EMERALD CLINICS LIMITED
ABN 96 625 085 734

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2019

EMERALD CLINICS LIMITED
ABN 96 625 085 734

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DIRECTORS' REPORT

Your directors present their report for Emerald Clinics Ltd ("Emerald Clinics" or "the Company") for the financial year ended 30 June 2019.

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 Alistair Vickery	Executive Medical Director (appointed 18 March 2019)
Dr Patrizia Derna Washer	Non-Executive Director (resigned on 28 October)
Mr Matthew Callahan	Non-Executive Director

Current Directors

Dr Stewart Washer – Executive Chairman
Dr Washer has founded several regenerative medicine and cannabinoid companies. He is currently the Executive Chairman of Emerald Clinics, medical cannabis patient data clinics, Chairman of Orthocell (ASX:OCC), regenerative medicine Company, Director of Cynata Therapeutics (ASX:CYP), stem cell therapies, Director of Botanix (ASX:BOT), developing topical cannabinoid medicines for acne and other skin disorders and Director of Zelda Therapeutics (ASX:ZLD) medical cannabis clinical studies and research.

Dr Washer has held a number of Board positions in the past, including Chairman of Hatchtech that was sold in 2015 for A$279m and was a Director of iCeutica that was sold to a US Pharma. He was a founder of AusCann (ASX:AC8). He was also a Senator with Murdoch University and was a Director of AusBiotech Ltd.

Dr Alistair Vickery – Executive Medical Director
Dr Vickery is an Executive Medical Director of Emerald Clinics, an Australian network of bespoke independent medical clinics generating real world data for evidence-based management of cannabinoid therapy. Dr Vickery is a specialist general practitioner with more than 30 years' experience in clinical practice, education and research.

Dr Vickery is the Adjunct Clinical Associate Professor of Primary Health Care at the University of Western Australia and Chair of Black Swan Health one of the largest not-for-profit primary health care service providers in Western Australia. Dr Vickery has extensive research experience employing big data to provide high-level analysis and statistical modelling to determine effective placement of clinical services, equity in health service delivery, and better health outcomes. Dr Vickery has designed and delivered medical education across the continuum of medical training from undergraduate to continuing professional development.

Dr Patrizia Derna Washer – Non-Executive Director
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 R&D through to clinical development within the university and medical technology sector. Dr Washer has previously worked as a clinical trial consultant for a medical device Company, two medical cannabis companies and has been a board member of two medical start-up companies. Dr Washer resigned as Non-Executive Director on 28 October 2019.

Mr Matthew Callahan – Non -Executive Director
Mr Callahan is an experienced life sciences executive based in Philadelphia. He is the founder of

Botanix Pharmaceuticals Ltd (ASX:BOT) and iCeutica Inc. – a Perth founded Company that successfully developed 4 products through FDA approval and was sold to private equity investors in the USA. He has more than 20 years' legal, intellectual property and investment management experience and is also a director of Orthocell Limited (ASX:OCC).

Mr Callahan worked as an investment director for 2 venture capital firms in life sciences and was general manager and general counsel with technology and licensing Company Ipernica Limited, now Nearmap Limited (ASX:NEA), where he was responsible for licensing programs that generated more than $120,000,000 in revenue.

DIRECTORS' REPORT

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

Principal activities
During the financial year ended 30 June 2019, the Company continued with its purpose of capturing data from treatment of patients using medicinal cannabinoids to provide meaningful insights to third parties and provide high quality care.

Review of operations
The Company was incorporated on 19 March 2018 for the purpose of establishing a business to learn from every patient treated with cannabinoid based medicines by capturing data to better understand the safety, efficacy and pharmacoeconomics of cannabinoid therapies. During the year ended and following incorporation, the Company developed its business model including commencement of provision of health services to patients at 2 clinic sites, development of data capture platforms, clinical models and processes. The Company also identified key opinion leaders and practitioners to support its planned operations.

Significant changes in state of affairs
On 3 May 2019, Mr Michael Winlo was appointed as Chief Executive Officer of the Company.

