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**MICROBA**<sup>TM</sup>

# Annual Report

Financial Report for the year ended 30 June 2023

Microba Life Sciences Limited  
and controlled entities

# Corporate Directory

**MICROBA™**

<b>Directors</b>	Pasquale Rombola Ian Frazer Gene Tyson Richard Bund Hyungtae Kim Jacqueline Fernley
<b>Key management personnel</b>	Luke Reid (Chief Executive Officer) James Heath (Chief Financial Officer)
<b>Company secretaries</b>	James Heath Peter Webse
<b>Registered office and principal place of business</b>	Microba Life Sciences Limited Level 10 324 Queen Street Brisbane QLD Australia
<b>Share register</b>	Automic Pty Ltd Level 35 477 Collins Street Melbourne VIC Australia
<b>Auditor</b>	Pitcher Partners Level 38 345 Queen Street Brisbane QLD Australia
<b>Solicitors</b>	Thomson Geer Level 28 1 Eagle Street Brisbane QLD Australia
<b>Stock exchange listing</b>	Microba Life Sciences Limited shares are listed on the Australian Securities Exchange (ASX code: MAP)
<b>Website</b>	<a href="http://www.microba.com">www.microba.com</a>
<b>Corporate Governance Statement</b>	The Company's corporate governance statement is located at the Company's website: <a href="http://ir.microba.com/corporate-governance/">ir.microba.com/corporate-governance/</a>

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**MICROBA™**

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# Performance Highlights

**MICROBA™**

**\$5.42m**

 SONIC  
HEALTHCARE



**SYNLAB** 

**MetaPanel™**  
Powered by MICROBA

**MetaXplore™**  
Powered by MICROBA

 GINKGO  
BIOWORKS

**IFF**

**\$32.04m**

## Continuing year-on-year growth

- FY23 revenue of \$5.42m delivering 15.6% growth on the prior financial year with Personal Testing up 23.4% to \$3.07m and Research Testing up 6.7% to \$2.34m
- Cash receipts totalling \$6.36m, representing 37.5% growth on the prior year

## Major new strategic partnership

- Sonic Healthcare (ASX: SHL), a globally trusted leader in medical diagnostics, acquired a 19.99% stake in Microba and entered into a global commercial partnership spanning 7 major regions

## Transition to a clinical stage drug development company

- Phase I trial commenced for lead drug candidate MAP 315 under the Company's Inflammatory Bowel Disease Program, formally transitioning the Company to a clinical stage drug development company

## Other strategic milestones delivered

- Major amendment to the master agreement executed with SYNLAB to enable distribution expansion, which translated into signing an additional 9 countries across Europe and Latin America
- First agreement executed with Sonic Healthcare to deliver Microba's advanced infectious disease testing technology MetaPanel™ into Australia
- Next generation healthcare test, MetaXplore™ launched in Australia with strong uptake
- Significant international distribution growth with operational countries up from 4 to 13
- Positive first animal model data generated under the Company's Immuno-Oncology Program
- Positive first *in vitro* results generated under the Company's Autoimmune Disease Program

## Additional achievements

- Second data package delivered in research partnership with International Flavors & Fragrances Inc. (NYSE: IFF) delivering therapeutic leads for food allergy and atopic dermatitis
- Over 120 research projects delivered with customers across the globe

## Company is well funded to support revenue growth and therapeutic program advancement

- Sonic Healthcare (ASX: SHL) strategic placement raised \$17.8m in new capital in Nov 22
- \$32.04 million in cash or equivalents at 30 June 2023
- Two new R&D Tax Incentive Overseas Advanced Findings received, which may result in an additional \$526k in cash rebates

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Chair,  
Deputy Chair  
& CEO Letter

# Message from the Chair, Deputy Chair & CEO

**MICROBA™**

Dear Shareholders,

We hold steadfast to our vision that the human gut microbiome represents one of the biggest untapped opportunities to improve human health, and that microbiome testing and therapeutics will be a routine part of healthcare in the future.

Following our vision, our strategy is to continue to build a global position in microbiome testing and therapeutic development by leveraging Microba's world-leading technologies.

Our global technology leadership continues to attract prominent partners from across the globe. This year, we were delighted to enter into a partnership with global medical diagnostics leader Sonic Healthcare (ASX: SHL), who has become a substantial shareholder in Microba Life Sciences. The partnership aligns the intent of both companies to bring microbiome testing and therapeutics into the hands of clinicians and patients across the globe, and further validates the opportunity ahead for our global testing business.

The Company recognises a growing demand for microbiome health solutions across global markets and continued growth in the number of clinicians seeking to employ microbiome testing into clinical practice. Servicing this demand from healthcare professionals, in February 2023, we launched the most comprehensive gastrointestinal testing solution available to healthcare professionals, MetaXplore™. Further, we announced the upcoming launch of Microba's advanced infectious disease test, MetaPanel™, set to launch Australia-wide through the Sonic Healthcare Australia Pathology network. Following this domestic launch, we intend to take this technology into major international markets including the United States.

Overall, the Company's testing services closed out the year in a robust position with a strong growth trajectory, expanding operations to 13 countries, and a major new partnership with global medical diagnostics leader Sonic Healthcare.

Research continues to confirm that the microbiome plays a role in a wide range of chronic diseases including cancer, diabetes, and inflammatory conditions. There is increasing attention on the microbiome drug development sector following the FDA approval of Rebyota from Ferring Pharmaceuticals in November 2022, the first ever FDA approved faecal microbiota product coupled with the FDA approval of Vowst, the first oral microbiome therapeutic for Seres Therapeutics (NASDAQ: MRCB) which occurred in April 2023. To date, 10 of the top 20 major pharmaceutical companies have invested in microbiome drug development programs with continued investment in the field over the year.

Commencement of the Phase I clinical trial for Microba's Inflammatory Bowel Disease program with lead candidate MAP 315 has now matured Microba into a clinical stage drug development company. This significant milestone is the result of many years of work and demonstrates the drug development capability that has been established at Microba. The Company has used this capability to progress novel microbiome drug candidates from discovery, guided by the Company's data-driven platform, all the way through to an orally delivered drug product dosed in a first-in-human clinical trial.

In addition, promising preclinical data was generated for both Microba's Immuno-Oncology and Autoimmune Disease programs, providing further validation of Microba's unique ability to discover therapeutically active biology from the human microbiome through the Company's data-driven Therapeutics Platform. Microba continues to engage with global pharmaceutical and biotechnology

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# Message from the Chair, Deputy Chair & CEO

**MICROBA™**

companies and our strategy remains to partner our therapeutic assets at the appropriate time to maximise value for shareholders.

With the progress made in FY23, the Company is expecting a strong year of growth in FY24 through the revenue generated from Microba's testing services and advancement of the Company's therapeutic programs and assets.

On behalf of the Board of Directors and all stakeholders at Microba, we would like to say thank you for your continuing support. We are proud of the impact Microba is delivering today and are excited about the future impact that Microba's work can have on individuals suffering from chronic diseases.

Our thanks also extend to all the Microba team, our scientists, collaborators, and partners around the globe.



PRJ

**Mr. Pasquale Rombola**  
CHAIR



l. Frazer

**Prof. Ian Frazer (AC)**  
DEPUTY CHAIR



LR

**Dr. Luke Reid**  
CHIEF EXECUTIVE OFFICER

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## Financial Review

# Financial Review

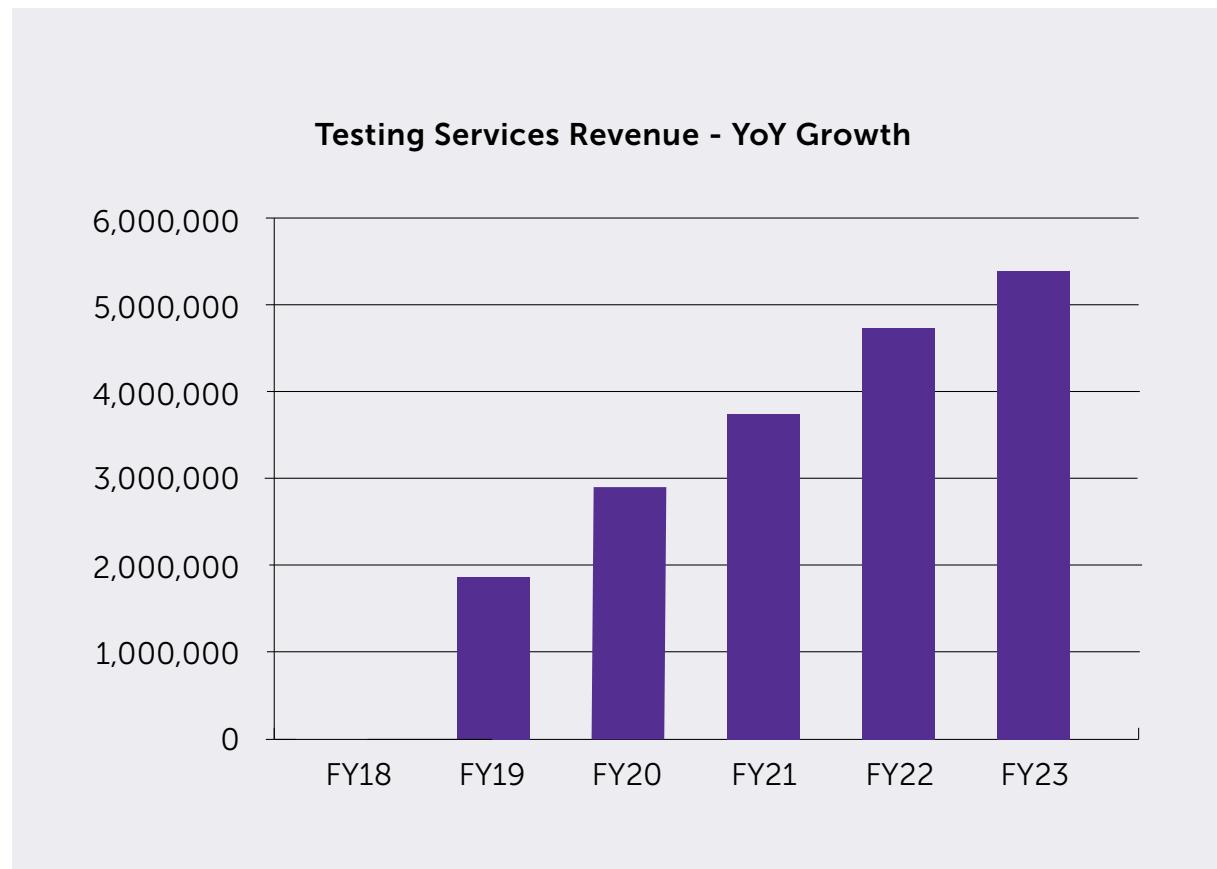
Revenue for the financial year totalled \$5.42m, representing 15.6% growth on the prior financial year. Cash receipts from customers for the full financial year totalled \$6.36m. The financial year's revenue growth was again weighted to the second half, and we anticipate this growth trend to continue into FY24.

Revenue from Testing Services continued its year-on-year growth driven predominantly by Personal Testing up 23.4% to \$3.07m with additional contribution from Research Testing up 6.7% to 2.34m. The Group maintained a healthy gross margin in excess of 49%.

Microba continues to invest in its therapeutic programs and global expansion. This included \$11,531,191 of investment in research & development activities principally related to the

Company's therapeutic development programs. Microba reported a loss for the year ended 30 June 2023 of \$12,680,212 compared with a loss of \$11,470,429 in FY22.

As at 30 June 2023, Microba has 32.04m (30 June 2022: \$30.58 million) in cash or equivalents with minimal debt. This puts the Company in a strong position to execute its growth strategy and support the advancement of the Company's therapeutic programs.



