on 10 February 2020

Former directorships in last three years of a public listed Group
Botanix Pharmaceuticals Limited – from 1 July 2016 to 23 August 2019
Orthocell Limited – from 30 May 2006 to 23 August 2019

Interest in shares and options
Shareholding – 19,600,000
Option holding - nil

DIRECTORS' REPORT

INFORMATION ON DIRECTORS AND COMPANY SECRETARY (CONTINUED)

Professor Sir John Tooke – Non-Executive Director (Appointed on 12 February 2020)
Sir John is Executive Chairman of Academic Health Solutions, a start-up Group offering expert advice to clients internationally on medical research and innovation strategy and health service transformation. He is Senior Independent Director at BUPA Chile and was until 2019 non-executive director of the BUPA main Board and the Chair of the Medical Advisory Council. He has recently been appointed as non-executive director of the Northern Health Science Alliance in the UK. He is the Chair of Collaboration for the Advancement of Sustainable Medical Innovation (CASMI) UCL and Chaired the Oversight Group for the Academy of Medical Sciences project 'How we best use scientific evidence to judge the benefits and harms of medicines'. He also served as an Independent Review Board Member for Google DeepMind Health (UK). Sir John was Head of the School of Life and Medical Sciences at University College London (UCL) as Vice Provost (Health) and Academic Director of UCL Partners from 2010 - 2015. He is the Immediate Past President of the Academy of Medical Sciences in the UK.

Sir John is a clinician scientist with 30 years' experience as a consultant physician specialising in diabetes, endocrinology, vascular medicine and internal medicine with broad research experience (basic biomedical, experimental medicine, and applied health research including improvement science) recognised through Fellowship of the Academy of Medical Sciences. He held a Board position at the Francis Crick Institute (2011 -2015) and was a Member of the Council for Science & Technology (2011-2015) reporting to the Prime Minister (UK).

Other current directorships of a public listed company
None

Former directorships in last three years of a public listed company
None

Interest in shares and options
Shareholding – nil
Option holding – 500,000

Company Secretary
Mr Simon Robertson
Simon gained a Bachelor of Business from Curtin University in Western Australia and a Master of Applied Finance from Macquarie University in New South Wales. He is a member of the Institute of Chartered Accountants and Chartered Secretaries Australia. Simon currently holds the position of company secretary for a number of publicly listed companies and has experience in corporate finance, accounting and administration, capital raising and ASX compliance and regulatory requirements.

DIRECTORS' REPORT

Principal activities
During the financial year ended 30 June 2020, the Group continued to provide a high level of care for its patients through Emerald's specialist clinics whilst gathering Real-World-Evidence ("RWE") insights in relation to novel therapies such as medicinal cannabinoids.

Meeting of Directors
During the financial year ended 30 June 2020, the following table outlines the number of meetings held:

		Full meetings of directors		Risk Committee Meetings	
		A	B	A	B
Stewart Washer	Chairman	8	8	*	*
Matthew Callahan	Non-Executive Director	7	8	2	2
Michael Winlo	Managing Director	7	7	2*	2*
Alistair Vickery	Executive Director	7	8	2	2
Sir John Tooke	Non-Executive Director	5	5	2	2
Patty Washer	Executive Director	3	3	*	*

A = Number of meetings attended
B = Number of meetings held during the time the director held office or was a member of the committee during the year
* = Not a member of the relevant committee

At the date of this report the Group has the following options on issue.

Number	Exercise Price	Grant Date	Expiry Date
11,250,000	$0.45	13 June 2019	13 June 2023
1,000,000	$0.45	19 June 2019	13 June 2023
3,500,000	$0.45	10 July 2019	13 June 2023
600,000	$0.45	26 September 2019	26 September 2023
1,000,000	$0.45	24 October 2019	13 June 2023
1,000,000	$0.45	11 November 2019	13 June 2023
18,350,000			

No shares were issued during or since the end of the year as a result of the exercise of an option over unissued shares of interest.

For details of options issued to directors and other key management personnel, please refer to the remuneration report.

DIRECTORS' REPORT

Remuneration Report (audited)

This Remuneration Report, which has been audited, outlines the Key Management Personnel (as defined in AASB 124 Related Party Disclosures) ("KMP") remuneration arrangements for the Group, in accordance with the requirements of the section 308 (3c) of the Corporations Act 2001 and its Regulations.

The KMP covered in this remuneration report are:

- Stewart Washer – Executive Chairman
- Michael Winlo – Managing Director (appointed on 26 November 2019 and was previously Chief Executive Officer)
- Alistair Vickery – Executive Medical Director
- Mr Matthew Callahan – Non-Executive Director
- Sir John Tooke – Non-Executive Director
- Patrizia Washer – Research Director (Dr Washer was a non-executive director of the Company until 28 October 2019)
- Adam James – Chief Operating Officer
- Su-Mei Sain – Chief Financial Officer

The principles adopted have been approved by the Board and have been set out in this Remuneration Report. This audited Remuneration Report is set out under the following main headings:

1. Principles used to determine the nature and amount of remuneration
2. Details of remuneration
3. Service agreements
4. Share-based compensation

The information provided under headings 1 to 4 above includes remuneration disclosures that are required under Accounting Standard AASB 124, Related Party Disclosures.

1. Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework which has been set out in detail under the remuneration structure in this Remuneration Report aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms to markets best practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

(i) competitiveness and reasonableness;
(ii) aligns shareholders and executive interests;
(iii) performance based and aligned to the successful achievement of strategic and tactical business objectives; and
(iv) transparency.

Executive Directors

Remuneration to Executive Directors reflects the demands which are made on, and the responsibilities of, the Executive Directors. Executive Directors' remuneration is reviewed annually to ensure it is appropriate and in line with the market. There are no retirement allowances or other benefits paid to Executive Directors other than superannuation guarantee amounts as required.

The executive remuneration and reward framework has three components:

(i) base pay;
(ii) share-based payments; and
(iii) other remuneration such as superannuation and long service leave.

The combination of these comprises the Executive Director's total remuneration.

DIRECTORS' REPORT

Remuneration Report (audited) (continued)

1. Principles used to determine the nature and amount of remuneration (continued)

Fixed remuneration, consisting of base salary and superannuation will be reviewed annually by the board, based on individual contribution to corporate performance and the overall relative position of the Group to its market peers.

Non - Executive Directors
Remuneration to Non-Executive Directors reflects the demands which are made on, and the responsibilities of, the Non-Executive Directors. Non-Executive Directors' remuneration is reviewed annually. The maximum aggregate for remuneration of Non-Executive Directors is $500,000 and was approved by the board on 18 April 2018. For the year ended 30 June 2020, exclusive of superannuation guarantee the annual cash remuneration for the Non-Executive Director was $50,000 per annum.

Company Performance
As an early stage health technology company, the Board does not consider the operating loss after tax as one of the performance indicators when implementing an incentive based remuneration policy. The board considers that identification and securing of new business growth opportunities, the securing of funding arrangements and responsible management of cash resources and the Company's other assets as more appropriate performance indicators to assess the performance of management.

Short-term incentives
During the financial year ended 30 June 2020 and in accordance with executive agreements between the Company, the Managing Director and Medical Director were paid bonuses of $50,000 and $100,000 respectively for the successful listing of the Company on the Australian Securities Exchange on 12 February 2020. No other short term incentives were provided to the Directors or key management personnel of the Company.

The Company's approach in regards to the use of short term cash incentives will be assessed by the board on an ongoing basis as the company evolves.

Long-term incentives
To align the board and management with shareholder's interests and with market practices of peer companies and to provide a competitive total remuneration package, the Board introduced a long-term incentive ("LTI") plan to motivate and reward Executives and Non-Executive Directors. The LTI is provided as options over ordinary shares of the Group under the rules of the Employee Securities Incentive Plan as approved in 12 February 2020. During the year ended 30 June 2020, there were 3,500,000 options issued to the Managing Director and 1,000,000 options issued to the Chief Financial Officer of the Group.

Group performance, shareholder wealth and directors' and executives' remuneration
No relationship exists between shareholder wealth, director and executive remuneration and Group performance as it is an early stage health care technology Group.

The table below shows the losses and earnings per share of the Company for the current and last two financial years.

	2020	2019	2018
Net loss	(5,238,040)	(2,682,928)	(64,340)
Share price at year end (cents)	4.80	2.34	2.34
Loss per share (cents)	(3.04)	(2.06)	(0.05)

DIRECTORS' REPORT

Remuneration Report (audited) (continued)

2. Details of Remuneration

Year Ended 30 June 2020

The amount of remuneration paid and entitlements owed to KMP is set out below.

CASH REMUNERATION AND ENTITLEMENTS

	Cash remuneration				
	Salary and other fees	**Bonus**	**Post–employment benefits (superannuation)**	**Annual leave entitlement movement**	**Total cash payments and entitlements**
	$	**$**	**$**	**$**	**$**
Directors					
S Washer	259,944	-	-	-	259,944
M Winlo*	361,693	50,000	25,000	26,624	463,317
A Vickery*	354,786	100,000	16,625	24,231	495,642
M Callahan	50,000	-	-	-	50,000
Sir J Tooke***	124,248	-	-	-	124,248
Other Key Management Personnel					
A James	197,256	-	18,842	12,307	228,405
S Sain**	118,904	-	11,357	8,723	138,984
P Washer****	267,217	-	25,000	-	292,217
	1,734,048	**150,000**	**96,824**	**71,885**	**2,052,757**

*During the financial year ended 30 June 2020 and in accordance with their executive agreements, Dr Winlo and Professor Vickery received a cash bonus in relation to the successful listing of the Company on 12 February 2020.