During the year ended 30 June 2019, the Company entered into a Convertible Note Subscription Deed ("the Deed") for $3,300,000 with various noteholders (before costs). These Convertible Notes ("Note") 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.
- The Notes are not convertible into shares unless the Company enters into an Initial Public Offering or 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 year ended 30 June 2019, the Company entered into the following commercial leases on the following sites:

Site	**Suite 9, Level 6, 75 Crown Street, Woolloomooloo NSW**	**2 McCourt Street, West Leederville WA**	**Level 1, 50 Angove Street, North Perth WA**
Length of lease	2 Years with 3 year option to re-new	3 Years with 3 year option to re-new	2 Years
Yearly commitment (excluding outgoings)	$47,500	$47,600	$54,540

DIRECTORS' REPORT

Significant events after year ended

On 10 July 2019, the Company issued 3,500,000 options to 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 Zelda Therapeutics Limited where licence fees are payable in exchange for patient data from Emerald Clinics.

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 patient data from Emerald Clinics.

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

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

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

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 Company, the results of those operations, or the state of affairs of the Company in future financial periods.

Future development, prospects and business strategy

The Company will focus on developing its business which combines the capture of data and the treatment of patients to transform the way cannabinoids are understood and patients are treated. The Company will then combine this data with health records and published information to generate powerful data sets that provide actionable insights for physicians and drug developers. The data asset developed will ultimately be the primary source of income for the Company, generating license usage fees and royalties from third parties via a data-as-a-service offering while also improving 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 2019.

Meeting of Directors

During the financial year ended 30 June 2019, there were a total of four meetings held and the attendance of those meetings for each director were as follows:

Director	No. of meetings attended
M Callahan	4
S Washer	4
P Washer	4
A Vickery	3

Options

During the year ended 30 June 2019, the Company granted 12,250,000 options with an exercise price of $0.45 per share.

DIRECTORS' REPORT

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

2019 Number	Exercise Price	Grant	Expiry
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
17,350,000			

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

Indemnifying officers
No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of the Company.

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

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

Auditor's independence declaration
The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is included on page 7 of the financial report.

The auditor did not provide any non-audit services for the year ended 30 June 2019.

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



Dr Stewart Washer
Chairman
30 October 2019

Stantons International Audit and Consulting Pty Ltd
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30 October 2019

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.

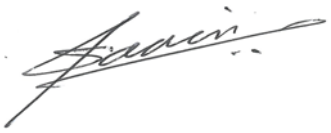
As Audit Director for the audit of the financial statements of Emerald Clinics Limited for the year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Liability limited by a scheme approved
under Professional Standards Legislation

Member of Russell Bedford International

EMERALD CLINICS LIMITED
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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 $	2018 $
Revenue			
Sales revenue	2	109,909	-
Operating costs		(646,301)	-
Gross loss		**(536,392)**	**-**
Other revenue			
Interest		28,747	-
Expenses			
Research and Development expenses		(221,487)	-
Employee wages and director fees		(985,177)	(18,500)
Travel and conference expenses		(224,518)	-
Corporate compliance costs		(207,383)	(27,713)
Administration costs		(182,330)	-
IT consultancy fees		(165,297)	(18,112)
Occupancy costs for head office		(46,484)	-
Consultancy fees		(38,982)	-
Finance costs		(4,044)	(15)
Share based payments		(4,735)	-
Depreciation		(94,846)	
Total expenses		**(2,175,283)**	**(64,340)**
Loss before income tax expense		**(2,682,928)**	**(64,340)**
Income tax (expense)/benefit	3	-	-
Loss after income tax for the year/period		**(2,682,928)**	**(64,340)**
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		**(2,682,928)**	**(64,340)**