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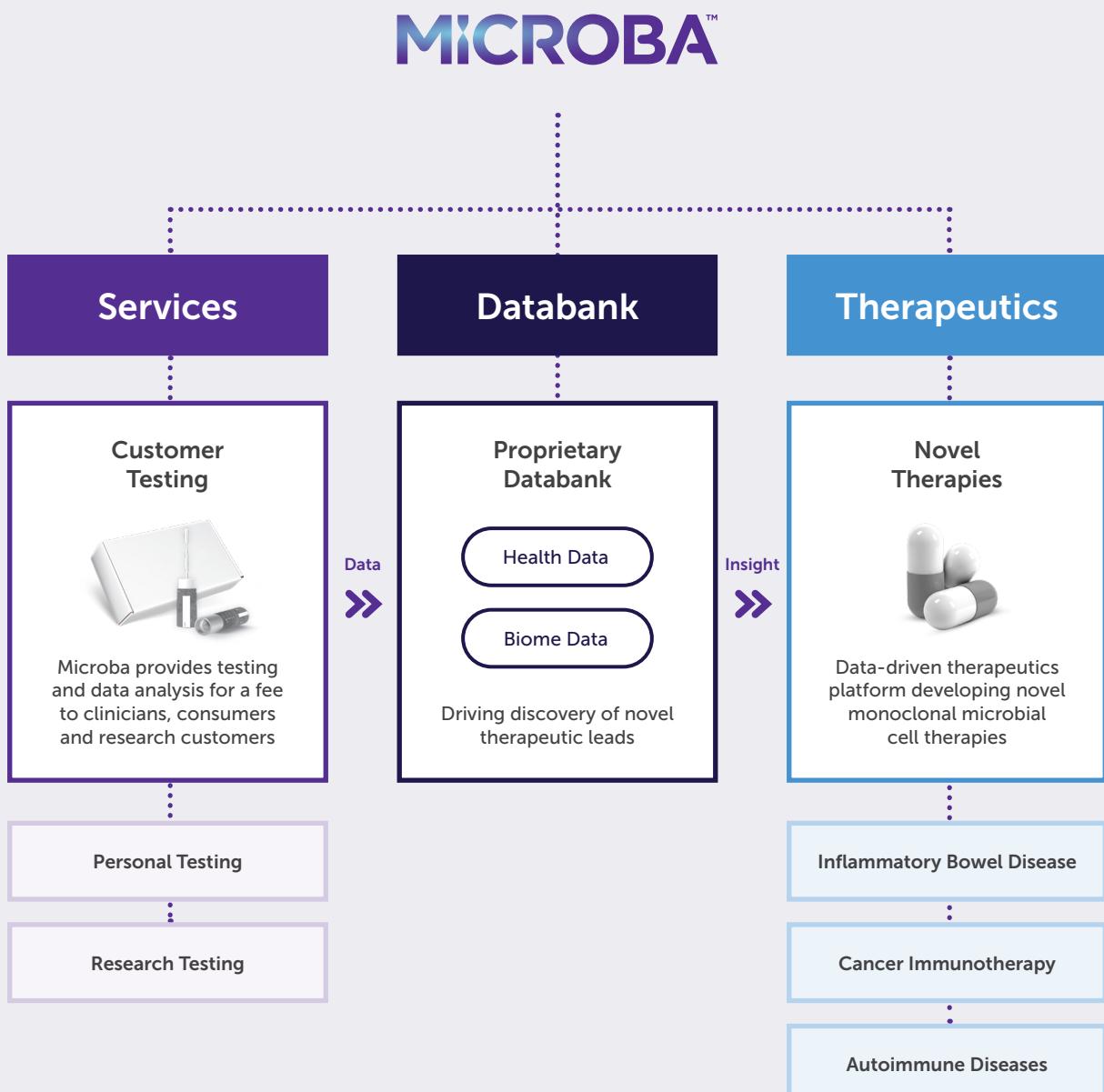
## Review of Operations & Activities

# Review of Operations & Activities

**MICROBA™**

## Microba's commercial model

Two core business segments driven by a proprietary databank.



# Review of Operations & Activities SERVICES

**MICROBA™**

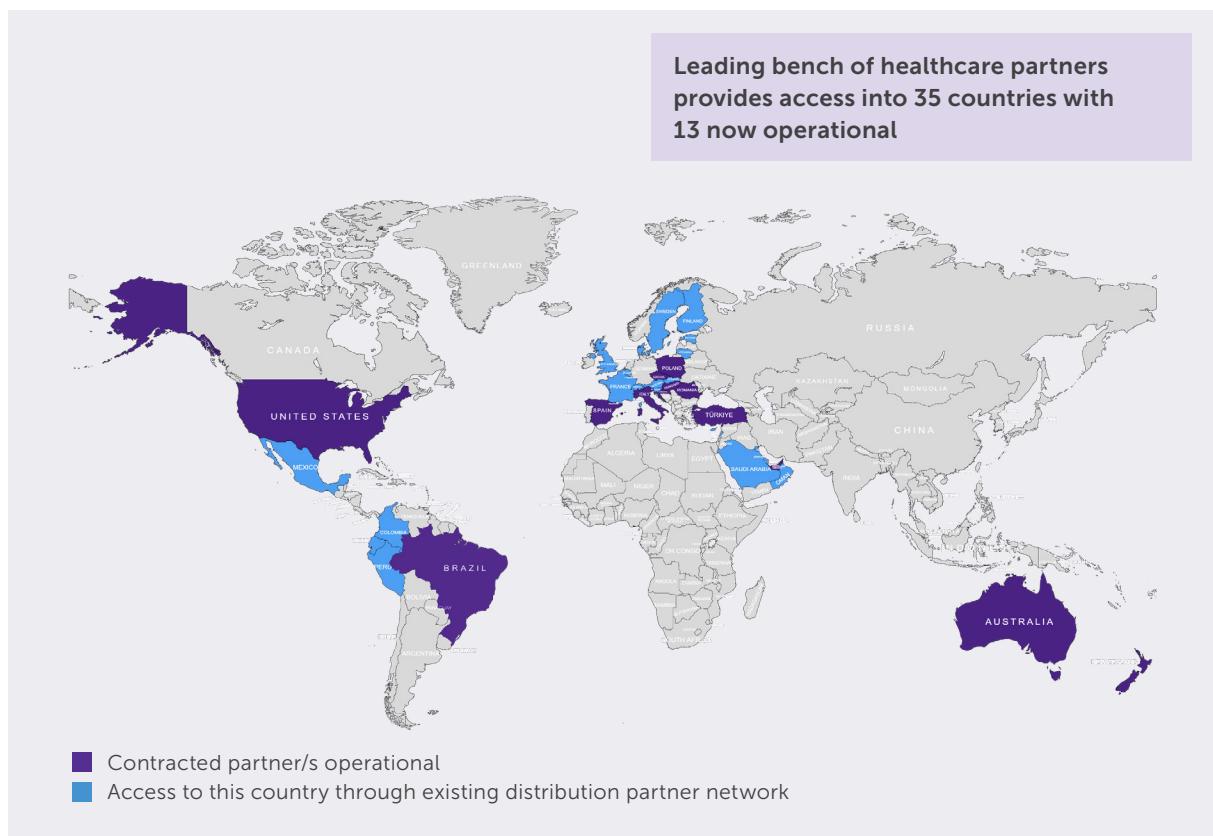
## Personal Testing

Delivering advanced microbiome testing solutions to consumers and clinicians through an expanding network of global, market leading, distribution partners.

### Major new partnership with Sonic Healthcare

In November 2022, Microba entered into a strategic partnership with Sonic Healthcare (ASX: SHL), a globally trusted leader in medical diagnostics which globally employs more than 41,000 people and generated revenue of \$9.3b in FY22. This partnership deeply aligned the interests of both companies to bring microbiome testing and therapeutics into the hands of clinicians and patients globally to improve standard of care. Firstly, Sonic invested \$17.8m to acquire a 19.99% shareholding in Microba. With shareholder approval, Sonic also acquired options for an additional 5% equity position.

Further, Microba and Sonic entered into initial terms of an agreement to enable Sonic and its subsidiaries to distribute Microba's microbiome testing products to its customers, across Australia, New Zealand, Germany, United Kingdom, Belgium, Switzerland and the United States. This provided another significant external validation point for the promise of Microba's testing services, and sets the basis for further expansion in global distribution for Microba's leading microbiome testing technology.



# Review of Operations & Activities SERVICES

**MICROBA™**

**New healthcare products opening up large addressable patient populations.**

**MetaXplore™**

Powered by **MICROBA**

**Gastrointestinal disorders**

## **MetaXplore™ – Advancing the management of chronic gastrointestinal disorders**

Microba launched the new MetaXplore™ test range in Feb 2023 which provides the most comprehensive gastrointestinal testing solution available to Healthcare Professionals combining diagnostic gastrointestinal health tests with metagenomic-driven gut microbiome analysis.

The MetaXplore™ test range was developed together with healthcare professionals and is expected to represent a large addressable market for Microba with >30% of the population suffering from a disorder of gut-brain interaction (DGBI) related to the bowel<sup>1</sup>, and >20% of the population estimated to suffer from a chronic health issue which may be influenced by their gut microbiome<sup>2</sup>. It is estimated that the addressable patient population for this testing is over 150 million<sup>3</sup> patients and the response from the market has been strong with over 600 healthcare professionals already registered to refer the testing to their patients. The MetaXplore™ test range is being delivered in Australia through a new healthcare professional brand called Co-Biome™. In FY24, the product is expected to start rolling out through Microba's growing international healthcare distribution partner network.

**MetaPanel™**

Powered by **MICROBA**

**Gastrointestinal infection**

## **MetaPanel™ – Advancing gastrointestinal infectious disease pathology**

The first distribution agreement with Sonic Healthcare was signed in July 2023 to deliver Microba's advanced infectious disease testing technology MetaPanel™ Australia-wide through the Sonic Healthcare Australia Pathology network. The test employs Microba's metagenomics technology to diagnose infectious pathogens such as bacteria, fungi, parasites and viruses together with assessment of virulence factors and antimicrobial resistance (AMR) genes to support precise treatment decisions. The test helps clinicians to avoid multiple, low-coverage, and sequential diagnostic tests that can impact treatment outcomes for vulnerable patients. The MetaPanel™ technology seeks to create a new standard of care for gastrointestinal infectious disease pathology. Microba has worked intimately with clinical microbiologists and infectious disease experts to design the target list and support clinical validation, including the Sonic Healthcare Douglass Hanly Moir team – one of the most highly respected and high-quality pathology service teams in Australia, alongside leading clinician Professor Paul Griffin, Director of Infectious Diseases at the Mater Hospital Brisbane.

It is expected that this test could represent a significant commercial opportunity for the Company with an estimated initial target market of over 16 million patients<sup>4</sup> globally which are high-risk and susceptible to gastrointestinal infection, and receive routine testing for pathogens in a hospital setting. Further information will be shared on this product and the commercial opportunity aligned to the launch of this product which is expected to occur in Q2 FY24.

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# Review of Operations & Activities SERVICES

**MICROBA™**

## Advancement in international distribution

Microba continued to expand access to its testing technology through the Company's global partnership model. This Software as a Service (SaaS) type model enables leading partners with deep channels into market to launch an advanced microbiome testing solution powered by Microba's technology.

Early in FY23, the Company guided that it planned to double the country distribution base from 4 to 8 countries. At the close of the financial year, Microba significantly exceeded its plan with 14 countries contracted and 13 of those countries operational, with first sales delivered.

Together, Sonic Healthcare, SYNLAB, Genova Diagnostics and G42 Healthcare provide Microba with strong access into major global healthcare markets.



With access to 35 countries through this network and active operations now in 13, the Company has an excellent foundation for growth. The team is executing diligently to progressively move partners through Microba's partner success program to contract, operationalise, activate sales and marketing, and support the growth of these partners to provide Microba-powered testing to their customers. The table below summarises the stage of Microba's distribution partners at the end of FY23.

Stage	Countries & Partners
Planning & Contracting	21 countries (Including Sonic Healthcare companies)
Operationalisation	United States (LUM), Brazil (SYAB), Australia (SHL)
Sales & Marketing Activation	Australia (MH), United Arab Emirates (G42), Portugal (SYAB), Czech Republic (SYAB), Türkiye (SYAB), Poland (SYAB), Croatia (SYAB), Hungary (SYAB), United States (GEN)
Execution & Growth	Australia (MAP), Australia (MG), New Zealand (MG), Spain (SYAB), Italy (SYAB), Romania (SYAB)

SHL = Sonic Healthcare

SYAB = SYNLAB affiliate organisation

G42 = G42 Healthcare

GEN = Genova

LUM = Luminary Health Centers

MH = Midnight Health

MG = Metagenics

MAP = Microba

# Review of Operations & Activities SERVICES

**MICROBA™**

## Research Testing

Microba's Research Services continues to grow, supporting researchers and corporates globally to generate high-quality data to make new, robust microbiome discoveries.