**Mrs Sain was appointed Chief Financial Officer on 30 September 2019.

***In addition to Professor Tooke's director's fee, he also received a consultancy fee of $105,082 during the year.

**** Dr P Washer was Research Director until 28 October 2019.

Year Ended 30 June 2019

CASH REMUNERATION AND ENTITLEMENTS

	Cash remuneration				
	Salary and other fees	**Bonus**	**Post–employment benefits (superannuation)**	**Annual leave entitlement movement**	**Total cash payments and entitlements**
	$	**$**	**$**	**$**	**$**
Directors					
S Washer	300,000	-	-	-	300,000
A Vickery	125,254	-	9,564	7,744	142,562
M Callahan	-	-	-	-	-
P Washer	201,827	-	19,174	-	221,001
Other Key Management Personnel					
A James	160,000	-	15,200	13,844	189,044
	787,081	**-**	**43,938**	**21,588**	**852,607**

DIRECTORS' REPORT
Remuneration Report (audited) (continued)

2. Details of Remuneration (continued)

2020 TOTAL REMUNERATION

	Total cash remuneration and entitlements	Options expensed	Total	LTI % of remuneration
	$	$	$	
Directors				
S Washer	259,944	-	259,944	0%
M Winlo*	463,317	42,624	505,941	8.4%
A Vickery	495,642	528	496,170	0.1%
M Callahan	50,000	-	50,000	0%
Sir J Tooke	124,248	-	124,248	0%
Other Key Management Personnel				
A James	228,405	396	228,801	0.2%
S Sain**	138,984	27,073	166,057	16.3%
P Washer	292,217	396	292,613	0.1%
	2,052,757	**71,017**	**2,123,774**	

*During the financial year ended 30 June 2020, Dr Winlo was issued 3,500,000 options.
**During the financial year ended 30 June 2020, Mrs Sain was issued 1,000,000 options.

2019 TOTAL REMUNERATION

	Total cash remuneration and entitlements	Options expensed	Total	LTI % of remuneration
	$	$	$	
Directors				
S Washer	300,000	-	300,000	0%
A Vickery	142,562	551	143,113	0.4%
M Callahan	-	-	-	0%
P Washer	221,001	413	221,414	0.2%
Other Key Management Personnel				
A James	189,044	413	189,457	0.2%
	852,607	**1,377**	**853,984**	

There were no non-monetary benefits paid to the Directors or KMP for the year ended 30 June 2020.

Other than those disclosed above, there were no transactions with related parties to the KMP for the year ended 30 June 2020.

DIRECTORS' REPORT

Remuneration Report (audited) (continued)

3. Service Agreements

For the year ended 30 June 2020, the following service agreements were in place with the Directors and KMP of Emerald Clinics:

On 27 July 2018, a Consultancy Agreement was entered into between the Company and Biologica Ventures Pty Ltd nominating Dr Stewart Washer as Executive Chairman. Under the terms of the Agreement:

- Dr Washer was paid an annual consultancy fee of $300,000 per annum. On 2 December 2019, Dr Washer's Agreement was amended to reflect that his annual consultancy fee to be $200,000 per annum commencing 12 February 2020.
- Dr Washer's fees were paid to Biologica Ventures Pty Ltd.
- Under the general termination of consultancy provision, the Company may terminate the Agreement by giving Dr Washer six months' notice or payment in lieu of notice.
- Under the general termination of consultancy provision, Dr Washer may terminate the Agreement by giving the Company three months' notice or payment in lieu of notice.
- The Company may terminate the Agreement at any time without notice if serious misconduct has occurred. On termination with cause, the Executive is not entitled to any payment.

On 3 May 2019, a Chief Executive Employment Agreement was entered into between the Company and Managing Director Dr Michael Winlo. Under the terms of the Agreement:

- Dr Winlo was paid a base salary of $350,000 per annum plus statutory superannuation. On 26 November 2019, Dr Winlo amended his employment agreement to consent and change his position from Chief Executive Officer to Managing Director.
- Dr Winlo received a $50,000 bonus payable on the Company's successful listing on the ASX which was satisfied on 12 February 2020.
- Under the general termination of employment provision, the Company may terminate the Agreement by giving Dr Winlo three months' notice or payment in lieu of notice.
- Under the general termination of employment provision, Dr Winlo may terminate the Agreement by giving the Company six months' notice or payment in lieu of notice.
- The Company may terminate the Agreement at any time without notice if serious misconduct has occurred. On termination with cause, the Executive is not entitled to any payment.

On 18 March 2019, a Senior Executive Employment Agreement was entered into between the Company and Medical Director Professor Alistair Vickery. Under the terms of the Agreement:

- Professor Vickery was paid a base salary of $350,000 per annum plus statutory superannuation.
- Professor Vickery received a $100,000 bonus payable on the Company's successful listing on the ASX which was satisfied on 12 February 2020.
- Under the general termination of employment provision, the Company may terminate the Agreement by giving Professor Vickery twenty-four months' notice or payment in lieu of notice.
- Under the general termination of employment provision, Professor Vickery may terminate the Agreement by giving the Company twelve months' notice or payment in lieu of notice.
- The Company may terminate the Agreement at any time without notice if serious misconduct has occurred. On termination with cause, the Executive is not entitled to any payment.

On 1 July 2018, a Consultancy Agreement was entered into between the Company and Research Director Dr Patrizia Washer. Under the terms of the Agreement:

- Dr Washer was paid a consultancy fee of a minimum of $3,000 per week for 2 days week inclusive of statutory superannuation.
- Under the general termination of consultancy provision, the Company may terminate the Agreement by giving Dr Washer one month's notice or payment in lieu of notice.
- Under the general termination of consultancy provision, Dr Washer may terminate the Agreement by giving the Company one months' notice or payment in lieu of notice.

DIRECTORS' REPORT

Remuneration Report (audited) (continued)

3. Service Agreements (continued)

- The Group may terminate the Agreement at any time without notice if serious misconduct has occurred. On termination with cause, the Consultant will be paid up to the date of termination.
- Dr Washer resigned as a director of the Group on 28 October 2019 but remained as a consultant.

On 14 November 2019, an Agreement was entered into between the Group and Mr Matthew Callahan for his on-going appointment as Non-Executive Director. Under the terms of the Agreement:

- Mr Callahan was paid a remuneration package of $50,000 per annum base salary plus statutory superannuation.
- Termination of this Agreement will be upon the date provided by either party. There is no notice period applicable to this Agreement.
- Mr Callahan has a consultancy agreement with the Group that commenced on 4 November 2019 for a period of three years. Under the terms of the consultancy agreement:
    - The consultancy services include an hourly rate of USD $300 per hour and it will be subject to review on an annual basis.
    - Under the general termination of consultancy provision, the Group may terminate the Agreement by giving Mr Callahan six month's notice or payment in lieu of notice.
    - Under the general termination of consultancy provision, Mr Callahan may terminate the Agreement by giving the Group six months' notice or payment in lieu of notice.
    - The Group may terminate the Agreement at any time without notice if serious misconduct has occurred. On termination with cause, the Consultant will be paid up to the date of termination.

On 4 November 2019, an Agreement was entered into between the Group and Professor Sir John Tooke as Non-Executive Director. Under the terms of the Agreement:

- Appointed as Non-Executive Director effective from 12 February 2020.
- Professor Tooke was paid a remuneration package of $50,000 per annum base salary.
- Termination of this Agreement will be upon the date provided by either party. There is no notice period applicable to this Agreement.
- Professor Tooke has a consultancy agreement with the Group that commenced on 1 April 2020 for a period of three years. Under the terms of the Agreement:
    - The consultancy services include a rate of GBP $2,500 per day.
    - Under the general termination of consultancy provision, the Group may terminate the Agreement by giving Professor Tooke one month's notice or payment in lieu of notice.
    - Under the general termination of consultancy provision, Professor Tooke may terminate the Agreement by giving the Group one months' notice or payment in lieu of notice.
    - The Group may terminate the Agreement at any time without notice if serious misconduct has occurred. On termination with cause, the Consultant will be paid up to the date of termination.

On 1 July 2018, the Group entered into an Executive Services Agreement with Mr Adam James and subsequently made an amendment to his Agreement on 22 November 2019. Under the terms of the Agreement:

- Mr James was appointed in the capacity of Chief Operating Officer and paid a remuneration package of $200,000 per annum base salary plus statutory superannuation.
- The Group or Mr James may terminate the contract at any time by giving the other party six months' notice or payment in lieu of notice.
- The Group may terminate the Agreement at any time without notice if serious misconduct has occurred. On termination with cause, Mr James is not entitled to any payment.
- If there are monies owed by Mr James to the Group, the Group is entitled to offset this against Mr James' termination payment.