The Companying notes form part of these financial statements

EMERALD CLINICS LIMITED
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STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Note	2019 $	2018 $
ASSETS			
Current assets			
Cash and cash equivalents	4	2,658,814	3,039,492
Trade and other receivables	5	59,883	19,335
Restricted cash		56,258	-
Total current assets		**2,774,955**	**3,058,827**
Non-current assets			
Plant and equipment	6	749,953	-
Total Non-current assets		**749,953**	**-**
Total Assets		**3,524,908**	**3,058,827**
LIABILITIES			
Current Liabilities			
Trade and other payables	7	231,089	250,429
Provision for employee benefits		41,659	-
Total Current Liabilities		**272,748**	**250,429**
Non-Current Liabilities			
Convertible Notes	8	2,752,621	-
Total Non-Current Liabilities		**2,752,621**	**-**
Total Liabilities		**3,025,369**	**250,429**
Net Assets		**499,539**	**2,808,398**
EQUITY			
Contributed equity	9	2,872,738	2,872,738
Reserves	11	374,069	-
Accumulated losses		(2,747,268)	(64,340)
Total Equity		**499,539**	**2,808,398**

The Companying notes form part of these financial statements

EMERALD CLINICS LIMITED
ABN 96 625 085 734

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019

	Issued Capital $	Accumulated Losses $	Reserves $	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**	**(2,747,268)**	**374,069**	**499,539**

	Issued Capital $	Accumulated Losses $	Reserves $	Total Equity $
Balance at 19 March 2018 (date of incorporation)	-	-	-	-
Loss after income tax for the period	-	(64,340)	-	(64,340)
Other comprehensive income for the period, net of tax	-	-	-	-
Total Comprehensive loss	-	(64,340)	-	(64,340)
Issue of shares	2,872,738	-	-	2,872,738
Balance at 30 June 2018	**2,872,738**	**(64,340)**	**-**	**2,808,398**

The Companying notes form part of these financial statements

EMERALD CLINICS LIMITED
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STATEMENT OF CASH FLOWS
FOR THE YEAR 30 JUNE 2019

	Note	2019 $	2018 $
Cash flow from operating activities			
Receipts from customers		109,909	-
Interest received		28,747	-
Payments to suppliers and employees		(2,731,878)	(20,816)
Net cash (used in) operating activities	12	**(2,593,222)**	**(20,816)**
Cash flows from investing activities			
Payments for plant and equipment		(844,800)	-
Payments for security deposits		(56,258)	-
Net cash (used in) investing activities		**(901,058)**	**-**
Cash flow from financing activities			
Proceeds from issue of shares		-	3,060,308
Net proceeds from convertible note		3,113,602	-
Net cash from financing activities		**3,113,602**	**3,060,308**
Net increase in cash and cash equivalents		(380,678)	3,039,492
Cash and cash equivalents at the beginning of the year		3,039,492	-
Cash and cash equivalents at the end of the year	4	**2,658,814**	**3,039,492**

The Companying notes form part of these financial statements

Note 1: Summary of significant accounting policies

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

The financial statements of the Company as at and for the year ended 30 June 2019 are presented in Australian Dollars.

Reporting Basis and Conventions
The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The Company is a for profit entity for the purposes of preparing the financial statements.

The financial report, except for the cash flow information, has been prepared on an accrual basis and is based on historical cost basis modified, where applicable, by the measurement at fair value of selected financial liabilities.

The financial report is presented in Australian dollars unless otherwise stated.

Compliance with IFRS
The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Going Concern
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. If necessary the Company 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 Company 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 Company 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 Company not be able to continue as a going concern.

SIGNIFICANT ACCOUNTING POLICIES

(a) New accounting policies adopted
During the financial year ended 30 June 2019, the Company adopted the following accounting standards from 1 July 2018:

- AASB 15: Revenue from Contracts with Customers
- AASB 9 – Financial Instruments

AASB 15: Revenue from Contracts with Customers
This standard replaces the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 applies to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential 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;

Note 1: Summary of significant accounting policies (continued)

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

The Company has applied the new Standard effective from 1 July 2018 using the modified retrospective approach. Under this method, the cumulative effect of all contracts that are not completed as at 1 July 2018 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. However, the Company does not have any revenue in prior year, hence, no adjustment to the opening retained earnings have been made and the comparative information was not restated.

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 Company's customary business practices.