Driving strategic partnerships and revenue growth			
<b>390</b> Global research project contracts to date	<b>75</b> Organisations served	<b>&gt;180,000</b> Gb of data delivered to clients	<b>9</b> Countries

### Advancing global research through another record year of project deliveries

With Microba's world-leading technologies and expertise, the Company continues to work with leading universities and research institutes, as well as biotechnology, pharmaceutical and food companies.

Microba delivered over 120 research projects across FY23 and is extremely proud of the impact it is making through working with a diverse array of customers and partners to advance the global knowledge base using Microba's precision tools.

Supporting the delivery of these services, during the year, a strategic partnership was signed with BioAgilytix, a leading provider of global bioanalytical laboratory services. The new partnership leverages BioAgilytix's advanced bioanalytical laboratory solutions including assay development, validation and sample analysis alongside Microba's world-leading technology and bioinformatic solutions for measuring the

microbiome to support clients with world-leading microbiome research testing services through the drug development process.

During the year, a second data package was delivered in a joint discovery project with International Flavors & Fragrances Inc. ("IFF") (NYSE: IFF) which seeks to identify novel allergy treatments leveraging Microba's proprietary databank. The new data package identified multiple microbial therapeutic leads for food allergy and atopic dermatitis. This builds on the first data package delivered in June 2022 for asthma and allergic rhinitis, marking a step towards a potential longer-term commercial relationship between the parties to develop novel allergy treatments.

These research client projects not only continue to generate strong revenue but also grow Microba's international reputation and leadership position in the field.

# Review of Operations & Activities

## THERAPEUTICS

**MICROBA™**

Using the Company's human first data-driven Therapeutics Platform, significant progress was made across Microba's therapeutic programs.

Inflammatory Bowel Disease	Cancer Immunotherapy	Autoimmune Diseases
<p><b>Phase I in process</b></p>  <p><b>Recently completed</b></p> <ul style="list-style-type: none"><li>✓ Phase I HREC approval</li><li>✓ cGMP manufacturing complete</li><li>✓ Phase I trial commenced</li></ul> <p><b>Upcoming milestones</b></p> <ul style="list-style-type: none"><li>• Phase I participant dosing complete</li><li>• Phase I complete</li></ul> <p>  </p>	<p><b>Preclinical</b></p>  <p><b>Recently completed</b></p> <ul style="list-style-type: none"><li>✓ Leads discovered</li><li>✓ Leads isolated</li><li>✓ First animal model results</li></ul> <p><b>Upcoming milestones</b></p> <ul style="list-style-type: none"><li>• Immunological pre-clinical results</li><li>• Lead candidate selection</li></ul> <p> Garvan Institute of Medical Research  Omico.</p>	<p><b>Screening</b></p>  <p><b>Recently completed</b></p> <ul style="list-style-type: none"><li>✓ Program commenced</li><li>✓ Strains provided to Ginkgo</li><li>✓ First <i>in vitro</i> screening results</li></ul> <p><b>Upcoming milestones</b></p> <ul style="list-style-type: none"><li>• Stage 1 activity screening complete</li><li>• Stage 2 activity screening complete</li></ul> <p> GINKGO BIOWORKS™ THE ORGANISM COMPANY</p>

### Inflammatory Bowel Disease Program – Phase I commenced and progressing on schedule

Through FY23, all pre-clinical activities were completed, and GMP manufacturing executed to produce an orally delivered drug product, and in June 2023 the Phase I clinical trial of lead candidate MAP 315 commenced with first patients dosed. This milestone was the culmination of many years of therapeutic progress, and formally transitioned Microba into a clinical stage drug development company.

The Phase I trial is a randomised, double-blind, placebo-controlled study to evaluate the safety, tolerability and pharmacokinetics of MAP 315 in healthy adults. The trial involves 32 healthy participants and is being conducted by Nucleus Network, utilising their world-class clinical trial

facilities in Melbourne, with results expected to be delivered in December 2023.

MAP 315 is being developed for the treatment of Ulcerative Colitis (UC), a debilitating form of Inflammatory Bowel Disease (IBD). IBD is a term for conditions that cause prolonged inflammation of the digestive tract and now affects more than 7 million people globally, with this number increasing each year<sup>5</sup>. UC is one of the two major forms of IBD which results in inflammation and ulcers (sores) in the digestive tract, causing a debilitating chronic condition. Patients are currently treated with anti-inflammatory and immunomodulatory medication to dampen the disease and control symptoms, often with significant side effects. These available treatment options commonly fail, with more than 50% of

# Review of Operations & Activities

## THERAPEUTICS

**MICROBA™**

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patients unable to achieve sustained remission<sup>6</sup>, which sees them experiencing regular episodes of inflammation, diarrhoea, bleeding and abdominal pain<sup>7</sup>. As many as 25% of patients require hospitalisation<sup>8</sup>.

Microba's novel drug candidate MAP 315 was originally identified using the Company's data-driven Therapeutic Platform, demonstrating that this previously unidentified novel bacterial species are commonly observed in healthy individuals but consistently deficient in individuals with IBD, and in particular UC. Subsequent pre-clinical investigation of MAP 315 through both *in vitro* and *in vivo* models demonstrated that MAP 315 promotes epithelial restitution and mucosal healing – biological activities that are associated with disease remission but not adequately addressed through existing therapy. MAP 315 provides a compelling commercial opportunity to fill a key gap in the current standard of care for UC treatment and represents a potential novel treatment paradigm for patients living with this debilitating disease.

The Global Market for UC treatment was valued at US\$7.5b in 2020 and is forecast to grow to US\$10.8b by 2030<sup>9</sup>.

### **Immuno-Oncology Program – Positive first animal results**

During FY23, Microba progressed leads discovered from Microba's data-driven platform, all the way through to completing its first animal studies which produced positive results.

This first animal model study was designed to assess Microba's therapeutic leads in a refractory mouse model of melanoma, one of the most common forms of cancer with a large number of annual deaths. The results demonstrated a significant reduction in tumour volume for mice treated with an Immune Checkpoint Inhibitor (ICI) together with Microba's therapeutic leads,

when compared to control mice that received ICI therapy alone. These first results supported an accelerated program of work which progressed multiple immunological experiments, including animal model studies with results expected to be delivered across FY24.

This program is targeting the development of a therapeutic to improve response rates in cancer patients receiving ICI therapy. While there have been considerable advances in the treatment options for cancer patients improvement of overall response rates and survival remain meaningful areas of opportunity. Furthermore, ICIs are used in a range of cancers including melanoma, lung, head and neck, breast, colon, cervical, and other types of cancer.

There is an increasing body of literature supporting a key role for the microbiome in cancer<sup>10</sup>. Cancer immunotherapy, and more specifically ICIs have become standard of care for a range of tumour types. However, despite their impact on cancer treatment, up to 70% of patients do not respond to these drugs<sup>11,12</sup> leaving a large, underserved patient population. Differences in the microbiomes of responders and non-responders to ICI treatment have been observed in international studies, and treatment of the microbiome using fecal microbiome transplants has demonstrated the ability to turn ICI non-responders into responders<sup>13,14</sup>. This presents an important opportunity for Microba to leverage its proprietary Therapeutics Platform to identify the key components of the microbiome which drive that effect and develop an effective adjuvant therapy to improve ICI response.

Global ICI sales continue to grow, with Merck announcing sales of the market-leading drug Keytruda of US\$20.9b for calendar year 2022<sup>15</sup> and the overall ICI market being valued at over US\$30b with a >15% CAGR<sup>16</sup>. A microbiome-based adjuvant therapy that increases response to these drugs has

# Review of Operations & Activities

## THERAPEUTICS

**MICROBA™**

the potential to become standard of care across a range of cancers, and represents a substantial commercial opportunity for Microba.

### **Autoimmune Disease Program – Positive first *in vitro* results**

Together with program partner and strategic shareholder Ginkgo Bioworks (NYSE: DNA), first results across multiple *in vitro* assays were delivered identifying leads with anti-inflammatory activity, effects on gene transcription associated with immune modulation, and other biological mechanisms of relevance to autoimmune and other chronic diseases.

This 2-year program is tracking positively to deliver a deeply characterised biobank containing therapeutic leads for multiple autoimmune diseases which represents a substantial commercial opportunity for Microba. The combination of Microba's unique ability to identify and isolate human gut bacteria associated with health together with the high-throughput microbial screening capabilities of Ginkgo has created a powerful drug discovery workflow, highlighted by this positive early *in vitro* activity data.

Microba's Autoimmune Disease program was established in partnership with Ginkgo Bioworks (NYSE: DNA) in FY22 following their strategic shareholding and embodies a 2-year discovery program principally targeting three autoimmune disorders (lupus, psoriatic arthritis and autoimmune liver diseases). Autoimmune diseases are a family of more than 80 chronic and often life-threatening illnesses, which occur when the body's own immune system attacks the body's healthy cells, tissues and organs. Autoimmune conditions now impact around 5% of the population and their prevalence is rising<sup>17</sup>. In recent years, several studies have highlighted the role of the microbiome in the pathogenesis of autoimmune diseases<sup>18</sup>.

The global market for autoimmune disease treatments was estimated to be US\$53.2b in 2019 and forecast to grow to US\$90.7b by 2024<sup>19</sup>. This program has the potential to generate multiple therapeutic assets for major unmet needs in the management of autoimmune diseases.

### **Biobank**

Together with the Queensland University of Technology (QUT), in June 2023 Microba was awarded a \$2.92m grant to enable development of the Australian Human Microbiome Biobank (AHMB). The collaborative program seeks to isolate and characterise thousands of new species from the human microbiome to establish a world-leading human microbiome biobank.

The human microbiome represents a rich biological resource, but our ability to isolate, grow and characterise most microorganisms in the laboratory remains challenging. In the Medical Research Future Fund (MRFF) funded program, QUT, in collaboration with Microba will overcome this obstacle by building Australia's first atmosphere-controlled, high-throughput cultivation platform, which integrates novel methods in spectral flow cytometry and metagenomics. This innovative approach will be applied to a diverse range of microbial communities throughout the human body, including the gut, skin, vaginal and oral microbiome, resulting in the world's most comprehensive biobank of its kind.

The AHMB will be a globally unique asset and has the potential to enable numerous therapeutic programs and partnerships, including the Company's current therapeutic programs in Inflammatory Bowel Disease, Immuno-Oncology and Autoimmune Diseases.

# Review of Operations & Activities

## MATERIAL BUSINESS RISKS

**MICROBA™**

The Company actively manages a range of risks and uncertainties with the potential to have a material impact on the Company and its ability to achieve its strategic and business objectives.

A number of material risks specific to the operations and objectives of the Company have been identified below, each of which is subject to active and ongoing risk management across the Group. The identified risks are common and prevalent to companies across the healthcare, pathology, and drug development sectors.

It is important to note that the table below is not an exhaustive list of business risks; instead, it provides a condensed overview of the key material business risks that face the Company at present, additional risks may emerge as the Company continues to advance its testing and therapeutics businesses.

Risk	Description of risk
<b>Regulatory and compliance risk</b>	Microba operates in the highly regulated healthcare, diagnostics and clinical trial environments and works with expert advisors related to these activities. Changes in laws, regulations, or industry standards related to healthcare, clinical trials, patient privacy, data protection, and medical testing could impact our operations. Non-compliance with these regulations could result in legal liabilities, fines, reputational damage, and delays in product development.
<b>Competition</b>	The microbiome industry is rapidly evolving, attracting competitors globally. Intensified competition can lead to pressure on pricing, margins, and market share, which reinforces the need to maintain Microba's leading technological position and to continually invest in innovation. Further, there are other companies seeking to develop microbiome-based therapeutics directed to similar indications that are being targeted by the Company.
<b>Clinical trial delays and failures</b>	Developing new drug products can be complex and uncertain. Clinical trials involve inherent risks, including delays due to patient recruitment, lack of efficacy, safety concerns, regulatory hold-ups, and unforeseen adverse effects. The failure of clinical trials to meet endpoints or obtain regulatory approval could lead to extended project timelines, requirement of increased levels of capital or cessation of programs.
<b>Intellectual Property Protection</b>	Microba relies on the ongoing protection of the Company's proprietary technologies, patents, and trade secrets and actively engages with expert intellectual property lawyers to manage this. The international granting of patent claims, risk of intellectual property infringement or challenges from competitors could impact our ability to protect our innovations and maintain a competitive advantage.