DIRECTORS' REPORT

Remuneration Report (audited) (continued)

3. Service Agreements (continued)

On 30 September 2019, the Group entered into an employment contract with Mrs Su-Mei Sain and subsequently made an amendment to her Agreement on 3 February 2020. Under the terms of the Agreement:

- Mrs Sain was appointed in the capacity of Chief Financial Officer and paid a remuneration package of $190,000 per annum base salary plus statutory superannuation.
- The Group or Mrs Sain may terminate the contract at any time by giving the other party three months' notice or payment in lieu of notice.
- The Group may terminate the Agreement at any time without notice if serious misconduct has occurred. On termination with cause, Mrs Sain is not entitled to any payment.

4. Share-Based Compensation

Option holdings

The numbers of options in the Group held during the year ended by each KMP of Emerald Clinics, including their related parties, are set out below:

2020	Balance at the start of the year	Granted during the year	Expired during the year	Other changes	Balance at the year ended
Director					
S Washer	-	-	-	-	-
M Winlo	-	3,500,000	-	-	3,500,000
A Vickery	2,000,000	-	-	-	2,000,000
M Callahan	-	-	-	-	-
Sir J Tooke	500,000	-	-	-	500,000
	2,500,000	**3,500,000**	**-**	**-**	**6,000,000**
Other Key Management Personnel					
A James	1,500,000	-	-	-	1,500,000
S Sain	-	1,000,000	-	-	1,000,000
P Washer	1,500,000	-	-	-	1,500,000
TOTAL	**5,500,000**	**4,500,000**	**-**	**-**	**10,000,000**

As at 30 June 2020, the number of options that have vested and exercisable were 5,333,333 and the number of options yet to vest and un-exercisable were 4,666,667.

DIRECTORS' REPORT

Remuneration Report (audited) (continued)

4. Share-Based Compensation (continued)

The option terms and conditions of each grant of options over ordinary shares affecting remuneration of Directors and other KMP in the year ended or future reporting years are as follows:

Options issued	Grant Date	Expiry date	Exercise price $	Fair value per option $	Vested %*
Employee Securities Incentive Plan	10 Jul 2019	13 Jun 2023	0.45	0.0185	33%
Employee Securities Incentive Plan	11 Nov 2019	13 Jun 2023	0.45	0.0497	33%

* The vesting conditions are:
- One third immediately on issue;
- One third one year from date of issue subject to continued employment or service and;
- One third two years from date of issue subject to continued employment or service.

The options issued to the during the financial year ended 30 June 2020 were valued using a Black-Scholes model and were priced as follows:

	Series 4	Series 7
Grant date share price	0.10	0.18
Exercise price	0.45	0.45
Expected volatility	70%	70%
Option life	4 years	4 years
Dividend yield	0.00%	0.00%
Interest rate	0.97%	0.84%

Shareholdings
The numbers of shares in the Group held during the year ended by each KMP of Emerald Clinics, including their related parties, are set out below:

2020	Balance at the start of the year	Other changes during the year	Balance for the year ended
Directors			
S Washer*	48,000,000	550,499	**48,550,499**
M Winlo	-	-	**-**
A Vickery	-	-	**-**
M Callahan	19,600,000	-	**19,600,000**
J Tooke	-	-	**-**
Other Key Management Personnel			
A James	1,960,000	-	**1,960,000**
S Sain	-	20,000	**20,000**
P Washer*	-	-	**-**
	69,560,000	570,499	**70,130,499**

*Dr Stewart Washer and Dr Patrizia Washer both control of 28,950,499 Emerald shares.

There were no shares granted to KMP's during the reporting year as remuneration.

DIRECTORS' REPORT

Remuneration Report (audited) (continued)

Use of remuneration consultants
No remuneration consultants were engaged or used for the Group during the year ended 30 June 2020.

Voting and comments made at the Company's Annual General Meeting
At the AGM held in 2019, the Company was a public unlisted entity therefore was not required to approve a Remuneration report for its financial year ended 30 June 2019.

Share trading policy
The trading of shares issued to participants under any of the Group's employee equity plans is subject to, and conditional upon, compliance with the Group's employee security trading policy as per the Group's Corporate Governance Policy. Directors and executives are prohibited from entering into any hedging arrangements over unvested options under the Group's employee option plan. The Group would consider a breach of this policy as gross misconduct which may lead to disciplinary action and potentially dismissal.

This concludes the Remuneration Report, which has been audited.

DIRECTORS' REPORT

Indemnifying officers
During the financial year, the Company has paid a premium of $37,186 excluding GST (2019: $25,000) to insure the Directors and secretary of the Company. The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Company, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

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

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

Auditor
Stantons International was appointed as auditors for the Group in office in accordance with section 327 of the Corporations Act 2001.

Audit Services
During the year ended 30 June 2020, $36,679 was paid or is payable for audit services provided by the auditors. There were no non-audit services performed during the financial year.

Auditor's independence declaration
The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is included on page 53 of the financial report.

Corporate Governance
The Directors support and adhere to the principles of corporate governance, recognising the need for the highest standard of corporate behaviour and accountability.

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

Michael Winlo

Dr Michael Winlo
Managing Director

EMERALD CLINICS LIMITED
ABN 96 625 085 734

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2020

	Note	Group 2020	Company 2019
	1.2(xiv)		(As Restated)
		$	$
Revenue			
Sales revenue	2	1,013,452	109,909
Operating costs		(1,938,477)	(646,301)
Gross loss		**(925,025)**	**(536,392)**
Other revenue			
Interest and other income		25,046	28,747
Research and Development grant received		468,177	-
Total Other revenue	2	**493,223**	**28,747**
Expenses			
Research and Development expenses		(1,505,164)	(221,487)
Employee wages and director fees		(1,478,501)	(685,177)
Travel and conference expenses		(294,541)	(224,574)
Corporate compliance costs		(624,200)	(462,815)
Administration costs		(63,727)	(219,310)
IT consultancy fees		(107,528)	(165,297)
Consultancy fees		(169,646)	(92,997)
Finance costs		(59,544)	(4,045)
Share based payments	13	(79,328)	(4,735)
Depreciation and amortisation expense	6,7,8	(383,481)	(94,846)
Intangible assets written off	8	(40,578)	-
Total expenses		**(4,806,238)**	**(2,175,283)**
Loss before income tax expense		**(5,238,040)**	**(2,682,928)**
Income tax expense	3	-	-
Loss after income tax for the year/period		**(5,238,040)**	**(2,682,928)**
Other Comprehensive Income for the year/period:			
Items that may be reclassified subsequently to profit or loss		-	-
Other Comprehensive income for the year/period, net of tax		**-**	**-**
Total Comprehensive Loss for the year/period		**(5,238,040)**	**(2,682,928)**
Basic and diluted loss per share (cents)	16	**(3.04)**	(2.06)

The accompanying notes form part of these financial statements

EMERALD CLINICS LIMITED
ABN 96 625 085 734

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Note	Group 2020 $	Company 2019 $
ASSETS			
Current assets			
Cash and cash equivalents	4	3,686,333	2,608,814
Trade and other receivables	5	121,615	59,883
Prepayments		31,433	-
Total current assets		**3,839,381**	**2,668,697**
Non-current assets			
Restricted cash		156,558	106,258
Right-of-use assets	6	323,390	-
Plant and equipment	7	598,305	706,485
Intangible assets	8	147,310	43,468
Total Non-current assets		**1,225,563**	**856,211**
Total Assets		**5,064,944**	**3,524,908**
LIABILITIES			
Current Liabilities			
Trade and other payables	9	461,124	231,089
Borrowings	9	247,154	-
Provisions	11	142,088	41,659
Lease liabilities	9	152,689	-
Total Current Liabilities		**1,003,055**	**272,748**
Non-Current Liabilities			
Convertible notes	10	-	2,752,621
Provisions	11	68,000	-
Lease liabilities	9	210,972	-
Total Non-Current Liabilities		**278,972**	**2,752,621**
Total Liabilities		**1,282,027**	**3,025,369**
Net Assets		**3,782,917**	**499,539**
EQUITY			
Contributed equity	12	11,751,953	2,872,738
Reserves	14	84,063	374,069
Accumulated losses		(8,053,099)	(2,747,268)
Total Equity		**3,782,917**	**499,539**

The accompanying notes form part of these financial statements

EMERALD CLINICS LIMITED
ABN 96 625 085 734

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

GROUP	Contributed Equity $	Reserves $	Accumulated Losses $	Total Equity $
Balance at 1 July 2019	2,872,738	374,069	(2,747,268)	499,539
Loss after income tax for the year	-	-	(5,238,040)	(5,238,040)
Other comprehensive income for the year, net of tax	-	-	-	-
Total Comprehensive loss	-	-	(5,238,040)	(5,238,040)
Adjustment on initial application of AASB 16	-	-	(67,791)	(67,791)
Proceeds from issued capital	6,500,000	-	-	6,500,000
Transaction costs from issued capital	(742,740)	-	-	(742,740)
Conversion of Convertible Notes to shares	3,300,000	(369,334)	-	2,930,666
Transaction cost from conversion of Convertible Note	(178,045)	-	-	(178,045)
Issue of options	-	79,328	-	79,328
Balance at 30 June 2020	**11,751,953**	**84,063**	**(8,053,099)**	**3,782,917**