Revenue is measured at the amount of consideration to which the Company 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 Company 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:

i. the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs;
ii. the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
iii. the Company's performance does not create an asset with an alternative use and the Company 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.

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

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.

AASB 9 – Financial Instruments
AASB 9 Financial instruments replaces AASB 139 Financial Instruments: Recognition and Measurement, bringing together all three aspects of accounting for financial instruments: classification and measurement, impairment and hedge accounting. The hedge accounting changes are not applicable to the Company.

Classification and measurement
Under AASB 9, the Company 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").

On adoption of AASB 9, the Company has reclassified its financial assets as subsequently measured at amortised cost or fair value depending on the business model for those assets and contractual cash flow characteristic. There was no change in the classification or measurement of financial liabilities. Under AASB 9 the Company's financial assets of cash and cash equivalents and trade and other receivables are classified as 'financial assets at amortised cost'.

Note 1: Summary of significant accounting policies (continued)

The Standard is applicable retrospectively (subject to the comment on hedge accounting below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

There were no financial instruments which the Company has designated at fair value through profit or loss under AASB 139 that were subject to reclassification. The Board assessed the Company's financial assets and determined the application of AASB 9 does not result in a change in the classification of the Company's financial instruments. In relation to the reclassification and measurement of financial assets and liabilities, there was no impact on the Statement of Profit or Loss and Other Comprehensive Income; Statement of Financial Position; or Statement of Changes in Equity on adoption of AASB 9.

Financial Assets

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 Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company 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 Company has applied the practical expedient are measured at the transaction price determined under AASB 15.

Subsequent measurement

The Company's financial assets at amortised cost includes trade receivables.

Impairment of financial assets

For trade receivables, the Company applies a simplified approach in calculating expected credit losses ("ECLs"). Therefore, the Company 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 Company's financial liabilities include trade and other payables and convertible notes.

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.

Note 1: Summary of significant accounting policies (continued)

Compound instruments

The component parts of compound instruments (convertible bonds) issued by the Company 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 Company'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.

(a) 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.

(b) Trade and other payables

Trade and other payables represent the liability outstanding at reporting date for goods and services received by the Company 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.

(c) 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.

Note 1: Summary of significant accounting policies (continued)

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.

(d) 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.

(e) Impairment of assets

At each reporting date, the Company 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.

(f) 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.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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 Company, 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. Leased assets are depreciated over the shorter of the lease term or their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

Note 1: Summary of significant accounting policies (continued)

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%

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

(g) Provisions

General

Provisions are recognised when the Company 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 Company 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.

(h) Employee Benefits

(i) Equity Settled Compensation

The Company 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.

(ii) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick 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 and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(iii) 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.

Note 1: Summary of significant accounting policies (continued)

(iv) Share-based payments
Share-based compensation benefits are provided to directors, employees and consultants via the option terms and conditions set out by the Company.

The fair value of options granted under the option terms and conditions set out by the Company 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 Company 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.

(v) 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 Company 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.

(i) 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.

(j) Critical accounting estimates and judgements
The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

Share-based payment transactions
The Company 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 10.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

(k) New, revised or amending Accounting Standards and Interpretations not adopted
Accounting Standards issued by the AASB that are not yet mandatorily applicable to the Company, together with an assessment of the potential impact of such pronouncements on the Company when adopted in future periods, are discussed below:

Note 1: Summary of significant accounting policies (continued)

- **AASB 16: *Leases* (applicable to annual reporting periods commencing on or after 1 January 2019).**
  When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: *Leases* and related interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as either operating leases or finance leases. Lessor accounting remains similar to current practice.

  The main changes introduced by the new Standard are as follows:
  - recognition of the right-to-use asset and liability for all leases (excluding short term leases with less than 12 months of tenure and leases relating to low value assets);
  - depreciating the right-to-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
  - inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;
  - application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and
  - additional disclosure requirements.

  The transitional provisions of AASB 16 allow a lease to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity at the date of initial application.