# Review of Operations & Activities

## MATERIAL BUSINESS RISKS

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Risk	Description of risk
<b>Ability to raise additional capital</b>	Clinical trial research is capital-intensive, and access to external funding may be essential for our continued operations and development of the Company's therapeutic assets. The Company's ability to raise capital is influenced by prevailing market conditions. Unfavourable market conditions, such as economic downturns or heightened market volatility, could impact investor sentiment and may make capital raising more challenging.
<b>Cybersecurity</b>	Microba products and services all have digital components and as such our business must confront the risks of a cybersecurity breach. As we continuously advance the Company, new threats can and will emerge, necessitating a robust information and IT security framework.
<b>Supply chain disruptions</b>	Microba's operations rely on a consistent supply of laboratory equipment, consumables, reagents, and other materials. Supply chain disruptions due to factors like global events or regulatory issues can lead to delays and increased costs.
<b>Dependency on key personnel</b>	Microba's success is tied to the expertise and experience of our founders, key scientific and management personnel. The loss of key individuals could disrupt our operations, hinder product development & innovation, and impact our business strategy.
<b>Market acceptance and adoption</b>	The adoption of new healthcare testing methods and products may be slower than anticipated due to factors such as healthcare practitioner reluctance, patient preferences, or limited reimbursement coverage. Delays in market acceptance could impact our revenue projections and growth potential.
<b>Distribution partners</b>	Microba's global expansion strategy includes partnering with global healthcare providers to distribute Microba's products and services in selected territories. Distribution partners are generally responsible for marketing, sales, operations, regulatory and legal considerations surrounding the distribution of the products and services in their defined territories. Distribution partners are separate entities to Microba, and this strategy inherently involves risk that our partners will not meet the commercial and performance objectives or the aforementioned responsibilities of the distribution partnership. The success or failure of these distribution partnerships may have a direct impact on Microba's future financial performance.

## References

<sup>1</sup> Sperber, Ami D., et al. (2021): 99-114. DOI: [10.1053/j.gastro.2020.04.014](https://doi.org/10.1053/j.gastro.2020.04.014).

<sup>2</sup> Estimated based on current literature on the understanding of the role of the microbiome in chronic disease (Vijay, Amrita, and Ana M. Valdes. (2022): 489-501. DOI: [10.1038/s41430-021-00991-6](https://doi.org/10.1038/s41430-021-00991-6)) and burden of these chronic diseases (Australian Bureau of Statistics (2020-21), *Health Conditions Prevalence*, ABS Website, accessed 20 March 2023.).

<sup>3</sup> Estimated based on the prevalence of specific Disorders of the Gut-Brain Interaction across 26 countries (Av prevalence of 32.8% DOI: [10.1111/nmo.14594](https://doi.org/10.1111/nmo.14594)), and the proportion regularly seeking medical support with one or more doctor visit per month (Average 15.4% - DOI: [10.1053/j.gastro.2020.04.014](https://doi.org/10.1053/j.gastro.2020.04.014)).

<sup>4</sup> Estimated based on the global number of immuno-compromised patients and other patients at high risk for gastrointestinal infection (>8.1m global and >68k Australian chemotherapy treated solid tumor cancer patients, and >1.1m global and >8k Australian haematological cancer patients DOI:[https://doi.org/10.1016/S1470-2045\(19\)30163-9](https://doi.org/10.1016/S1470-2045(19)30163-9) & <https://www.aihw.gov.au/reports/cancer/cancer-in-australia-2021/summary>), (>3m global and 12k Australian dialysis patients DOI: [10.1038/s41581-022-00542-7](https://doi.org/10.1038/s41581-022-00542-7) & [https://www.anzdata.org.au/wp-content/uploads/2019/09/c04\\_haemodialysis\\_2018\\_ar2019\\_v2.0\\_2020619.pdf](https://www.anzdata.org.au/wp-content/uploads/2019/09/c04_haemodialysis_2018_ar2019_v2.0_2020619.pdf) & [https://www.anzdata.org.au/wp-content/uploads/2021/09/c05\\_peritoneal\\_2020\\_ar\\_2021\\_Chapter\\_v1.0\\_20220530\\_Final.pdf](https://www.anzdata.org.au/wp-content/uploads/2021/09/c05_peritoneal_2020_ar_2021_Chapter_v1.0_20220530_Final.pdf)), (>140k global and >1k Australian Organ Transplant patients per year <https://www.transplant-observatory.org/> & <https://www.health.gov.au/topics/organ-and-tissue-donation/organ-and-tissue-donation-in-australia>), (>3.5m global and >25k long stay ICU patients – estimate based on data from <https://ourworldindata.org/grapher/intensive-care-beds-per-100000> and other sources).

<sup>5</sup> [https://www.thelancet.com/journals/langas/article/PIIS2468-1253\(19\)30333-4/fulltext](https://www.thelancet.com/journals/langas/article/PIIS2468-1253(19)30333-4/fulltext).

<sup>6</sup> <https://www.crohnscolitisfoundation.org/sites/default/files/2019-02/Updated%20IBD%20Factbook.pdf>.

<sup>7</sup> Scribano, M.L. Adverse events of IBD therapies. Inflamm Bowel Dis. (2008). <https://doi.org/10.1002/ibd.20702>.

<sup>8</sup> Pola, S. et al. Strategies for the care of adults hospitalized for active ulcerative colitis. Clin Gastroenterol Hepatol. (2012). <https://doi.org/10.1016/j.cgh.2012.07.006>.

<sup>9</sup> <https://www.nature.com/articles/d41573-021-00194-5>, <https://www.alliedmarketresearch.com/ulcerative-colitis-market>.

<sup>10</sup> Sepich-Poore e al. (2021). *The microbiome and human cancer*. DOI: 10.1126/science.abc4552.

<sup>11</sup> Leonardi et al. (2020). *International Journal of Oncology*. DOI: 10.3892/ijo.2020.5088.

<sup>12</sup> Wolchok et al. (2017). *New England Journal of Medicine*. DOI: 10.1056/NEJMoa1709684.

<sup>13</sup> Baruch et al. (2020). *Science*. DOI: 10.1126/science.abb5920.

<sup>14</sup> Davar et al. (2021). *Science*. DOI: 10.1126/science.abf3363.

<sup>15</sup> <https://www.merck.com/news/merck-announces-fourth-quarter-and-full-year-2022-financial-results/>.

<sup>16</sup> <https://au.finance.yahoo.com/news/immune-checkpoint-inhibitors-market-predicted-090000312.html>.

<sup>17</sup> Fugger, L. et al. Challenges, Progress, and Prospects of Developing Therapies to Treat Autoimmune Diseases. *Cell*. (2020). <https://doi.org/10.1016/j.cell.2020.03.007> <https://doi.org/10.1016/j.cell.2020.03.007>.

<sup>18</sup> De Luca, F. and Shoenfeld, Y. The microbiome in autoimmune diseases. *Clin Exp Immunol*. (2019). <https://doi.org/10.1111/cei.13158>.

<sup>19</sup> BCC Research. Autoimmune Disorder Therapies: Global Markets (2020).

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04

## Directors' Report

## **Microba Life Sciences Limited**

### **Directors' report**

**30 June 2023**

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group' or 'Microba') consisting of Microba Life Sciences Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2023.

#### **Directors**

The following persons were Directors of Microba Life Sciences Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Pasquale Rombola	Independent Non-Executive Director
Ian Frazer	Independent Non-Executive Director
Gene Tyson	Non-Executive Director
Richard Bund	Non-Executive Director
Hyungtae Kim	Non-Executive Director
Caroline Popper (Resigned: 14 June 2023)	Independent Non-Executive Director
Jacqueline Fernley (Appointed: 8 September 2022)	Independent Non-Executive Director

The names of the Company Secretaries in office at any time during or since the end of the year unless otherwise stated are:

James Heath  
Peter Webse

#### **Results**

The loss for the Group after providing for income tax amounted to \$12,680,212 (30 June 2022: \$11,470,429).

#### **Review of operations**

Information on the operations and financial position of the Group is set out in the review of operations and activities on pages 6 to 23 of this Annual Report.

#### **Significant changes in the state of affairs**

There were no significant changes in the state of affairs of the Group during the financial year.

#### **Principal activities**

The principal activity of the Group during the year was providing world class microbiome testing and analysis services as well as developing new pathology services, therapeutics and diagnostics based on the human gut microbiome.

No significant change in the nature of these activities occurred during the year.

#### **Dividends**

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

#### **After balance date events**

Subsequent to year end, on 28 July 2023, the Company granted a total of 10,605,000 options to employees (including KMP) in accordance with terms of the Microba Employee Share & Option Plan. Of the options granted, 6,605,000 options were granted at an exercise price of \$0.45 and vest after 3 years, except for 300,000 options which vest after 18 months from grant date. The remaining 4,000,000 options granted were issued at an exercise price of \$0.65 and vest after 3 years from grant date. The vesting conditions for these options are tied to revenue growth, total shareholder return and continuous employment over the vesting period.

Apart from the matter above, no other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's affairs in future years.

#### **Likely developments**

Over the next 12 months, Microba's primary focus will be on globally expanding its world leading microbiome testing products and services. This expansion will occur both directly and in collaboration with our world leading distribution partners. Having now successfully advanced the Company into the clinical stage, the Company is well positioned to continue the rapid progress of its lead candidates in IBD, Immuno-oncology and Autoimmune Disease therapeutic programs

Further information on the likely developments of the Group is set out in the review of operations and activities on pages 6 to 23 of this Annual Report.

**Environmental regulation**

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

**Information on Directors, Chief Executive Officer and Company Secretaries**

<b>Name:</b>	<b>Pasquale Rombola</b>
<b>Title:</b>	<b>Chair &amp; Non-Executive Director</b>
<b>Experience and expertise:</b>	Mr Rombola has over 30 years' corporate and financial experience in Australia, Asia and the United Kingdom. He spent 19 years in senior positions with Morgan Stanley and Deutsche Bank, including 7 years in the role of Managing Director. Mr Rombola is a current Non-Executive Director of Audeara Limited, a leading hearing health company (ASX: AUA), and he is the Chair of Advantage Agriculture Pty Ltd, a private agribusiness company. He was also formerly the Chair and Director of Helix Resources Limited (ASX: HLX).
<b>Other current directorships:</b>	Mr Rombola holds a Bachelor of Economics from the University of Western Australia.
<b>Former directorships:</b>	Audeara Limited (ASX: AUA), appointed 31 March 2021
<b>Subcommittees:</b>	None
<b>Interests in shares:</b>	Member - Audit and Risk Committee
<b>Interests in options:</b>	Member - Nomination and Remuneration Committee
<b>Name:</b>	<b>5,200,000 ordinary shares</b>
<b>Title:</b>	<b>300,000 options over ordinary shares</b>
<b>Experience and expertise:</b>	
<b>Other current directorships:</b>	
<b>Former directorships:</b>	
<b>Subcommittees:</b>	
<b>Interests in shares:</b>	
<b>Interests in options:</b>	
<b>Name:</b>	<b>Ian Frazer</b>
<b>Title:</b>	<b>Deputy Chair &amp; Non-Executive Director</b>
<b>Experience and expertise:</b>	Professor Frazer is a clinician scientist, trained as a clinical immunologist. He is a Professor at the University of Queensland and is the current Co-Chair of the Australian Medical research Advisory Board (AMRAB) which advises the Minister for Health on prioritising spending from the Medical Research Future Fund (MRFF). He is recognised as co-inventor of the technology enabling Gardasil – the leading vaccine currently used worldwide to assist in the prevention of cervical cancer.
<b>Other current directorships:</b>	Professor Frazer holds a Doctor of Medicine from the University of Melbourne and a Bachelor of Medicine, Bachelor of Surgery and Bachelor of Science (Hons) from the University of Edinburgh.
<b>Former directorships:</b>	None
<b>Subcommittees:</b>	None
<b>Interests in shares:</b>	Chair - Audit and Risk Committee
<b>Interests in options:</b>	1,326,366 ordinary shares
<b>Name:</b>	<b>Gene Tyson</b>
<b>Title:</b>	<b>Non-Executive Director &amp; Co-Founder</b>
<b>Experience and expertise:</b>	Professor Tyson is a Professor of Microbial Genomics at The Queensland University of Technology and is the Director of the Centre for Microbiome Research.
<b>Other current directorships:</b>	He published the first paper regarding the use of metagenomic-sequencing for assessing microbial communities. Professor Tyson is considered a world leading expert in microbial analysis with previous tenure at the University of California, Massachusetts Institute of Technology and the University of Queensland.
<b>Former directorships:</b>	
<b>Subcommittees:</b>	
<b>Interests in shares:</b>	
<b>Interests in options:</b>	
<b>Name:</b>	Professor Tyson holds a Bachelor of Science (Hons) from the University of Queensland and a PhD from the University of California, Berkeley.
<b>Title:</b>	None
<b>Experience and expertise:</b>	None
<b>Other current directorships:</b>	
<b>Former directorships:</b>	
<b>Subcommittees:</b>	Member - Nomination and Remuneration Committee
<b>Interests in shares:</b>	17,100,000 ordinary shares
<b>Interests in options:</b>	200,000 options over ordinary shares

**Name:**

**Richard Bund**

**Non-Executive Director**

Mr Bund is a Chartered Accountant and Director of Equipe Advisory accounting firm. Mr Bund has more than 25 years' experience in accounting and corporate finance and is a Director of several private Australian companies.