COMPANY	Contributed Equity $	Reserves $	Accumulated Losses $	Total Equity $
Balance at 1 July 2018	2,872,738	-	(64,340)	2,808,398
Loss after income tax for the year	-	-	(2,682,928)	(2,682,928)
Other comprehensive income for the year, net of tax	-	-	-	-
Total Comprehensive loss	-		(2,682,928)	(2,682,928)
Issue of options	-	4,735	-	4,735
Convertible Note – equity component	-	369,334	-	369,334
Balance at 30 June 2019	**2,872,738**	**374,069**	**(2,747,268)**	**499,539**

The accompanying notes form part of these financial statements

EMERALD CLINICS LIMITED
ABN 96 625 085 734

STATEMENT OF CASH FLOWS
FOR THE YEAR 30 JUNE 2020

	Note	Group 2020 $	Company 2019 $
Cash flow from operating activities			
Receipts from customers		1,021,047	109,909
Interest received		21,436	28,747
Payments to suppliers and employees		(5,937,031)	(2,731,878)
Interest and other finance costs paid		(26,100)	-
R&D refund received		468,177	-
Net cash (used in) operating activities	15	**(4,452,471)**	**(2,593,222)**
Cash flows from investing activities			
Payments for plant and equipment		(201,806)	(844,800)
Payments for security deposits		-	(56,258)
Net cash (used in) investing activities		**(201,806)**	**(901,058)**
Cash flow from financing activities			
Proceeds from issue of shares		6,500,000	-
Transaction costs paid from the issue of shares		(742,740)	-
Net proceeds from convertible note		-	3,113,602
Proceeds from Borrowings	9	240,221	-
Repayment of lease liabilities		(215,385)	-
Net payments cash backed guarantees		(50,300)	(50,000)
Net cash generated from financing activities		**5,731,796**	**3,063,602**
Net increase/(decrease) in cash and cash equivalents		1,077,519	(430,678)
Cash and cash equivalents at the beginning of the year		2,608,814	3,039,492
Cash and cash equivalents at the end of the year	4	**3,686,333**	**2,608,814**

The accompanying notes form part of these financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2020

Emerald Clinics Limited ("Emerald" or "the Company") is a Company incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange ("ASX"). The consolidated financial statements of the Group as at and for the year ended 30 June 2020 comprise the Company and its subsidiaries (together referred to as the "Group" or "consolidated entity" and individually as a "Group entity").

The separate financial statements of the parent entity, Emerald Clinics Limited, have not been presented with this financial report. Summary parent information has been included in note 18.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. The financial statements and notes also comply with International Financial Reporting Standards as issued by the International Accounting Standard Board (IASB). Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. The consolidated financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The financial statements are presented in Australian Dollars ("AUD").

(i) Historical cost convention

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

(ii) 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 1.1(vi).

(iii) 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.

(iv) Going Concern

The spread of novel coronavirus (COVID-19) was declared a public health emergency by the World Health Organisation on 31 January 2020 and upgraded to a global pandemic on 11 March 2020. The rapid rise of the virus has seen an unprecedented global response by Governments, regulators and industry sectors. The Australian Federal Government enacted its emergency plan on 29 February 2020 which has seen the closure of Australian borders from 20 March 2020, an increasing level of restrictions on corporate Australia's ability to operate, significant volatility and instability in financial markets and the release of a number of government stimulus packages to support individuals and businesses as the Australian and global economies face significant slowdowns and uncertainties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2020

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.1 Basis of Preparation (continued)

(iv) Going Concern (continued)

For the year ended 30 June 2020, COVID-19 has impacted the Group, specifically as follows:

- Implications on the current period financial performance and cash flows (particularly operating cash flows).
- Details of financing facilities sought and now available at balance date, potentially to cover any working capital deficiency, including expiry periods and any significant requirements under the facility agreements i.e. debt covenants.
- Details of financial support received from the Australian government.

As of 30 June 2020, the Group had net working capital surplus of $2,836,326 and cash balance of $3,686,333. The Group did not have any capital commitments of as of 30 June 2020.

The Directors have prepared projected cash flow information for the twelve months from the date of approval of these financial statements taking into consideration the estimation of the continued business impacts of COVID-19. In response to the uncertainty arising from this, the Directors have considered severe but plausible downside forecast scenarios.

These forecasts indicate that, taking account of reasonably possible downsides, the Group is expected to continue to operate, with headroom and within available cash levels. Key to the forecasts are relevant assumptions regarding the business, business model, any legal or regulatory restrictions and shareholder support, in particular:

- Description of the different scenarios modelled including length of government-imposed lockdowns and recovery periods, risks, conditions or dependencies for these to occur.
- Key assumptions related to the impact of government-imposed lockdowns on patient revenues.
- Details of the results of the key scenario modelling on the entity's ability to meet its obligations over the forecast period.
- Mitigating actions undertaken or planned by directors and group to manage and respond to cash flow uncertainties or potential risks of shortfall in financing and the implementation status and uncertainties that arise from them.

The Directors are satisfied they will be able to raise additional funds as required and thus it is appropriate to prepare the financial statements on a going concern basis. Despite COVID-19 affecting socio-economic factors in Australia and worldwide, the Group's clinic operations and collection of insights had not been drastically impacted. The Directors are confident that the operations of the Group will continue to grow with the assistance of raising additional funds.

If necessary, the Group can delay research and development expenditures and Directors can also institute cost saving measures to further reduce corporate and administrative costs or explore other opportunities to sell data and/or its clinics. In the event that the Group is unable to obtain sufficient funding for ongoing operating and capital requirements, there is a material uncertainty that may cast significant doubt as to whether the Group will continue as a going concern and therefore proceed with realising its assets and discharging its liabilities in the normal course of business at the amounts stated in the financial report. The financial statements do not include any adjustment relating to the recoverability or classification of recorded asset amounts or to the amounts or classification of liabilities that may be necessary should the Group not be able to continue as a going concern.

(v) New and amended standards adopted by the entity

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2020

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.1 Basis of Preparation (continued)

(v) New and amended standards adopted by the entity (continued)

Changes in accounting policy

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

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

The right-of-use assets were measured at their carrying values as if AASB 16 Leases had been applied since the commencement date but discounted using the Group's incremental borrowing rate per lease term as at 1 July 2019. The right-of-use assets have been recognised in the statement of financial position as at 1 July 2019.
The following practical expedients have been used by the Group in applying AASB 16 for the first time:

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

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

(vi) Use of estimates and judgements

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.

Share-based payment transactions

The Group measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity. Refer to note 13.

Provision for impairment of receivables

Included in trade and other receivables at the end of the reporting period is an amount of $40,455 that is outstanding for more than 30 days. While there is inherent uncertainty, the directors understand that the full amount of debt is likely to be received and therefore no provision for impairment has been made.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit ("CGU") exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use.

The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2020

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.1 Basis of Preparation (continued)

(vi) Use of estimates and judgements (continued)

Impairment of non-financial assets (continued)

The value in use calculation is based on a Discount Cash Flow ("DCF") model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Determining the lease term of contract with renewal and termination options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group has a lease contract that includes an extension option. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

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 Group based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain and staffing . Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

(vii) Principles of consolidation

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

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of controlled entities is contained in note 23 to the financial statements.

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

(viii) New Accounting Standards and Interpretations not yet mandatory or early adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2020 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2020

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.2 Significant Accounting Policies

(i) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in the Australian dollar ($), which is the Group's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchanges rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation difference on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as financial assets are recognised in other comprehensive income.

Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position,
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(ii) Revenue from Contracts with Customers

AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue to be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The five-step process outlined in AASB 15 are as follows:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2020

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.2 Significant Accounting Policies (continued)

(ii) Revenue from Contracts with Customers

- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

Revenue is recognised when or as a performance obligation in the contract with customer is satisfied, i.e. when the control of the goods or services underlying the particular performance obligation is transferred to the customer. A performance obligation is a promise to transfer a distinct goods or service (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer) to the customer that is explicitly stated in the contract and implied in the Group's customary business practices.

Revenue is measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customers, excluding amounts collected on behalf of third parties such as sales taxes or services taxes. If the amount of consideration varies due to discounts, rebates, refunds, credits, incentives, penalties or other similar items, the Group estimates the amount of consideration to which it will be entitled based on the expected value or the most likely outcome. If the contract with customer contains more than one performance obligation, the amount of consideration is allocated to each performance obligation based on the relative stand-alone selling prices of the goods or services promised in the contract. Revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The control of the promised goods or services may be transferred over time or at a point in time. The control over the goods or services is transferred over time and revenue is recognised over time if:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

Revenue for performance obligation that is not satisfied over time is recognised at the point in time at which the customer obtains control of the promised goods or services.

(a) Sales of service
Revenue from rendering of service is recognised upon the delivery of service to the customers.

(b) Research and development tax incentive
Refund amounts receivable under the Federal Government’s Research and Development Tax Incentives are recognised as other income in the period it is received.

(c) Interest Income
Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that assets’ net carrying amount on initial recognition.

(d) Government grants
Government grants are assistance by the government in the form of transfers of resources to the Group in return for past or future compliance with certain conditions relating to the operating activities of the entity. Government grants include government assistance where there are no conditions specifically relating to the operating activities of the

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2020

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.2 Significant Accounting Policies (continued)

(ii) Revenue from Contracts with Customers (continued)

(d) *Government grants (continued)*

Group other than the requirement to operate in certain regions or industry sections. Government grants relating to income are recognised as income over the periods necessary to match them with the related costs and grants relating to assets are regarded as a reduction in asset. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised net of expenses.