Although the directors anticipate that the adoption of AASB 16 may have an impact on the Company's financial statements, it might be expected that EBITDA will improve as lease expenses will decrease while its interest and deprecation expense will increase. The current liabilities may also increase which could reduce the net working capital of the Company.

Note 2: Revenue

	2019	2018
	$	$
Revenue		
Fees received from patients	**109,909**	-

Note 3: Income tax

	2019	2018
(a) Income tax	$	$
Current tax	-	-
Current income tax benefit	-	-
Deferred tax		
Relating to the origination and reversal of previously unrecognised temporary	**846,518**	(15,829)
Net deferred tax assets not brought to account	**(846,518)**	15,829
	-	-
(b) Reconciliation of tax expense to net profit before tax		
Loss before income tax	**(2,682,928)**	(64,340)
Tax at the statutory rate of 27.5% (2018: 27.5%)	(737,805)	(17,693)
Tax effect of:		
Non-deductible expenses/timing differences	19,839	1,864
Effect of tax losses and tax offsets not recognised as deferred tax assets	717,966	15,829
Income tax benefit	-	-
Unrecognised deferred tax asset		
Prior year tax losses not recognised	15,829	-
Current year tax losses	725,988	15,829
Capital raising costs and transaction costs in equity	67,510	-
Plant and equipment	20,510	-
Other temporary differences	16,681	-
Off-set deferred tax liabilities	-	-
Net deferred tax assets unrecognised	**846,518**	15,829

Deferred tax assets have not been brought to account at 30 June 2019 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 Company 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 Company 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 Company in realising the benefit from the deduction for the loss.

Note 4: Cash and cash equivalents

	2019 $	2018 $
Cash at bank	**2,658,814**	3,039,492

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 deposits. The balance also includes a term deposit for $50,000 in relation to the Company's cash backed guarantee credit card facility.

Note 5: Trade and other receivables

	2019 $	2018 $
Current:		
GST paid	59,091	19,335
Other	792	-
	59,883	19,335

The Company measures its trade and other receivables at amortised cost. None of these are past due or impaired.

Note 6: Plant and equipment

	2019 $	2018 $
Leasehold Improvements		
At cost	734,907	-
Accumulated Depreciation	(83,215)	-
	651,692	-
Computer, office furniture and equipment		
At cost	61,007	-
Accumulated Depreciation	(6,214)	-
	54,793	-
Software		
At cost	48,885	-
Accumulated Depreciation	(5,417)	-
	43,468	-
Total		
At cost	**844,799**	-
Accumulated Depreciation	**(94,846)**	-
	749,953	-
Reconciliation		
Leasehold Improvements		
Carrying amount at beginning of the year	-	-
Additions	734,907	-
Disposals	-	-
Depreciation	(83,215)	-
Carrying amount at the end of the year	**651,692**	-
Computer, office furniture and equipment		
Carrying amount at beginning of the year	-	-
Additions	61,007	-
Disposals	-	-
Depreciation	(6,214)	-
Carrying amount at the end of the year	**54,793**	-

Note 6: Plant and equipment (continued)

	2019	2018
Reconciliation	**$**	**$**
Software		
Carrying amount at beginning of the year	-	-
Additions	48,885	-
Disposals	-	-
Depreciation	(5,417)	-
Carrying amount at the end of the year	**43,468**	-
Reconciliation		
Total		
Carrying amount at beginning of the year	-	-
Additions	844,799	-
Disposals	-	-
Depreciation	(94,846)	-
Carrying amount at the end of the year	**749,953**	-

Note 7: Trade and other payables

	2019	2018
	$	**$**
Current:		
Trade payables	148,378	242,929
Accrued expenses and other	82,711	7,500
	231,089	250,492

At reporting date, none of the trade creditors were past due.

Note 8: Convertible Notes

During the year ended 30 June 2019, the Company entered into a Convertible Note Subscription Deed ("the Deed") for $3,300,000 with various noteholders (before costs). These Convertible Notes ("Note") 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.
- The Notes are not convertible into shares unless the Company enters into an Initial Public Offering or 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.