Mr Bund is a Member of Chartered Accountants Australia & New Zealand (CAANZ). He holds a Bachelor of Commerce (Accounting) from the University of Adelaide and a Graduate Diploma in Chartered Accounting from the Institute of Chartered Accountants Australia (ICAA).

None

None

Member - Audit and Risk Committee

Chair - Nomination and Remuneration Committee

31,524,277 ordinary shares

200,000 options over ordinary shares

**Other current directorships:**

**Former directorships:**

**Subcommittees:**

**Interests in shares:**

**Interests in options:**

**Hyungtae Kim**

**Non-Executive Director**

Dr Hyungtae Kim is an internationally experienced leader in the genomics field, having held the positions of Chief Executive Officer of Macrogen, Inc., (Macrogen) from 2008 to 2014 and Chief Executive Officer of Macrogen Europe from 2015 to 2017. Dr Kim is a Director of Macrogen, a genomics company listed on the Korean Securities Dealers Automated Quotations (KOSDAQ).

Dr Kim is now a Director of the Gongwu Genome Information Foundation.

Dr Kim holds a PhD in Molecular Biology from The George Washington University.

None

None

None

Dr Hyungtae Kim is a nominee Director of Macrogen, Inc.

Refer to the Shareholder Information included in this report for details of Macrogen Inc.'s shareholding.

200,000 options over ordinary shares

**Caroline Popper (Resigned: 14 June 2023)**

**Non-Executive Director**

Dr Popper is a US-based pathologist and business consultant with more than 20 years of experience in the international diagnostics, medical devices and drug discovery fields, including 10 years in senior management and marketing roles at the leading medical technology firm, Becton Dickson & Company. Dr Popper has served in senior managerial and advisory positions at a variety of Fortune 500 and start-up companies, including bioMerieux and MDS Proteomics.

Dr Popper holds a Bachelor of Medicine from the University of the Witwatersrand, Johannesburg, and a Master of Public Health – Health Policy and Health Economics from Johns Hopkins University, Baltimore.

None

LBT Innovations Limited (ASX: LBT), resigned 31 May 2021

None

0 ordinary shares

666,666 options over ordinary shares

**Other current directorships:**

**Former directorships:**

**Subcommittees:**

**Interests in shares:**

**Interests in options:**

**Name:**

**Title:**

**Experience and expertise:**

**Other current directorships:**

**Former directorships:**

**Subcommittees:**

**Interests in shares:**

**Interests in options:**

**Name:**

**Jacqueline Fernley (Appointed: 8 September 2022)**

**Non-Executive Director**

Mrs Fernley currently serves as the Chief Investment Officer (CIO) of Mason Stevens where she leads the asset management division of the firm. Prior to joining Mason Stevens, Mrs Fernley held roles as Head of Equities at J B Were Limited, Head of Research at Wilson HTM and Australian Equity Portfolio Manager at Colonial First State Global Asset Management. Mrs Fernley has a Bachelor's Degree in Commerce/Law, is a holder of the Chartered Financial Analyst (CFA) designation, is a member of Chief Executive Women (CEW), and is a graduate of the Australian Institute of Company Directors (GAICD).

Mrs Fernley is also intimately involved in mentoring and supporting women in the financial services industry and ESG, regularly presenting to investment committees, boards, and management on the topics. She was recently appointed to the diversity committee of the NSW CFA Society.

None

None

0 ordinary shares

0 options over ordinary shares

**Other current directorships:**

**Former directorships:**

**Interests in shares:**

**Interests in options:**

**Name:**

**Luke Reid**

**Chief Executive Officer**

Dr Reid is an experienced research and technology commercialisation executive. His deep knowledge of the biotechnology sector has underpinned Microba's growth into a global biotechnology company delivering on its mission to improve human health with precision microbiome science. Dr Reid's expertise in translational research, technology commercialisation, commercial partnerships, licensing and intellectual property management uniquely places him to lead Microba as Chief Executive Officer.

Previously, Dr Reid was Associate Director at UniQuest Pty Ltd, one of the global leaders in commercialisation of university technology. Prior to UniQuest, Dr Reid held roles working with the world's leading developer of advanced plant genetics, DuPont Pioneer, and the world leader in bioinnovation of enzymes, proteins and microorganisms, Novozymes.

Dr Reid holds a PHD in Molecular Biology from The University of Adelaide and a Bachelor of Science (Biotechnology (Hons)) from Flinders University.

**Name:**

**James Heath**

**Chief Financial Officer & Joint Company Secretary**

Mr Heath is a Chartered Accountant with over 11 years' experience in accounting, finance and operations across a broad range of industries. Prior to joining Microba, he was a management consultant and auditor at Deloitte Australia.

Mr Heath is a member of Chartered Accountants Australia and New Zealand, holding a Graduate Diploma in Chartered Accounting. He also holds a Bachelor of Business Management and a Bachelor of Commerce (Accounting) from the University of Queensland.

**Name:**

**Peter Webse**

**Joint Company Secretary**

Mr Webse is a Director of Governance Corporate Pty Ltd, a company specialising in providing company secretarial, corporate governance and corporate advisory services. He is a Fellow of the Governance Institute of Australia (FGIA), a Fellow of the Chartered Governance Institute (GCI), a Fellow of CPA Australia (FCPA), a Member of the Institute of Company Directors (MAICD) and has a Bachelor of Business (Accounting and Finance) from Edith Cowan University.

Mr Webse has over 29 years of ASX listed company secretarial experience.

## Microba Life Sciences Limited

### Directors' report

30 June 2023

'Other current directorships' and 'former directorships' quoted above are directorships for ASX listed entities only and excludes directorships of all other types of entities, unless otherwise stated. 'Former directorships' shown above are directorships held within the last 3 years only.

#### Meetings of Directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2023, and the number of meetings attended by each Director were:

	Full Board		Nomination and Remuneration Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
Pasquale Rombola	12	12	8	8	3	3
Ian Frazer	12	12	-	-	3	3
Gene Tyson	11	12	8	8	-	-
Richard Bund	11	12	8	8	3	3
Hyungtae Kim	11	12	-	-	-	-
Caroline Popper**	10	11	-	-	-	-
Jacqueline Fernley*	10	10	-	-	-	-

\* Jacqueline Fernley was appointed on 8 September 2022

\*\* Caroline Popper resigned effective 14 June 2023

Held: represents the number of meetings held during the time the Director held office or was a member of the relevant committee.

#### Options

Options over unissued ordinary shares granted by Microba Life Sciences Limited during or since the end of the financial year were as follows:

Name	Options granted
A.C.N. 002 889 545 Pty Ltd	22,863,168

The options granted during the year, to the company listed above, were granted on 1 February 2023, as part of the Equity Subscription Agreement with Sonic Healthcare Limited. These options are also disclosed in the "Shares under option" table below.

**Shares under option**

Unissued ordinary shares of Microba Life Sciences Limited under option at the date of this report are as follows:

<b>Date options granted</b>	<b>Number of options</b>	<b>Exercise price of options</b>	<b>Expiry date of the options</b>
15/10/2018	4,400,000	\$0.180	15/10/2023
15/02/2019	400,000	\$0.180	15/10/2023
01/03/2019	75,000	\$0.180	15/10/2023
05/04/2019	400,000	\$0.180	15/10/2023
25/11/2019	5,100,000	\$0.300	24/11/2024
13/01/2020	400,000	\$0.255	24/11/2024
31/01/2020	200,000	\$0.300	24/11/2024
30/06/2020	266,666	\$0.300	29/06/2024
01/04/2021	3,316,666	\$0.336	04/04/2026
05/04/2022	1,200,000	\$0.675	05/05/2025
01/02/2023	22,863,168	\$0.330	01/08/2024
28/07/2023	6,605,000	\$0.465	28/07/2027
28/07/2023	4,000,000	\$0.650	28/07/2027
	<b>49,226,500</b>		

No option holder has any right under the options to participate in any other share issue of the Group.

**Shares issued on the exercise of options**

The following ordinary shares of Microba Life Sciences Limited were issued during the year ended 30 June 2023 and up to the date of this report on the exercise of options granted:

<b>Date options granted</b>	<b>Exercise price</b>	<b>Number of shares issued</b>
15 October 2018	\$0.180	719,653
15 October 2018	\$0.180	435,736
1 March 2019	\$0.180	33,588
		<b>1,188,977</b>

**Indemnification of Directors, officers and key management personnel**

The Company has indemnified the Directors, officers and key management personnel of the Company for costs incurred, in their capacity as a Director, officer or key management personnel, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the Directors, officers and key management personnel of the Company against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

**Indemnification of auditors**

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

**Proceedings on behalf of the Group**

No person has applied to the Court for leave to bring proceedings on behalf of the Group, or to 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 part of those proceedings.

**Non-audit services**

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 33 to the financial statements.

The Directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The Directors are of the opinion that the services as disclosed in note 33 to the financial statements do not compromise the external auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

#### **Officers of the Company who are former Partners of Pitcher Partners**

There are no officers of the Company who are former Partners of Pitcher Partners, the Group's auditor.

#### **Rounding of amounts**

The Company is of a kind referred to in *Corporations Instrument 2016/191 Rounding in Financial/Directors' Reports*, issued by the Australian Securities and Investments Commission, relating to "rounding off". Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest dollar.

#### **Remuneration report (audited)**

The remuneration report details the key management personnel remuneration arrangements for the Group, in accordance with the requirements of the *Corporations Act 2001* and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all Directors.

The remuneration report is set out under the following main headings:

- Principles to determine the nature and amount of remuneration;
- Details of remuneration;
- Share-based compensation;
- Additional disclosures relating to key management personnel; and
- Service agreements.

#### **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 aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage / alignment of executive compensation; and
- transparency.

The Nomination and Remuneration Committee is responsible for determining and reviewing remuneration arrangements for its Directors and executives. As the performance of the Group depends on the quality of its Directors and executives, the remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The Nomination and Remuneration Committee has structured an executive remuneration framework that is market competitive, complementary to the reward strategy of the Group and is designed to align executive reward to shareholders' interests by:

- focusing on sustained growth in shareholder wealth, delivering constant or increasing return on assets and focusing the executive on key non-financial drivers of value; and
- attracting and retaining high calibre executives.

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience;
- reflecting competitive reward for contribution to growth in shareholder value; and
- providing a clear structure for earning rewards.

#### *Non-executive Directors remuneration*

Fees and payments to non-executive Directors reflect the demands and responsibilities of their role. Non-executive Directors' fees and payments are reviewed annually by the Nomination and Remuneration Committee.

The Chair and Deputy Chair's fees are determined independently to the fees of other non-executive Directors based on comparative roles in the external market. The Chair and Deputy Chair are not present at any discussions relating to the determination of their own remuneration.

ASX listing rules require the aggregate non-executive Directors' remuneration be determined periodically by a general meeting. The most recent determination was at the General Meeting held on 1 February 2023, where the shareholders approved a maximum annual aggregate remuneration of \$600,000.