(iii) Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits with banks and highly liquid investments with original maturities of three months or less.

(iv) Trade and other payables

Trade and other payables represent the liability outstanding at reporting date for goods and services received by the Group during the reporting year, which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(v) Income Tax

The income tax expense or revenue for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of the assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except where the deferred income tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax assets and unused tax losses can be utilised except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the when the asset is realised or the liability is settled, based on tax rates of (and tax laws) that have been enacted or substantially enacted at the balance sheet date. Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2020

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.2 Significant Accounting Policies (continued)

(vi) 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.

Basic earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing:

- The profit/(loss) attributable to owners of the Group, 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 year.

(vii) Impairment of assets

At each reporting date, the Group reviews the carrying values of its tangible assets to determine whether there is an indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

(viii) Financial Instruments

Classification and measurement

Under AASB 9, the Group initially measures a financial asset as its fair value plus, in the case of financial asset not at fair value through profit or loss, transaction costs. Financial assets are then subsequently measured at fair value through profit or loss ("FVTPL"), amortised cost, or fair value through other comprehensive income ("FVOCI").

Initial recognition and measurement

Financial assets are classified at initial recognition and subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under AASB 15.

Subsequent measurement

The Group's financial assets at amortised cost includes trade and other receivables.

Impairment of financial assets

For trade receivables, the Group applies a simplified approach in calculating expected credit losses ("ECLs"). Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

Financial Liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, borrowings and lease liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2020

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.2 Significant Accounting Policies (continued)

(viii) Financial Instruments

Subsequent measurement

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Compound instruments

The component parts of compound instruments (convertible bonds) issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion options that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recognised as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share capital. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to retained earnings. No gain or loss is recognised in profit or loss and other comprehensive income upon conversion or expiration of the conversion option. Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible notes using the effective interest method.

(ix) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2020

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.2 Significant Accounting Policies (continued)

(ix) Property, plant and equipment (continued)

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within other income in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

(ii) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in the profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Right-of-use assets are generally depreciated over the shorter of the assets useful life and the lease term on a straight-line basis.

The depreciation rates used for each class of asset are:

- fixtures and fittings 22.5% - 40%
- leasehold improvements 20%
- computer equipment and software 22.5% - 40%
- Right-of-use assets 20%

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(x) Intangible Assets

(a) Software

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets where the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use,
- management intends to complete the software and use or sell it,
- there is an ability to use or sell the software,
- it can be demonstrated how the software will generate probable future economic benefits,
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

The Group amortises software with a limited useful life using the straight-line method between 2-5 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2020

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.2 Significant Accounting Policies (continued)

(xi) Provisions

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Profit or Loss and Other Comprehensive Income net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

The increase in the provision resulting from the passage of time is recognised in finance costs.

(xii) Employee Benefits

(a) Equity Settled Compensation

The Group operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

(b) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

The liability for annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(c) Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period 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 end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(d) Share-based payments

Share-based compensation benefits are provided to directors, employees and consultants via the option terms and conditions set out by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2020

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.2 Significant Accounting Policies (continued)

(xii) Employee Benefits (continued)

The fair value of options granted under the option terms and conditions set out by the Group is recognised as a share based payments expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted, which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

When the options are exercised, the Group transfers the appropriate amount of shares to the director, employee or consultant. The proceeds received net of any directly attributable transaction costs are credited directly to equity.

(e) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or to providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(xiii) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

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

(xiv) Comparative Figures

Where necessary, comparatives have been re-classified and re-positioned for consistency with current year disclosures. The following items have been re-classified within the Consolidated Statement of Profit or Loss and Other Comprehensive Income:

	Company 2019		
	As previously stated	Reclassification	As restated
Employee wages and director fees	985,177	(300,000)	685,177
Corporate compliance costs	207,383	255,432	462,815
Administration costs	182,330	36,980	219,310
Consultancy Fees	38,982	54,015	92,997
Occupancy costs for head office*	46,484	(46,484)	-
Travel and conference expenses	224,517	57	224,574

*This relates to rent expenses accounted for under the new accounting standard AASB 16 from 1 July 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2020

NOTE 2: REVENUE AND OTHER REVENUE

	Group 2020 $	Company 2019 $
Revenue		
Revenue from customers	**1,013,452**	109,909
Other revenue		
Interest and other income	25,046	28,747
Research and Development grant received	468,177	-
Total Other revenue	**493,223**	28,747

NOTE 3: INCOME TAX

	Group 2020 $	Company 2019 $
(a) Income tax		
Current tax		
Current income tax expense	-	-
Deferred tax		
Relating to the origination and reversal of previously unrecognised temporary deferred tax differences	**(805,144)**	(846,518)
Net deferred tax assets not brought to account	**805,144**	846,518
	-	-
(b) Reconciliation of tax expense to net profit before tax		
Loss before income tax expense	**(5,238,040)**	(2,682,928)
Tax at the statutory rate of 27.5% (2019: 27.5%)	(1,440,461)	(737,805)
Tax effect of:		
Non-deductible expenses/timing differences	24,323	19,839
Effect of tax losses and tax offsets not recognised as deferred tax assets	1,416,138	717,966
Income tax expense	-	-
(c) Amounts recognised in equity		
Aggregate current and deferred tax arising in the reporting period and not recognised in statement of profit or loss and other comprehensive income but directly debited or credited to equity		
Current tax	-	-
Net deferred tax	253,216	-
	253,216	-
Unrecognised deferred tax asset		
Prior year tax losses not recognised	846,518	15,829
Current year tax losses	849,336	725,988
Capital raising costs and transaction costs in equity	172,087	67,510
Plant and equipment	65,940	20,510
Right-of-use asset lease liability	100,007	-
Other temporary differences	47,660	16,681
Off-set deferred tax liabilities	(176,670)	-
Net deferred tax assets unrecognised	**1,904,878**	846,518

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2020

NOTE 3: INCOME TAX (CONTINUED)

Deferred tax assets have not been brought to account at 30 June 2020 because the directors do not believe it is appropriate to regard realisation of the future tax benefit as probable. These benefits will only be obtained if:

(i) the Group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deduction for the loss to be realised;

(ii) the Group complies with the conditions for the deductibility imposed by law including the continuity of ownership and/or business tests; and

(iii) no changes in tax legislation adversely affect the Group in realising the benefit from the deduction for the loss.

NOTE 4: CASH AND CASH EQUIVALENTS

	Group 2020 $	Company 2019 $
Cash at bank	**3,686,333**	2,608,814

Notes to the statement of cash flows:
For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand and at bank and term deposits that has original maturity of less than 3 months.

NOTE 5: TRADE AND OTHER RECEIVABLES

	Group 2020 $	Company 2019 $
Current:		
Trade Debtors (1)	93,750	-
GST paid	24,256	59,091
Other	3,609	792
	121,615	59,883

The Group measures its trade and other receivables at amortised cost.

(1) The ageing of the Group's Trade Debtors as at 30 June 2020 are as follows:

Debtor type	<30 days past due $	30-60 days past due $	90+ days past due$	Total $
Patient fees	9,861	2,428	2,604	14,893
Project advisory fees	11,041	18,333	-	29,374
Data collaboration revenue	32,393	17,090	-	49,483
Gross carrying amount	**53,295**	**37,851**	**2,604**	**93,750**
Less allowing provision	-	-	-	-
Net carrying amount	**53,295**	**7,851**	**2,604**	**93,750**

The Group applies the simplified approach in providing for expected credit losses prescribed by AASB 9. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past defaults experience and analysis of the debtors current financial position. There has been no change in the estimation process used during the current reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2020

NOTE 6. RIGHT-OF-USE ASSETS

The Group's lease portfolio includes office and clinic leases. The average term of these leases are 1-4 years.

(a) Carrying value

	Premises
	$
Balance at inception of lease	735,372
Accumulated depreciation	(411,982)
Carrying value as at 30 June 2020	**323,390**

Reconciliation

	Premises
	$
Net carrying amount as at 1 July 2019	541,304
Depreciation expense during the financial year	(217,914)
Net carrying amount as at 30 June 2020	**323,390**

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

	$
Reversal of operating lease expenditure previously recognised under AASB 117	(204,933)
Interest expense for the financial year ended 30 June 2020	27,498
	(177,435)

(c) Total financial year end cash outflows for leases

	$
Repayment of lease liabilities	215,385

(d) Options to extend or terminate

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2020

NOTE 7: PLANT AND EQUIPMENT

	Group 2020 $	Company 2019 $
Leasehold Improvements		
At cost	653,196	734,907
Accumulated Depreciation	(203,421)	(83,215)
	449,775	651,692
Computer, office furniture and equipment		
At cost	198,666	61,007
Accumulated depreciation	(50,136)	(6,214)
	148,530	54,793
Total		
At cost	**851,862**	795,914
Accumulated depreciation	**(253,557)**	(89,429)
	598,305	706,485