	2019	2018
	$	**$**
Proceeds of issue	3,300,000	-
Less transaction costs incurred	(178,045)	-
Net proceeds of issue	**3,121,955**	-
Liability component at the date of issue	**2,752,621**	-
Equity component	**369,334**	-

The equity component of $369,334 has been credited to reserves (see note 11). The liability component is measured at amortised cost. There is no interest expense for the financial year ended 30 June 2019 as the notes do not accrue interest until the end of the redemption period.

Note 9: Issued capital

(a) Issued and Paid Up Capital

	2019 Number	2019 $	2018 Number	2018 $
Fully paid ordinary shares	**130,500,000**	**2,872,738**	130,500,000	2,872,738
(b) Movements in fully paid shares on issue				
Opening Balance	-	-	-	-
Founder shares issued at $1.00 per share	-	-	300	300
Initial shares issued at $0.0001 per share	-	-	99,999,700	10,000
Seed capital issued at $0.10 per share	-	-	30,500,000	3,050,008
Capital raising costs	-	-	-	(187,570)
Closing Balance	**130,500,000**	**2,872,738**	130,500,000	2,872,738

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

Note 10: 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	07/06/2019	13/06/2023	0.45	0.00076
(2) Issued at 7 June 2019	9,750,000	07/06/2019	13/06/2023	0.45	0.00076
(3) Issued at 19 June 2019	1,000,000	19/06/2019	13/06/2023	0.45	0.00076

(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.

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

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

	Series 1	Series 2	Series 3
Grant date share price	$0.023	$0.023	$0.023
Exercise price	$0.45	$0.45	$0.45
Expected volatility	70.00%	70.00%	70.00%
Option life	4 years	4 years	4 years
Dividend yield	0.00%	0.00%	0.00%
Interest rate	1.08%	1.08%	1.08%

Note 10: Share based Payments (continued)

The following reconciles the outstanding share options granted in the year ended 30 June 2019:

	2019 No. of Options	2019 Weighted average exercise price $	2018 No. of Options	2018 Weighted average exercise price $
Balance at the beginning of the year	-	-	-	-
Granted during the year	12,250,000	0.45	-	-
Exercised during the year	-	-	-	-
Expired during the year (i)	-	-	-	-
Balance at the end of the year	**12,250,000**	**0.45**	**-**	**-**
Un-exercisable at the end of the year	6,500,000	0.45	-	-
Exercisable at end of the year	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 11: Reserves

	2019 $	2018 $
Convertible notes reserve (1)	369,334	-
Share based payments reserve (2)	4,735	-
	374,069	**-**

(1) The Convertible notes reserve represents the equity component (conversion rights) of the Convertible Notes issued during the year (see note 8).

(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 10.

Note 12: Reconciliation of the loss from ordinary activities after income tax to the net cash flows used in operating activities:

	2019 $	2018 $
Loss for the year/period	**(2,682,928)**	(64,340)
Share based payments expense	4,735	-
Depreciation	94,846	-
Changes in assets and liabilities:		
(Increase) in trade and other receivables	(32,194)	(19,335)
Increase/(decrease) in trade and other payables	(19,340)	104,491
Increase in provisions	41,659	-
Net cash flows used in operating activities	**(2,593,222)**	(20,816)

Non-cash financing and investing activities

The Company did not engage in any non-cash financing and investing activities during the year (2018: nil).

Note 13: Events after reporting date

On 10 July 2019, the Company issued 3,500,000 options to 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 Zelda Therapeutics Limited where licence fees are payable in exchange for patient data from Emerald Clinics.

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 patient data from Emerald Clinics.

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

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

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

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 Company, the results of those operations, or the state of affairs of the Company in future financial periods.