#### *Executive remuneration*

The Group aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

During the year, the Nomination and Remuneration Committee engaged an independent external advisor to consult on the process to ensure STI and LTI remuneration is aligned to current industry benchmarks.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits;
- short-term performance incentives;
- long term incentive through Employee Share and Option Plan participation; and
- other remuneration such as superannuation and long service leave.

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Nomination and Remuneration Committee based on individual and business unit performance, the overall performance of the Group and comparable market remunerations.

The short-term incentives ('STI') program is designed to align the milestones of the Group with the performance hurdles of executives. STI payments, which are generally paid in cash, are granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved. KPI's include achievement of milestones for the business units, shareholder value creation, customer satisfaction and leadership contribution. During the year, the Nomination and Remuneration Committee specifically reviewed the relevant short-term incentives ('STI') program KPIs for each executive and allocated a weighting to those identified STI KPIs. Only if the specific STI KPI is met does it trigger that relevant proportion of the STI being unlocked for the Executive.

The long-term incentives ('LTI') include share-based payments.

The Board may approve the issue of securities (shares, performance rights or options) to staff and executives as a means of providing a medium to long term incentive for performance and loyalty. Any such securities are issued under the Microba Employee Share and Option Plan.

Securities are awarded to staff and executives over a minimum period of one year based on long-term incentive measures. These include increase in shareholders' value relative to the entire market and the increase compared to the Group's direct peers. The Nomination and Remuneration Committee reviewed the long-term equity-linked performance incentives specifically for executives during the year ended 30 June 2023. Throughout the year, the Nomination and Remuneration Committee did not initiate any new LTI grants. However, subsequent to the financial year end a revised LTI scheme was established. As part of the thorough review of the LTI program for specific members of our executive team, the Nomination and Remuneration Committee engaged with an independent external advisor to ensure our LTI program was aligned with market standards in both quantum and structure.

Whilst we intend to provide further detail in our next period remuneration report (FY24), it's important to note that the award-granting phase has initiated, with a grant to executives taking place in late July 2023. The Nomination and Remuneration Committee's primary objective with the revised LTI scheme is to align the interests of our executives with those of our shareholders. Our design focus of the LTI scheme has been on incentivising the attainment of strategic goals, consequently creating shareholder value. The LTI scheme has been constructed based on share price targets, compound annual growth rates (CAGR) in group revenue, and the successful achievement of significant milestones within our therapeutic programs.

**Details of remuneration**

*Amounts of remuneration*

Details of the remuneration of key management personnel of the Group are set out in the following tables.

2023	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments			Total
	Cash salary and fees \$	Advisory fees \$	Cash bonus \$			Super-annuation \$	Long service leave \$	Equity-settled \$	
<i>Non-Executive Directors:</i>									
Pasquale Rombola	85,000	-	-	-	-	-	-	26,687	111,687
Ian Frazer	80,000	-	-	-	-	-	-	26,687	106,687
Gene Tyson	55,000	48,000	-	-	-	-	-	17,791	120,791
Richard Bund	60,000	-	-	-	-	-	-	17,791	77,791
Hyungtae Kim	50,000	-	-	-	-	-	-	17,791	67,791
Caroline Popper**	50,000	-	-	-	-	-	-	34,612	84,612
Jacqueline Fernley*	40,833	-	-	-	-	-	-	-	40,833
<i>Other Key Management Personnel:</i>									
Luke Reid	277,533	-	41,250	27,326	6,482	-	29,693	382,284	
James Heath	194,134	-	33,500	23,916	4,296	-	25,402	281,248	
	<b>892,500</b>	<b>48,000</b>	<b>74,750</b>	<b>51,242</b>	<b>10,778</b>			<b>196,454</b>	<b>1,273,724</b>

\* Jacqueline Fernley was appointed on 8 September 2022

\*\* Caroline Popper resigned effective 14 June 2023

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments			Total
	Cash salary and fees	Advisory fees	Cash bonus			Equity-settled	Options		
2022	\$	\$	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>									
Pasquale Rombola	46,944	-	-	-	-	-	6,288	53,232	
Ian Frazer	41,944	-	-	-	-	-	6,288	48,232	
Gene Tyson	31,798	48,400	-	-	-	-	4,192	84,390	
Richard Bund	33,361	-	-	-	-	-	4,192	37,553	
Hyungtae Kim	27,167	-	-	-	-	-	4,192	31,359	
Caroline Popper	27,167	99,770	-	-	-	-	63,920	190,857	
Mark Capone***	5,376	68,037	-	-	-	-	31,960	105,373	
<i>Executive Directors:</i>									
Blake Wills****	3,324	-	-	296	54	-	-	-	3,674
<i>Other Key Management Personnel:</i>									
Luke Reid	247,665	-	75,000	21,142	6,567	1,000	55,461	406,835	
James Heath	163,365	-	40,000	18,475	4,664	1,000	50,646	278,150	
	<b>628,111</b>	<b>216,207</b>	<b>115,000</b>	<b>39,913</b>	<b>11,285</b>	<b>2,000</b>	<b>227,139</b>	<b>1,239,655</b>	

\*\*\* Mark Capone resigned effective 7 October 2021

\*\*\*\* Blake Wills resigned as Executive Director and Chief Executive Officer effective 5 July 2021

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

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2023	2022	2023	2022	2023	2022
<i>Non-Executive Directors:</i>						
Pasquale Rombola	76%	88%	-	-	24%	12%
Ian Frazer	75%	87%	-	-	25%	13%
Gene Tyson	85%	95%	-	-	15%	5%
Richard Bund	77%	89%	-	-	23%	11%
Hyungtae Kim	74%	87%	-	-	26%	13%
Caroline Popper**	59%	67%	-	-	41%	33%
Jacqueline Fernley*	100%	-	-	-	-	-
Mark Capone***	-	70%	-	-	-	30%
<i>Executive Directors:</i>						
Blake Wills****	-	100%	-	-	-	-
<i>Other Key Management Personnel:</i>						
Luke Reid	81%	68%	11%	18%	8%	14%
James Heath	79%	67%	12%	14%	9%	19%

\* Jacqueline Fernley was appointed on 8 September 2022

\*\* Caroline Popper resigned effective 14 June 2023

\*\*\* Mark Capone resigned effective 7 October 2021

\*\*\*\* Blake Wills resigned as Executive Director and Chief Executive Officer effective 5 July 2021

**Share-based compensation**

**Issue of shares**

There were no shares issued to Directors and other key management personnel as part of compensation during the year ended 30 June 2023.

**Options**

There were no options over ordinary shares issued to Directors and other key management personnel as part of compensation that were granted during the year ended 30 June 2023.

**Additional disclosures relating to key management personnel**

**Shareholding**

The number of shares in the Company held during the financial year by each Director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	<b>Balance at the start of the year</b>	<b>Received as part of remuneration</b>	<b>Additions</b>	<b>Disposals/other</b>	<b>Balance at the end of the year</b>
<i>Ordinary shares</i>					
Pasquale Rombola	5,100,000	-	100,000	-	5,200,000
Ian Frazer	1,226,366	-	100,000	-	1,326,366
Gene Tyson	17,100,000	-	-	-	17,100,000
Richard Bund	31,524,277	-	-	-	31,524,277
Luke Reid*	58,055	-	217,868	-	275,923
James Heath*	58,055	-	217,868	-	275,923
	<b>55,066,753</b>	<b>-</b>	<b>635,736</b>	<b>-</b>	<b>55,702,489</b>

\*Shares acquired during the period were issued on the exercise of options, using a cashless exercise facility.

**Option holding**

The number of options over ordinary shares in the Company held during the financial year by each Director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	<b>Balance at the start of the year</b>	<b>Granted</b>	<b>Exercised</b>	<b>Expired/forfeited/other</b>	<b>Balance at the end of the year</b>
<i>Options over ordinary shares</i>					
Pasquale Rombola	300,000	-	-	-	300,000
Ian Frazer	300,000	-	-	-	300,000
Gene Tyson	200,000	-	-	-	200,000
Richard Bund	200,000	-	-	-	200,000
Hyungtae Kim	200,000	-	-	-	200,000
Caroline Popper**	1,000,000	-	-	(333,334)	666,666
Luke Reid*	2,025,000	-	(500,000)	-	1,525,000
James Heath*	1,950,000	-	(500,000)	-	1,450,000
	<b>6,175,000</b>	<b>-</b>	<b>(1,000,000)</b>	<b>(333,334)</b>	<b>4,841,666</b>

\* Options exercised during the period were exercised using a cashless facility

\*\* Caroline Popper resigned effective 14 June 2023

No loans have been provided to key management personnel or their related parties.

**Additional information**

The earnings of the Group for the two years to 30 June 2023 are summarised below:

	<b>2023</b> \$	<b>2022</b> \$
Sales revenue	5,420,136	4,688,645
Loss after income tax	(12,680,212)	(11,470,429)

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

	<b>2023</b>	<b>2022</b>
Share price at financial year end (\$)	0.30	0.20
Basic earnings per share (cents per share)	(4.03)	(5.14)
Diluted earnings per share (cents per share)	(4.03)	(5.14)

The Group listed on the ASX on 5 April 2022. As such, information relating to the earnings of the Group is shown for only the period for which the Group has been listed.

**Service agreements**

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

<b>Name:</b>	Dr Luke Reid
<b>Title:</b>	Chief Executive Officer
<b>Agreement commenced:</b>	5 April 2022
<b>Term of agreement:</b>	Ongoing
<b>Details:</b>	Base Salary: \$275,000 per annum Performance Based Incentive: \$50,000 per annum Superannuation: 10.5%, increasing to 11.0% on 1 July 2023 Termination Notice: 12 weeks

<b>Name:</b>	James Heath
<b>Title:</b>	Chief Financial Officer & Joint Company Secretary
<b>Agreement commenced:</b>	5 April 2022
<b>Term of agreement:</b>	Ongoing
<b>Details:</b>	Base Salary: \$200,000 per annum Performance Based Incentive: \$40,000 per annum Superannuation: 10.5%, increasing to 11.0% on 1 July 2023 Termination Notice: 12 weeks

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

***This concludes the remuneration report, which has been audited.***

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out immediately after this Directors' report.

**Microba Life Sciences Limited**

**Directors' report**

**30 June 2023**

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

On behalf of the Directors



---

Pasquale Rombola  
Director

30 August 2023  
Brisbane

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Level 38, 345 Queen Street  
Brisbane, QLD 4000

Postal address  
GPO Box 1144  
Brisbane, QLD 4001

p. +61 7 3222 8444

The Directors  
Microba Life Sciences Limited  
Level 10, 324 Queen Street  
Brisbane QLD 4000

### **Auditor's Independence Declaration**

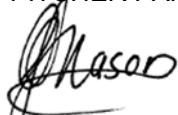
In relation to the independent audit for the year ended 30 June 2023, to the best of my knowledge and belief there have been:

- (i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) No contraventions of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

This declaration is in respect of Microba Life Sciences Limited and the entities it controlled during the year.