	Group 2020 $	Company 2019 $
Reconciliation		
Leasehold Improvements		
Carrying amount at beginning of the year	651,692	-
Additions	-	734,907
Reclassification	(74,365)	-
Depreciation	(127,552)	(83,215)
Carrying amount at the end of the year	**449,775**	651,692
Computer, office furniture and equipment		
Carrying amount at beginning of the year	54,793	-
Additions	52,367	61,007
Reclassification	77,256	-
Depreciation	(35,886)	(6,214)
Carrying amount at the end of the year	**148,530**	54,793
Total		
Carrying amount at beginning of the year	706,485	-
Additions	52,367	795,914
Reclassification from software	2,891	-
Depreciation	(163,438)	(89,429)
Carrying amount at the end of the year	**598,305**	706,485

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2020

NOTE 8: INTANGIBLE ASSETS

	Group 2020 $	Company 2019 $
Software		
At cost	149,439	48,885
Accumulated Depreciation	(2,129)	(5,417)
	147,310	**43,468**
Reconciliation		
Software		
Carrying amount at beginning of the year	43,468	-
Additions	149,439	48,885
Write offs	(40,577)	-
Reclassification to plant and equipment	(2,891)	-
Depreciation	(2,129)	(5,417)
Carrying amount at the end of the year	**147,310**	**43,468**

NOTE 9: FINANCIAL LIABILITIES CARRIED AT AMORTISED COSTS

	Group 2020 $	Company 2019 $
Current:		
Trade payables	149,049	148,378
Accrued expenses and other	312,075	82,711
Total trade and other payables (1)	461,124	231,089
Borrowing at amortised cost (2)	247,154	-
Lease liabilities (3)	152,689	-
	860,967	**231,089**
Non Current:		
Lease liabilities (3)	210,972	-
	210,972	-

(1) Trade and other payables are measured at amortised cost. None of the outstanding balance are past due at reporting date.

(2) During the year ended 30 June 2020, the Group secured a credit facility from Radium Capital. The Group drew down on this facility in accordance with Radium Capital processes. The facility is secured against the R&D refund to be received. The interest rate is 15% per annum and repayable on 30 September 2020. The breakdown of the borrowing as at 30 June 2020 is as follows:

	$
Principal amount of the facility	241,000
Less: application fees	(779)
Net cash received	**240,221**
Add: accrued interest	**6,933**
	247,154

NOTE 9: FINANCIAL LIABILITIES CARRIED AT AMORTISED COST (CONTINUED)

(3) The carrying value and reconciliation of the Group's lease liabilities are as follows:

Carrying value	**Premises**
	$
Current liabilities	152,689
Non-current liabilities	210,972
Carrying value as at 30 June 2020	**363,661**

Reconciliation	**Premises**
	$
Recognised on 1 July 2019 on adoption of AASB 16	541,096
Less: principal repayments	(204,933)
Add: Unwinding of interest expense on lease liability	27,498
Closing Balance as at 30 June 2020	**363,661**

At initial recognition, the lease liabilities were measured at the present value of minimum lease payment using the Group's incremental borrowing rate of 6%. The incremental borrowing rate was based on the unsecured interest rate that will apply if finance was sought for an amount and time period equivalent to the lease requirements of the Group.

NOTE 10: CONVERTIBLE NOTES

In prior year, the Group entered into a Convertible Note Subscription Deed ("the Deed") for $3,300,000 with various noteholders (before costs). These Convertible Notes ("Notes") had a face value of $1 per note and a 24 month redemption period with the following terms:

- Each Note is payable after the redemption period if the Notes:
  - are not redeemed during the redemption period;
  - converted as a result of an Initial Public Offering or;
  - converted as a result of a trade sale with a third party.
- Interest is payable for each Note from and including the first business day after the redemption period of that Note. Interest is incurred from the first business day after the redemption period to the date of actual payment.
- There is no option for early repayment of Notes.

During the financial year ended 30 June 2020, the Notes were converted into shares as the Group entered into an Initial Public Offering on 5 December 2019 and subsequently listed on the ASX on 12 February 2020. The Notes did not meet the criteria of the redemption period so interest was not payable upon conversion which occurred on listing date.

	Group	**Company**
	2020	**2019**
	$	**$**
Opening Balance	3,121,955	-
Proceeds of issue	-	3,300,000
Less transaction costs incurred	-	(178,045)
Conversion of Convertible Notes on 12 February 2020	(3,300,000)	
Transfer of transaction costs incurred to capital raising costs	178,045	
Closing Balance	**-**	3,121,955
Liability component	**-**	**2,752,621**
Equity component	**-**	**369,334**

The equity component of $369,334 was recognised in reserves (see note 1). The liability component was measured at amortised cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2020

NOTE 11: PROVISIONS

	Group 2020 $	Company 2019 $
Current:		
Employee benefits	142,088	41,659
	142,088	41,659
Non Current:		
Make good provision (1)	68,000	-
	68,000	-

(1) This relates to the estimated cost of making good the premises in relation to the leases entered into by the Group in prior years.

NOTE 12: ISSUED CAPITAL

(a) Issued and Paid Up Capital

	2020 Number	2020 $	2019 Number	2019 $
Fully paid ordinary shares	**183,902,778**	**11,751,953**	**130,500,000**	**2,872,738**
(b) Movements in fully paid shares on issue				
Opening Balance	130,500,000	2,872,738	-	-
Shares issued at $0.18 per share	2,777,778	500,000	-	-
Shares issued at $0.20 per share	30,000,000	6,000,000	-	-
Convertible Notes issued at $0.16 per share	20,625,000	3,300,000	-	-
Capital raising costs	-	(920,785)	-	-
Closing Balance*	**183,902,778**	**11,751,953**	**130,500,000**	**2,872,738**

*Of the total shares on issue as at 30 June 2020, 100,097,478 shares were in escrow from 24 months from the date of quotation being 12 February 2020.

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Group in proportion to the number of and amounts paid on the shares held.
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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2020

NOTE 13: SHARE BASED PAYMENTS

The following share-based payments arrangements were in existence during the current reporting year:

Options

Options Series	Number	Grant Date	Expiry Date	Exercise Price $	Fair value at Grant Date $
(1) Issued at 7 June 2019	1,500,000	13/06/2019	13/06/2023	0.45	0.0008
(2) Issued at 7 June 2019	9,750,000	13/06/2019	13/06/2023	0.45	0.0008
(3) Issued at 19 June 2019	1,000,000	19/06/2019	13/06/2023	0.45	0.0008
(4) Issued at 10 July 2019	3,500,000	10/07/2019	13/06/2023	0.45	0.0185
(5) Issued at 26 September 2019	600,000	26/09/2019	26/09/2023	0.45	0.0188
(6) Issued at 7 June 2019	1,000,000	24/10/2019	13/06/2023	0.45	0.0008
(7) Issued at 11 November 2019	1,000,000	11/11/2019	13/06/2023	0.45	0.0496

(1) The 1,500,000 options in series 1 which vests immediately were issued to consultants under the option terms and conditions issued by the Company.
(2) The 9,750,000 options in series 2 which one third vests immediately on date of issue, one third vests after one year of employment and one third vests after two years of employment, were issued under the option terms and conditions issued by the Company.
(3) The 1,000,000 options in series 3 which vests immediately were issued to consultants under the option terms and conditions issued by the Company.
(4) The 3,500,000 options in series 4 where one third vests immediately on date of issue, one third vests after one year of service and one third vests after two years of service from date of issue, were issued to a Director under the option terms and conditions issued by the Company.
(5) The 600,000 options in series 5 where one third vests immediately on date of issue, one third vests after 12 months from date of issue and one third vests after 18 months from date of issue, were issued to a third party under the terms outlined in a licence agreement with the Company.
(6) The 1,000,000 options in series 6 where one third vests immediately on date of issue, one third vests after one year of service and one third vests after two years of service from date of issue, were issued to a consultant under the option terms and conditions issued by the Company.
(7) The 1,000,000 options in series 7 where one third vests immediately on date of issue, one third vests after one year of service and one third vests after two years of service from date of issue, were issued to an employee under the option terms and conditions issued by the Company.

The weighted average contractual life for options outstanding at the end of the year was 3 years. The share based payments expense was $79,328 for the year ended 30 June 2020 (30 June 2019: $4,735).

Options were priced using a Black-Scholes option pricing model using the inputs below:

	Series 1	Series 2	Series 3	Series 4	Series 5	Series 6
Grant date share price	$0.023	$0.023	$0.023	$0.10	$0.10	$0.023
Exercise price	$0.45	$0.45	$0.45	$0.45	$0.45	$0.45
Expected volatility	70.00%	70.00%	70.00%	70%	70%	70%
Option life	4 years	4 years	4 years	4 years	4 years	4 years
Dividend yield	0.00%	0.00%	0.00%	0%	0%	0%
Interest rate	1.08%	1.08%	1.08%	0.97%	0.70%	1.08%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2020

NOTE 13: SHARE BASED PAYMENTS (CONTINUED)

	Series 7
Grant date share price	$0.18
Exercise price	$0.45
Expected volatility	70%
Option life	4 years
Dividend yield	0%
Interest rate	0.70%

The following reconciles the outstanding share options granted in the year ended 30 June 2020:

	2020 No. of Options	2020 Weighted average exercise price $	2019 No. of Options	2019 Weighted average exercise price $
Balance at the beginning of the year	12,250,000	0.45	-	-
Granted during the year	6,100,000	0.45	12,250,000	0.45
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Balance at the end of the year	**18,350,000**	**0.45**	**12,250,000**	**0.45**
Un-exercisable at the end of the year	9,816,667	0.45	6,500,000	0.45
Exercisable at end of the year	8,533,333	0.45	5,750,000	0.45

No amounts are unpaid on any of the shares. No person entitled to exercise an option had or has any rights by virtue of the option to participate in any share issue of any other body corporate.