Note 14: Company details

The registered office of the Company is:
Emerald Clinics Limited
Level 1, 50 Angove Street
North Perth WA 6006

Note 15: Remuneration of Auditors

Auditor fees incurred during the financial year are as follows:

	2019 $	2018 $
Audit services – Stantons International	15,000	7,500
	15,000	7,500

Note 16: Related party transaction

Key Management Personnel Compensation

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

	2019 $	2018 $
Short term employee benefits	799,773	18,500
Post-employment benefits	44,412	-
Non-monetary benefits	24,516	-
Share based payment	4,735	-
	873,436	18,500

During the financial year ended 30 June 2019, SLR Consulting Pty Ltd (of which Mr Simon Robertson is a related party), was paid consulting fees of $32,275. Also during the year ended 30 June 2019, Biologica Ventures Pty Ltd of which Dr Stewart Washer is a related party), was paid consulting fees of $300,000.

There have been no other transactions for the year ended 30 June 2019 to related parties.

Note 17: Commitments and contingencies

At reporting date, the Company had the following operating lease commitments:

	2019 $	2018 $
Not later than one year	133,667	-
After one year but less than two years	157,212	-
After two years but less than five years	471,636	-
After five years*	157,212	-
	919,727	**-**

At reporting date, there are no contingent liabilities.

Note 18: Financial Risk Management

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

Emerald's board of directors (Board) performs the duties of a risk management committee in identifying and evaluating sources of financial and other risks. The Board provides written principles for overall risk management which balance the potential adverse effects of financial risks on Emerald'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.

Note 18: Financial Risk Management (continued)

The Company holds the following financial instruments:

	2019 $	2018 $
Financial assets		
Cash and cash equivalents	2,658,814	3,039,492
Trade and other receivables	59,883	19,335
Restricted cash	56,258	-
	2,774,955	3,058,827
Financial liabilities		
Trade and other payables at amortised cost	231,089	250,429
Convertible Notes	2,752,621	-
	2,983,710	250,429

(a) Credit risk

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 2019, all cash and cash equivalents were held with National Australia Bank with an A (Standard and Poor's) credit rating.

(b) 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 Company 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 Company has sufficient working capital. The Company manages liquidity risk by continuously monitoring forecast and actual cash flows.

Contractual maturities of financial liabilities

As at the reporting date the Company had total financial liabilities of $2,983,710 comprised of non-interest-bearing trade creditors and accruals with a maturity of less than 6 months and convertible notes with a redemption period of 24 months.

(c) Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the potential return to shareholders.

Note 19: Fair value measurement

Fair value hierarchy

The following table details the Company'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.

Note 19: Fair value measurement (continued)

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

	Level 1 $	Level 2 $	Level 3 $	Total $
2019				
Liabilities				
Convertible Notes	-	-	2,752,621	2,752,621
Total Liabilities	***-***	***-***	***2,752,621***	***2,752,621***
2018				
Liabilities	-	-	-	-
Convertible Notes	-	-	-	-
Total Liabilities	-	-	-	-

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 (2018: none).

DIRECTORS' DECLARATION

In the Directors' opinion:

a) the financial statements and notes set out on pages 8 to 28, and are in accordance with the *Corporations Act 2001,* including:

i. giving a true and fair view of the Company's financial position as at 30 June 2019 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 Company 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 2019.

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



Dr Stewart Washer
Chairman
Dated 30 October 2019

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Emerald Clinics Limited ("the Company"), which comprises the statement of financial position as at 30 June 2019, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's financial position as at 30 June 2019 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 Company 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.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2019 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 Company 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 Company or to cease operations, or has no realistic alternative but to do so.

The directors are responsible for overseeing the Company's financial reporting process.

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.

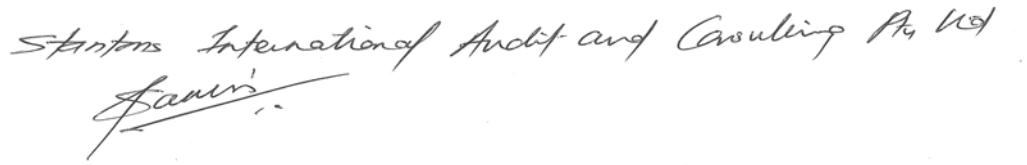
We conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If 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 Company 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 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.

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



Samir Tirodkar
Director
West Perth, Western Australia
30 October 2019