*Pitcher Partners*

PITCHER PARTNERS



CHERYL MASON  
Partner

Brisbane, Queensland  
30 August 2023

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Brisbane Sydney Newcastle Melbourne Adelaide Perth

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NIGEL FISCHER  
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JASON EVANS  
KYLIE LAMPRECHT  
NORMAN THURECHT

BRETT HEADRICK  
WARWICK FACE  
COLE WILKINSON

SIMON CHUN  
JEREMY JONES  
TOM SPLATT

JAMES FIELD  
DANIEL COLWELL  
ROBYN COOPER

FELICITY CRIMSTON  
CHERYL MASON  
KIERAN WALLIS

MURRAY GRAHAM  
ANDREW ROBIN  
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05

## Financial Statements

**Microba Life Sciences Limited**  
**Consolidated statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2023**

	Note	2023 \$	2022 \$
<b>Revenue</b>			
Revenue from contracts with customers	4	5,420,136	4,688,645
Cost of sales		(2,741,873)	(2,322,930)
<b>Gross profit</b>		<b>2,678,263</b>	<b>2,365,715</b>
Grant and subsidies income	5	6,367,288	4,324,096
Interest income		878,049	49,551
Other income		3,083	-
Foreign currency gain		367,547	492,507
<b>Expenses</b>			
Employee benefits and other related costs	7	(7,809,365)	(8,572,940)
Research and development expense		(9,337,113)	(5,383,823)
Depreciation and amortisation expense	8	(1,641,831)	(1,542,862)
Consulting fees		(989,844)	(666,718)
Marketing and advertising expense		(692,707)	(540,713)
Legal and intellectual property advisory fees		(145,784)	(491,763)
Finance costs	9	(60,412)	(55,289)
Other expenses		(2,291,743)	(1,438,960)
<b>Total expenses</b>		<b>(22,968,799)</b>	<b>(18,693,068)</b>
<b>Loss before income tax expense</b>		<b>(12,674,569)</b>	<b>(11,461,199)</b>
Income tax expense	6	(5,643)	(9,230)
<b>Loss after income tax expense for the year attributable to the owners of Microba Life Sciences Limited</b>		<b>(12,680,212)</b>	<b>(11,470,429)</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		59,208	83,908
<b>Other comprehensive income for the year, net of tax</b>		<b>59,208</b>	<b>83,908</b>
<b>Total comprehensive loss for the year attributable to the owners of Microba Life Sciences Limited</b>		<b>(12,621,004)</b>	<b>(11,386,521)</b>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	34	(4.03)	(5.14)
Diluted earnings per share	34	(4.03)	(5.14)

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

**Microba Life Sciences Limited**  
**Consolidated statement of financial position**  
**As at 30 June 2023**

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	<b>Note</b>	<b>2023</b> \$	<b>2022</b> \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	10	32,043,874	30,580,673
Receivables	11	7,236,200	3,422,518
Inventories	12	644,427	360,033
Financial assets	13	204,436	204,436
Other assets	14	1,396,124	1,249,266
<b>Total current assets</b>		<b>41,525,061</b>	<b>35,816,926</b>
<b>Non-current assets</b>			
Property, plant and equipment	15	1,927,555	2,013,052
Right-of-use assets	16	653,327	795,305
Intangible assets	17	2,847,090	853,934
<b>Total non-current assets</b>		<b>5,427,972</b>	<b>3,662,291</b>
<b>Total assets</b>		<b>46,953,033</b>	<b>39,479,217</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Payables	18	4,985,348	2,879,112
Borrowings	19	358,726	364,063
Lease liabilities	20	543,002	477,301
Employee benefits	21	582,586	486,467
Contract liabilities	23	1,303,806	880,132
Income tax	6	5,419	-
Other liabilities	22	45,546	177,336
<b>Total current liabilities</b>		<b>7,824,433</b>	<b>5,264,411</b>
<b>Non-current liabilities</b>			
Lease liabilities	20	234,064	483,766
Employee benefits	21	170,004	99,496
Other liabilities	22	150,696	95,340
<b>Total non-current liabilities</b>		<b>554,764</b>	<b>678,602</b>
<b>Total liabilities</b>		<b>8,379,197</b>	<b>5,943,013</b>
<b>Net assets</b>		<b>38,573,836</b>	<b>33,536,204</b>
<b>Equity</b>			
Issued capital	24	80,373,986	62,884,010
Reserves	25	2,082,545	1,854,677
Accumulated losses		(43,882,695)	(31,202,483)
<b>Total equity</b>		<b>38,573,836</b>	<b>33,536,204</b>

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

**Microba Life Sciences Limited**  
**Consolidated statement of changes in equity**  
**For the year ended 30 June 2023**

	<b>Issued capital \$</b>	<b>Share-based payment reserve \$</b>	<b>Foreign currency translation reserve \$</b>	<b>Accumulated losses \$</b>	<b>Total equity \$</b>
<b>Balance at 1 July 2021</b>	<b>33,482,960</b>	<b>1,190,937</b>	<b>(5,741)</b>	<b>(19,732,054)</b>	<b>14,936,102</b>
Loss after income tax expense for the year	-	-	-	(11,470,429)	(11,470,429)
Other comprehensive income for the year, net of tax	-	-	83,908	-	83,908
<b>Total comprehensive income/(loss) for the year</b>	<b>-</b>	<b>-</b>	<b>83,908</b>	<b>(11,470,429)</b>	<b>(11,386,521)</b>
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 24)	29,401,050	-	-	-	29,401,050
Share-based payments (options) (note 26)	-	585,573	-	-	585,573
<b>Balance at 30 June 2022</b>	<b>62,884,010</b>	<b>1,776,510</b>	<b>78,167</b>	<b>(31,202,483)</b>	<b>33,536,204</b>
	<b>Issued capital \$</b>	<b>Share-based payment reserve \$</b>	<b>Foreign currency translation reserve \$</b>	<b>Accumulated losses \$</b>	<b>Total equity \$</b>
<b>Balance at 1 July 2022</b>	<b>62,884,010</b>	<b>1,776,510</b>	<b>78,167</b>	<b>(31,202,483)</b>	<b>33,536,204</b>
Loss after income tax expense for the year	-	-	-	(12,680,212)	(12,680,212)
Other comprehensive income for the year, net of tax	-	-	59,208	-	59,208
<b>Total comprehensive income/(loss) for the year</b>	<b>-</b>	<b>-</b>	<b>59,208</b>	<b>(12,680,212)</b>	<b>(12,621,004)</b>
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 24)	17,237,644	-	-	-	17,237,644
Share-based payments (options) (note 26)	-	420,992	-	-	420,992
Shares issued upon exercise of options (note 24)	252,332	(252,332)	-	-	-
<b>Balance at 30 June 2023</b>	<b>80,373,986</b>	<b>1,945,170</b>	<b>137,375</b>	<b>(43,882,695)</b>	<b>38,573,836</b>

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

**Microba Life Sciences Limited**  
**Consolidated statement of cash flows**  
**For the year ended 30 June 2023**

For personnel use only

	Note	2023 \$	2022 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		6,358,032	4,610,809
Payments to suppliers and employees		(22,223,959)	(17,841,600)
		<b>(15,865,927)</b>	<b>(13,230,791)</b>
Other income		3,083	-
Interest received		799,578	49,551
Subsidies and grants received		2,730,074	2,796,947
Interest and other finance costs paid		(60,412)	(55,289)
Income taxes paid		(224)	(9,230)
<b>Net cash used in operating activities</b>	28	<b>(12,393,828)</b>	<b>(10,448,812)</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment	15	(550,462)	(1,636,061)
Payments for intangible assets	17	(2,486,428)	(236,703)
Payments for security deposits		-	(154,134)
Subsidies and grants received		38,087	285,794
Proceeds from disposal of property, plant and equipment		-	8,750
<b>Net cash used in investing activities</b>		<b>(2,998,803)</b>	<b>(1,732,354)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares	24	17,833,270	31,250,005
Repayment of borrowings		(484,607)	(223,758)
Principal portion of lease payments		(547,837)	(330,835)
Proceeds from borrowings		479,270	425,349
Share issue transaction costs	24	(595,626)	(1,904,955)
<b>Net cash from financing activities</b>		<b>16,684,470</b>	<b>29,215,806</b>
Net increase in cash and cash equivalents		1,291,839	17,034,640
Cash and cash equivalents at the beginning of the financial year		30,580,673	12,978,604
Effects of exchange rate changes on cash and cash equivalents		171,362	567,429
<b>Cash and cash equivalents at the end of the financial year</b>	10	<b>32,043,874</b>	<b>30,580,673</b>

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

**Microba Life Sciences Limited**  
**Notes to the consolidated financial statements**  
**30 June 2023**

**Note 1. General information**

The financial statements cover Microba Life Sciences Limited as a consolidated group (referred to hereafter as the 'Group' or 'Microba') consisting of Microba Life Sciences Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year.

Microba Life Sciences Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is Level 10, 324 Queen Street, Brisbane, Queensland, Australia.

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

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 30 August 2023. The Directors have the power to amend and reissue the financial statements.

**Note 2. Significant accounting policies**

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. There have been no new or amended accounting standards adopted during the period.

**Basis of preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB'), International Financial Reporting Standards ('IFRS') and the *Corporations Act 2001*, as appropriate for for-profit oriented entities.

**Historical cost convention**

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation to fair value of certain classes of assets and liabilities as described in the accounting policies.

**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 Group'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 3.

**Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Microba Life Sciences Limited ('Company' or 'parent entity') as at 30 June 2023 and the results of all subsidiaries for the year then ended. Microba Life Sciences Limited and its subsidiaries together are referred to in these financial statements as the 'Group' or 'Microba'.

All inter-company balances and transactions, including any unrealised profits or losses have been eliminated on consolidation. Subsidiaries are consolidated from the date on which control is obtained by the Group and are derecognised from the date that control ceases.

**Comparative information**

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

**Rounding of amounts**

The Company is of a kind referred to in *Corporations Instrument 2016/191 Rounding in Financial/Directors' Reports*, issued by the Australian Securities and Investments Commission, relating to "rounding off". Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest dollar.

**New or amended Accounting Standards and Interpretations not yet mandatory**

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted, and the impact of any new or amended Accounting Standards or Interpretations has not yet been determined.

**Microba Life Sciences Limited**  
**Notes to the consolidated financial statements**  
**30 June 2023**

**Note 2. Significant accounting policies (continued)**

**Going concern**

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Group incurred a loss from ordinary activities of \$12,680,212 during the year ended 30 June 2023 (2022: loss of \$11,470,429) and has a net cash outflow from operating activities of \$12,393,828 (2022: \$10,448,812). The Group held cash and cash equivalents of \$32,043,874 at 30 June 2023 (2022: \$30,580,673).

The Directors are of the view that the going concern assumption is valid. This view has been reached after making due enquiry, including reviewing forecast cash flows and consideration of the circumstances which the Directors believe are reasonably likely to affect the Group during the period of one year from the date the financial report is approved.

**Events after the reporting period**

Events after the reporting period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial report is authorised for issue.

The amounts recognised in the financial statements reflect events after the reporting period that provide evidence of conditions that existed at the reporting date. Whereas, events after the reporting period that are indicative of conditions that arose after the reporting period (i.e. which did not exist at the reporting date) are excluded from the determination of the amounts recognised in the financial statements.

**Parent entity information**

In accordance with the *Corporations Act 2001*, these financial statements present the results of the consolidated group only. Supplementary information about the parent entity is disclosed in note 36.

**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 Maker ('CODM'). The CODM is assessed to be the Board of Directors, whom are responsible for the allocation of resources to operating segments and assessing their performance.

**Foreign currency translation**

The financial statements are presented in Australian dollars, which is the Group's functional and presentation currency.

**Foreign currency transactions and balances**

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

**Foreign operations**

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

**Revenue recognition**

The Group recognises revenue as follows:

**Revenue from contracts with customers**

The Group recognises revenue at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for fulfilling the performance obligation(s) agreed in the contract.

**Note 2. Significant accounting policies (continued)**

To determine the appropriate timing and amount at which revenue is to be recognised, the Group applies the following five step approach, in line with AASB 15:

- Identify the contract with a customer;
- Identify the performance obligation(s) in the contract;
- Determine the transaction price of the contract which takes into account estimates of variable consideration and the time value of money;
- Allocate the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and
- Recognise revenue when or as each performance obligation is satisfied.

Microba recognises revenue from contracts with customers as follows:

**Personal Testing**

**Transferred at a point in time**

Revenue from Personal Testing which is recognised at a point in time is recognised when Microba's performance obligation, being the delivery of a microbiome testing report to the customer, is satisfied.

In instances where a microbiome testing kit is sold to a distributor, Microba recognises revenue attributable to the sale of the kit at the time of delivery to the distributor.

**Transferred over time**

Revenue from Personal Testing which is recognised over time is recognised as the agreed goods and services are delivered and the contracted performance obligations are met.

Revenue is recorded at a value which reflects the relative stand-alone selling price of each distinct good or service, taking into consideration the transaction price of the contract, including variable consideration (if any).

Where contracted minimum order quantities exist, revenue is recorded over time in alignment with the consumption of goods and services by the customer. In the instance it becomes likely that the customer will not exercise their remaining right to the contracted goods and services, the remaining contracted revenue will be recognised in accordance with the pattern of rights exercised by the customer during the contract period to date, and the expected future exercise of rights.

**Research Testing**

Revenue from Research Testing services contracts is recognised over time as the contracted goods and services are delivered and the performance obligations are satisfied.