NOTE 14: RESERVES

	Group 2020 $	Company 2019 $
Convertible notes reserve (1)	-	369,334
Share based payments reserve (2)	84,063	4,735
	84,063	**374,069**

(1) The Convertible notes reserve represents the equity component (conversion rights) of the Convertible Notes issued in the prior year set out in note 10.

(2) The share based payments reserve relates to share options granted by the Company to its employees, consultants and Directors under the option terms and conditions issued by the Company. Further information about share based payments are set out in note 13.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2020

NOTE 15: RECONCILIATION OF THE LOSS FROM ORDINARY ACTIVITIES AFTER INCOME TAX TO THE NET CASH FLOWS USED IN OPERATING ACTIVITIES:

	Group 2020 $	Company 2019 $
Loss for the year	**(5,238,040)**	**(2,682,928)**
Share based payments expense	79,328	4,735
Depreciation and amortisation	383,481	94,846
Intangible asset write off	40,578	-
Changes in assets and liabilities:		
(Increase) in trade and other receivables	(61,732)	(32,194)
Increase/(decrease) in trade and other payables	243,485	(19,340)
Increase in provisions	100,429	41,659
Net cash flows (used in) operating activities	**(4,452,471)**	**(2,593,222)**

Non-cash financing and investing activities
The Group did not engage in any non-cash financing and investing activities during the year (2019: nil).

Changes in liabilities arising from financing activities
The Group secured a credit facility from Radium Capital. The Group drew down on this facility in accordance with Radium Capital processes. The facility is secured against the R&D refund to be received. The interest rate is 15% per annum. (2019: nil) and repayable on 30 September 2020.

NOTE 16: LOSS PER SHARE

	Group 2020 $	Company 2019 $
(a) Reconciliation of loss used in calculating Loss Per Share		
Loss attributable to the ordinary equity holders used in calculating basic loss per share	**(5,238,040)**	**(2,682,928)**
(b) Weighted average number of shares used as the Denominator	**2020 Number**	**2019 Number**
Ordinary shares used as the denominator in calculating basic loss per share	**172,504,781**	130,500,000
(c) Loss per share	**2020 Cents**	**2019 Cents**
Basic loss per share (cents per share)	**(3.04)**	(2.06)
Diluted loss per share (cents per share)	**(3.04)**	(2.06)

There is no dilution of shares due to options as the potential ordinary shares are not dilutive, therefore not included in the calculation of diluted loss per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2020

NOTE 17: RELATED PARTY TRANSACTION

Key Management Personnel Compensation

The aggregated compensation paid to Directors and Key Management Personnel of the Group is as follows:

	Group 2020 $	Company 2019 $
Short term employee benefits	1,884,048	787,081
Post-employment benefits	96,824	43,938
Non-monetary benefits	71,885	21,588
Share based payment	71,017	1,377
	2,123,774	**853,984**

During the financial year ended 30 June 2020, Biologica Ventures Pty Ltd of which Dr Stewart Washer is a related party, was paid consulting fees of $243,277.

Also during the year ended, Academic Health Solutions UK of which Professor Sir John Tooke is a related party was paid consulting fees of $105,082.

There have been no other transactions for the year ended 30 June 2020 to related parties.

NOTE 18: PARENT ENTITY DISCLOSURES

Financial position

	2020 $	2019 $
Assets		
Current assets	3,269,139	2,668,697
Non-current assets	1,463,187	856,211
Total assets	**4,732,326**	**3,524,908**
Liabilities		
Current liabilities	783,818	272,748
Non-current liabilities	13,000	2,752,621
Total liabilities	**796,818**	**3,025,369**
Net assets	**3,935,508**	**499,539**
Equity		
Issued capital	11,751,953	2,872,738
Reserves	84,063	374,069
Accumulated losses	(7,900,508)	(2,747,268)
Total equity	**3,935,508**	**499,539**

Financial performance

	2020 $	2019 $
Loss for the year	(5,085,449)	(2,682,928)
Other comprehensive income	-	-
Total comprehensive income	**(5,085,449)**	(2,682,928)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2020

NOTE 19: COMMITMENTS AND CONTINGENCIES

At reporting date, there are no commitments or contingent liabilities outstanding for the Group or the Company.

NOTE 20: SEGMENT INFORMATION

AASB 8 *'Operating Segments'* requires a "management approach" under which segment information is presented on the same basis as that useful for internal reporting purposes by the chief operating decision maker ("CODM").

For management purposes, the Group is organised into one main operating segment, being the research and development where the Group is a health care technology and clinical research company focused on generating high quality real-world evidence (RWE) data. The chief operating decision makers of the Group are the Executive Directors and Officers.

All the Group's activities are interconnected and all significant operating decisions are based on analysis of the Group as one segment. The financial results of the segment are the equivalent of the financial statements as a whole. At 30 June 2020, all revenues and material assets are considered to be derived and held in one geographical area being Australia.

NOTE 21: FINANCIAL RISK MANAGEMENT

The Group's financial instruments consist mainly of deposits with banks and accounts receivable and payable.

The Group's activities expose it to a variety of financial risks: market risk (ie. interest rate risk), credit risk and liquidity risk. The Group'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 Group. The Group uses different methods to measure different types of risk to which it is exposed.

The Group's Risk Committee ("the Committee) performs the duties of risk management in identifying and evaluating sources of financial and other risks. The Committee provides written principles for overall risk management which balance the potential adverse effects of financial risks on Group's financial performance and position with the "upside" potential made possible by exposure to these risks and by considering the costs and expected benefits of the various methods available to manage them.

Interest Rate Risk
Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's Australian Dollar current and non-current debt obligations with floating interest rates. The Group is also exposed to interest rate risk on its cash and short term deposits.

2020	Floating Interest rate	Fixed interest rate maturing in 1 year or less	Fixed interest rate maturing greater than 1 year	Non-interest bearing	Total	Weighted average effective interest rate
	$	$	$	$	$	%
Financial assets						
Cash and cash equivalents	1,686,069	2,000,000	-	264	3,686,333	0.57
Trade and other receivables	-	-	-	121,615	121,615	-
Restricted cash	-	150,558	-	6,000	156,558	1.00
	1,686,069	**2,150,558**	**-**	**127,879**	**3,964,506**	
Financial liabilities						
Trade and other payables	-	-	-	461,124	461,124	-
Borrowings	-	247,154	-	-	247,154	15.00
Lease liabilities	-	152,689	210,972	-	363,661	6.00
Convertible Notes	-	-	-	-	-	-
	-	**399,843**	**210,972**	**461,124**	**1,071,939**	

NOTE 21: FINANCIAL RISK MANAGEMENT (CONTINUED)

2019	Floating Interest rate	Fixed interest rate maturing in 1 year or less	Fixed interest rate maturing greater than 1 year	Non-interest bearing	Total	Weighted average effective interest rate
	$	$	$	$	$	%
Financial assets						
Cash and cash equivalents	2,608,814	-	-	-	2,608,814	0.70
Trade and other receivables	-	-	-	59,883	59,883	-
Restricted cash	-	100,258	-	6,000	106,258	1.65
	2,608,814	100,258	-	65,883	2,774,955	
Financial liabilities						
Trade and other payables	-	-	-	231,089	231,089	-
Convertible Notes	-	-	-	2,752,621	2,752,621	-
	-	**-**	**-**	**2,983,710**	**2,983,710**	**-**

Sensitivity Analysis – Interest Rate Risk

The Group has performed a sensitivity analysis relating to its exposure to interest rate risk at the reporting date. This sensitivity analysis demonstrates the effect on the current period results and equity which could result from a change in interest rates.

	30 June 2020	30 June 2019
	$	$
Change in loss:		
Increase by 1%	34,792	27,151
Decrease by 1%	(34,792)	(27,151)

Credit risk

The Group has no significant concentrations of credit risks.

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers. The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised above of this note.

As at 30 June 2020, all cash and cash equivalents were held with National Australia Bank with an A (Standard and Poor's) credit rating. In relation to trade receivables, management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

The credit risk on other receivables is limited as it is comprised of GST recoverable from the Australian Taxation Office. The credit risk on liquid funds is limited because the counter party is a bank with high credit rating.

Liquidity risk

Prudent liquidity risk management involves the maintenance of sufficient cash, committed credit facilities and access to capital markets. It is the policy of the Board to ensure that the Group is able to meet its financial obligations and maintain the flexibility to pursue attractive investment opportunities through keeping committed credit lines available where possible, ensuring the Group has sufficient working capital. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2020

NOTE 21: FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

Contractual maturities of financial liabilities

As at the reporting date the Group had total financial liabilities of $1,071,939 (2019: $231,089) which comprised of trade and other payables and borrowings with a maturity of less than 6 months and lease liabilities maturing within the next four years.

Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the potential return to shareholders. The capital structure of the Company consists of equity attributable to equity holders, comprising issued capital and reserves as disclosed in notes 12 and 14.

Fair value of financial assets and liabilities

The fair value of financial assets and liabilities approximate carrying values due to their short term nature.

NOTE 22: FAIR VALUE MEASUREMENT

Fair value hierarchy

The following table details the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs for the asset or liability.

The following table details the Group's assets and liabilities measured or disclosed at fair value.

	Level 1 $	Level 2 $	Level 3 $	Total $
2020				
Liabilities				
Convertible Notes	-	-	-	-
Total Liabilities	**-**	**-**	**-**	**-**
2019				
Liabilities				
Convertible Notes	-	**-**	2,752,621	2,752,621
Total Liabilities	-	-	*2,752,621*	*2,752,621*

Estimates of fair value take into account factors and market conditions evident at balance date. Uncertainty and changes in global market conditions in the future may impact fair values in the future.

Transfers between level 1, 2 and 3

There were no movements between different fair value measurement levels during the financial year (2019: none).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2020

NOTE 23: SUBSIDIARIES

Name of entity	Country of incorporation	Class of Shares	2020	2019
Emerald Clinical Network Pty Ltd*	Australia	Ordinary	100%	-
Emerald Clinical Research Pty Ltd*(1)	Australia	Ordinary	100%	-
Emerald Data Management Pty Ltd*(1)	Australia	Ordinary	100%	-
Emerald IP Holdings Pty Ltd*(1)	Australia	Ordinary	100%	-
Openly Care Inc.**	United States	Ordinary	100%	-

*These entities were incorporated on 7 August 2019.
**This entity was incorporated on 14 May 2020.
(1) These entities have been dormant during the financial year.

NOTE 24: EVENTS AFTER REPORTING DATE

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has been financially neutral for the Group up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

On 10 August 2020, the Group announced on the ASX that it would be entering into a Real-World Evidence contract with Spectrum Biomedical UK ("SBUK") which is a subsidiary of Canopy Growth Corp (a Toronto Exchange Security listed company TSX:TSE). Emerald will be responsible for collection of specific data points including de-identified patient information, use of concomitant medicines, prescribed usage and diagnoses, and a rate of patient reported outcome measures. This data will then be provided to SBUK as a per patient pricing model. The contract value is up to GBP 400,000 (~AUD 723,000 and the Group is expected to receive GBP 150,000 (~AUD 270,000) up front plus GBP 300 (~AUD 542) per patient. The contract term is 24 months.

On 14 August 2020, The Group announced on the ASX that it would be proposing a name change from "Emerald Clinics Limited" to "Emyria Limited". The name change is subject to approval by shareholder on 18 September 2020 and a notice of meeting was issued on 14 August 2020 on the ASX.

Apart from the above, there are no other matters or circumstances that have arisen since the end of the financial year which have significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

NOTE 25: REMUNERATION OF AUDITORS

Auditor fees incurred during the financial year are as follows:

	Group $ 2020	Company $ 2019
Audit services – Stantons International	36,679	15,000
	36,679	**15,000**

DIRECTORS' DECLARATION

In the Directors' opinion:

a) the financial statements and notes set out on pages 21 to 51, and are in accordance with the *Corporations Act 2001,* including:

i. giving a true and fair view of the Group's financial position as at 30 June 2020 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the year ended on that date; and

ii. complying with Australian Accounting Standards, Corporations Regulations 2001 and other mandatory professional reporting requirements;

b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

c) the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

This declaration is made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the year ended 30 June 2020.

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

Michael Winlo

Dr Michael Winlo
Managing Director
Dated 31 August 2020

Stantons International Audit and Consulting Pty Ltd
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31 August 2020

Board of Directors
Emerald Clinics Limited
Level 1, 50 Angove Street
North Perth. WA 6006

Dear Directors

RE: EMERALD CLINICS LIMITED

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

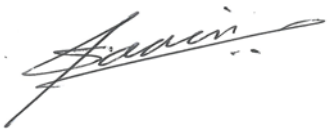
As Audit Director for the audit of the financial statements of Emerald Clinics Limited for the year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

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



Samir Tirodkar
Director

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

Report on the Audit of the Financial Report

Our Opinion

We have audited the financial report of Emerald Clinics Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion:

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

(i) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; and

(ii) 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 1.1(iv) to the financial report, which describes the financial report being prepared on a going concern basis. The Group incurred loss of $5,238,040 and net cash outflows from operating activities of $4,452,471 for the financial year ended 30 June 2020.

We also draw attention to the recent market uncertainty arising from the spread of the COVID-19 virus and its effects on the business environment in Australia. Management is reviewing what impact, if any, this will have on their business.

The ability of the Group to continue as a going concern is subject to the future profitability of the Group and/or successful in raising further capital. In the event that the Group is not successful in commencing profitable operations and/or in raising further capital, the Group may not be able to meet their liabilities as and when they fall due and the realisable value of the Group's assets may be significantly less than its book values.

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 year. 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.

Key Audit Matters	How the matter was addressed in the audit
Adoption of AASB 16: Leases effective from 1 July 2019 The Group adopted AASB 16 *Leases* effective 1 July 2019 using the modified retrospective approach. AASB 16 introduces a new lease accounting model, where lessees are required to recognise a right-of-use (ROU) asset and a lease liability arising from a lease on its balance sheet. The cumulative effect of adopting AASB 16 recognised as an adjustment to the opening balance of accumulated losses at 1 July 2019 amounted to $67,791. As at 30 June 2020, the carrying amount of the Group's ROU asset amounted to $323,390 (refer to Note 6 to the financial statements) and the current and non-current lease liabilities amounted to $152,689 and $210,972, respectively (refer to Note 9 to the financial statements). We consider the first-time application of the standard as a key audit matter due to the significance of the Group's judgments in determining the assumptions used such as discount rate and the lease terms, including termination and renewal options.	Inter alia, our audit procedures included the following: i. Obtained an understanding and evaluated the Group's implementation process, including the review of the updated accounting policy and policy elections in accordance with AASB 16; ii. Evaluated management assumptions, specifically the assumptions used to determine the discount rates, lease terms and measurement principles; iii. Tested the factual inputs and calculation of the ROU asset and lease liability calculated by the management for each material lease contract; and iv. Assessed the retrospective application and adequacy of the Group's disclosures of the impact of the new standard in the consolidated financial statements.

Key Audit Matters	How the matter was addressed in the audit
Revenue recognition	
The Group's revenue comprises revenue from the sale of services to its customers. Revenue is recognised when the service is rendered to the customer. There is an inherent risk around the accuracy of revenue recorded given the nature of the Group's activities. The risk of revenue being recognised in an incorrect period presents a key audit matter due to the financial significance and nature of revenue in the consolidated financial statements.	Inter alia, our audit procedures included the following: i. Reviewed and analysed significant sales contracts to verify correct accounting treatment; ii. Performed substantive tests, analytical procedures and cut-off tests to verify that sales transactions are correctly recognised during the year; and iii. Tested accounts receivable by requesting confirmations from the Group's customers and by reconciling cash payments received after year-end against the accounts receivable balance at year-end.
Share-based payments – share options	
The Group awarded share-based payments in the form of share options. The awards vest subject to the achievement of certain vesting conditions. The Group used the Black-Scholes model in valuing the share-based awards, based on the vesting conditions attached to each tranche. The share-based payment expenses recognised in the consolidated statement of profit or loss and other comprehensive income during the year amounted to $79,328 and is recognised. Due to the complex nature of transaction and estimates used in determining the valuation of the share-based payment arrangement and vesting expense, we consider the Group's calculation of the share-based payment expense to be a key audit matter. In determining the fair value of the awards and related expense, the Group used assumptions in respect of future market and economic conditions. Refer to Note 13 to the financial report for the share-based payment expenses recognised for the year ended 30 June 2020 and related disclosures.	Inter alia, our procedures included the following: i. Assessed the assumptions used in the Group's valuation of share options being the share price of the underlying equity, interest rate, volatility, dividend yield, time to maturity (expected life) and grant date; ii. Assessed the fair value of the calculation through re-performance using the Black Scholes model; and iii. Assessed the accuracy of the share- based payments expense and the adequacy of disclosures made by the Group in the financial report.

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 2020 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.

Responsibilities of the Directors for the Financial Report

The directors of the Company 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 ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in Internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the consolidated financial report of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

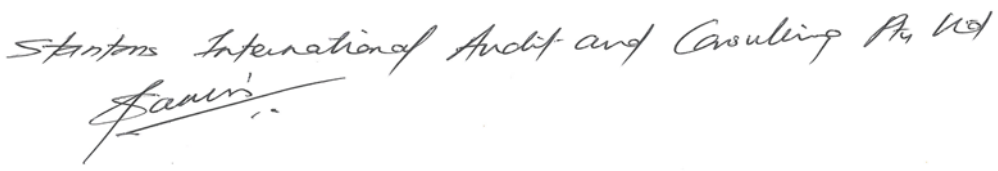
Report on the Remuneration Report

We have audited the Remuneration Report included in pages 11 to 19 of the directors' report for the year ended 30 June 2020. 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.

Opinion on the Remuneration Report

In our opinion, the Remuneration Report of Emerald Clinics Limited for the year ended 30 June 2020 complies with section 300A of the *Corporations Act 2001*.

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



Samir Tirodkar
Director

West Perth, Western Australia
31 August 2020