Revenue is recorded at a value which reflects the relative stand-alone selling price of each distinct good or service, taking into consideration the transaction price of the contract, including variable consideration (if any).

*Receivables from contracts with customers*

A receivable from a contract with a customer represents the Group's unconditional right to consideration arising from the transfer of goods or services to the customer (i.e. only the passage of time is required before the payment of the consideration is due). Subsequent to initial recognition, receivables from contracts with customers are measured at amortised cost and are tested for impairment.

*Contract assets*

Contract assets are recognised when the Group has transferred goods or services to the customer but where the Group is yet to establish an unconditional right to consideration, and has not recognised a receivable. Contract assets are measured at the amount of consideration that the Group expects to be entitled in exchange for the goods or services transferred to the customer.

## **Note 2. Significant accounting policies (continued)**

### *Contract liabilities*

A contract liability represents the Group's obligation to transfer goods or services to the customer for which the Group has received consideration (or an amount of consideration is due) from the customer. Amounts recorded as contract liabilities are subsequently recognised as revenue when the Group transfers the contracted goods and services to the customer.

### *Other revenue*

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

## **Other Income**

### *Interest*

Interest income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

### *Government grants*

Government grants are recognised when there is reasonable certainty that the grant will be received and all grant conditions are met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating. Such periods will depend on whether costs are capitalised or expensed as incurred.

Grants relating to capitalised development costs are recognised in Other liabilities (deferred government grants) and are recognised over the period necessary to match the grant income with the amortisation of the capitalised development costs.

The Group's research and development (R&D) activities are eligible under an Australian Government tax incentive for rebate of research and development expenditure. The R&D Tax Incentives for the Group are recognised as Government Grant Income and are recognised when there is a reasonable expectation that the Group will be able to realise the benefit and when the amount can be reliably estimated.

Management has assessed these activities and expenditure to determine which are likely to be eligible under the incentive scheme. For the year ended 30 June 2023, the Group recognised an amount of grant income relating to R&D Tax Incentives of \$6,094,543 (2022: \$4,227,762).

### *Income tax*

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

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

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

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

### *Tax consolidation*

The parent entity and its Australian subsidiaries have implemented the tax consolidation legislation and have formed a tax-consolidated group. This means that:

- each entity recognises their own current and deferred tax amounts in respect of the transactions, events and balances of the entity; and
- the parent entity assumes the current tax liability and any deferred tax assets relating to tax losses, arising in the subsidiary, and recognises a contribution to (or distribution from) the subsidiaries.

**Note 2. Significant accounting policies (continued)**

**Current and non-current classification**

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

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

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

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

**Cash and cash equivalents**

Cash and cash equivalents includes cash at bank, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash under escrow has been recognised as Restricted Cash in the Statement of Financial Position. Refer to note 10 for details.

**Receivables**

Receivables from contracts with customers are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 14-90 days.

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

**Inventories**

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a 'weighted average' basis. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

**Investments and other financial assets**

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

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

**Financial assets at amortised cost**

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

## **Note 2. Significant accounting policies (continued)**

### *Impairment of financial assets*

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

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

### **Property, plant and equipment**

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a diminishing value basis to write off the net cost of each item of property, plant and equipment (excluding land) using their respective allocated rates as follows:

Furniture, fixtures and fittings at cost	5%-20%
Computer equipment at cost	25%-50%
Laboratory equipment at cost	10%-25%

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

### **Leases**

#### *Right of use assets*

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

#### *Lease liabilities*

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments are comprised of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

## **Note 2. Significant accounting policies (continued)**

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

### **Intangible assets**

#### *System development costs, product development costs and intellectual property*

Costs incurred in developing Microba's proprietary platforms, products and intellectual property are capitalised when the Group can demonstrate all of the following:

- the technical feasibility of completing the asset so that it will be available for use or sale;
- the intention to complete the asset and use or sell it;
- the ability to use or sell the asset;
- how the asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the asset; and
- the ability to measure reliably the expenditure attributable to the asset during its development.

Capitalised development costs for systems and products, and intellectual property, are amortised over their estimated useful lives of 4 years on a straight-line, and 8 years on a diminishing value basis respectively, commencing from the time at which the costs are incurred. The amortisation method applied to an intangible asset is consistent with the estimated consumption of economic benefits of the asset.

Capitalised development costs for systems and products and intellectual property are assessed for impairment annually, or more frequently if events or changes in circumstances indicate that the assets may be impaired.

Subsequent to initial recognition, costs recognised as an intangible asset are measured at cost, less accumulated amortisation and any accumulated impairment losses.

### **Research and development expenditure**

Expenditure on research activities is recognised as an expense when incurred. Development expenditure which does not meet the recognition requirements for intangible assets, as disclosed above, is recognised as an expense when incurred.

### **Impairment of non-financial assets**

Non-financial assets are reviewed for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Impairment losses in respect of individual assets are recognised immediately in profit or loss unless the asset is measured at a revalued amount, in which case the impairment loss is treated as a revaluation decrease and is recognised in other comprehensive income to the extent that it does not exceed the amount in the revaluation surplus for the same asset.

### **Fair value measurement**

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

## **Note 2. Significant accounting policies (continued)**

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

### **Finance Costs**

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Finance costs include interest expense calculated using the effective interest method, finance charges in respect of lease arrangement, and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

### **Borrowing costs**

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

### **Employee benefits**

#### *Short-term employee benefits*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled. Non-accumulating sick leave is expensed to profit or loss when incurred.

#### *Long-term employee benefits*

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

#### *Defined contribution superannuation expense*

Contributions to superannuation plans are expensed in the period in which they are incurred.

#### *Share-based payments*

Equity-settled and cash-settled share-based compensation benefits are provided to Directors and employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to Directors and employees in exchange for the rendering of services. Details of share-based payments provided to Directors and employees are disclosed at note 26.

### **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.

### **Earnings per share**

#### *Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to the owners of Microba Life Sciences Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

**Note 2. Significant accounting policies (continued)**

*Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

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

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

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

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

**Note 3. Critical accounting judgements, estimates and assumptions**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The 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.

*Capitalisation of system and product development costs and intellectual property*

Intellectual property and development projects where knowledge and understanding gained from research and practical experience are directed towards developing new products, service offerings or processes, are recognised as intangible assets in the Statement of Financial Position when they meet the criteria for capitalisation. Development costs may be capitalised if the Group can demonstrate the technical and commercial feasibility of completing the service offering, product or process, as well as the intention and ability to complete the development and use or sell the asset. It must also be probable that future economic benefits related to the asset will flow to the Group and the acquisition cost is able to be reliably measured.

The reported value includes all directly attributable costs, such as those for materials and services as well as compensation to employees. Individual assessment is made of major ongoing research and development projects to determine whether these criteria have been met. Assessment of these various projects is affected by significant judgement.

*Share-based payment transactions*

The Group measures the cost of equity-settled transactions with employees 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 26 for share-based payment disclosures.

Determining the timing and amount of revenue recognition from complex contracts with customers requires management to exercise judgement in relation to the timing of the fulfilment of performance obligations and the allocation of the transaction price to those specific performance obligations.

Refer to note 2 for information specific to recognition of revenue for Microba's various customer contract types.

**Note 3. Critical accounting judgements, estimates and assumptions (continued)**

*Estimation of useful lives of assets*

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

*Impairment of intangible assets and property, plant and equipment*

The Group assesses impairment of intangible assets with useful lives and property, plant and equipment at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporates a number of key estimates and assumptions relating to the value of future economic benefits to be received from the use of the assets.

*Research and Development ('R&D') Tax Incentive*

The Group lodges annual returns to claim eligible expenditure under the R&D Tax Incentive scheme with the Australian Government. The application of the R&D provisions requires a level of judgement and the maintenance of appropriate records to support amounts claimed.

*Income tax*

The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

*Recovery of deferred tax assets*

Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax assets have been reversed due to the loss making position of the Group.

*Lease term*

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

**Note 4. Revenue from contracts with customers**

	<b>2023</b>	<b>2022</b>
	\$	\$
Personal Testing - revenue recognised at a point in time	2,091,928	1,570,576
Personal Testing - revenue recognised over time	981,752	918,979
Research Testing - revenue recognised over time	2,346,456	2,199,090
	<b><u>5,420,136</u></b>	<b><u>4,688,645</u></b>

**Microba Life Sciences Limited**  
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**Note 5. Grant and subsidies income**

	<b>2023</b> \$	<b>2022</b> \$
Research and Development Tax Incentive	6,094,543	4,227,762
Other grant and subsidies income	272,745	96,334
<b>Grant and subsidies income</b>	<b>6,367,288</b>	<b>4,324,096</b>

**Note 6. Income tax**

*Components of tax expense*

	<b>2023</b> \$	<b>2022</b> \$
Current tax expense	5,643	9,230
Deferred tax expense	-	-
<b>Income tax expense</b>	<b>5,643</b>	<b>9,230</b>

*Income tax reconciliation*

	<b>2023</b> \$	<b>2022</b> \$
<b>Prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows:</b>		
Prima facie income tax on loss before tax at 25.00% (2022: 25.00%)	(3,168,642)	(2,865,301)
<b>Add tax effect of:</b>		
Share-based payments	105,248	160,393
Accounting expense subject to R&D Tax Incentive	3,489,653	1,489,660
R&D Tax Incentive revenue	(1,523,636)	(1,056,941)
Other	8,342	73,664
Tax losses and other deferred taxes not recognised	1,094,678	2,207,755
<b>Income tax expense</b>	<b>5,643</b>	<b>9,230</b>

*Provision for income tax*

	<b>2023</b> \$	<b>2022</b> \$
<b>Provision for income tax</b>		
Provision for income tax	5,419	-

**Microba Life Sciences Limited**  
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**Note 6. Income tax (continued)**

*Deferred tax*

	<b>2023</b> \$	<b>2022</b> \$
<b>The balance comprises:</b>		
<b>Deferred tax assets:</b>		
Employee benefits	185,361	116,805
Accruals and other liabilities	175,376	277,123
Lease liabilities	190,853	236,853
Capital raising costs	348,248	495,689
Unrealised foreign currency	-	143,265
Other capital	22,401	-
	<b>922,239</b>	<b>1,269,735</b>
<b>Deferred tax liabilities:</b>		
Intangible assets	(83,363)	(113,901)
Right of use assets	(163,332)	(198,826)
Property, plant and equipment	(123,118)	(109)
Prepayments	(148,497)	(309,597)
Unrealised foreign currency	(46,243)	-
	<b>(564,553)</b>	<b>(622,433)</b>
<b>Deferred tax asset/(liability)</b>	<b>357,686</b>	<b>647,302</b>
Derecognition of deferred tax asset/liability	(357,686)	(647,302)
<b>Net deferred tax asset/(liability)</b>	<b>-</b>	<b>-</b>

*Tax losses not recognised*

The Group has not recognised deferred tax balances due to the uncertainty of losses being recovered in future periods. Unused tax losses for which no deferred tax asset has been recognised is \$4,301,537 (2022: \$3,701,909).

*Changes in applicable tax rates*

There has been no changes to the applicable tax rates during the year ended 30 June 2023. The income tax rate at 30 June 2023 is 25.00% (2022: 25.00%).

**Note 7. Employee benefits and other related costs**

	<b>2023</b> \$	<b>2022</b> \$
<b>Short term benefits</b>		
Share-based payments	6,234,102	6,807,061
Superannuation guarantee contributions	420,992	641,573
Other employee benefits and related costs	573,092	566,173
	<b>581,179</b>	<b>558,133</b>
	<b>7,809,365</b>	<b>8,572,940</b>

**Microba Life Sciences Limited**  
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**Note 8. Depreciation and amortisation expense**

	<b>2023</b>	<b>2022</b>
	\$	\$
Depreciation expense - property, plant and equipment	659,008	651,112
Depreciation expense - right of use assets	505,814	437,925
Amortisation expense - intangible assets	477,009	453,825
	<b><u>1,641,831</u></b>	<b><u>1,542,862</u></b>

Refer to note 15 and note 16 for details of depreciation expense by asset class, and refer to note 17 for details of amortisation expense by asset class.

**Note 9. Finance costs**

	<b>2023</b>	<b>2022</b>
	\$	\$
Interest expense	16,409	8,307
Interest expense on lease liability	44,003	46,982
	<b><u>60,412</u></b>	<b><u>55,289</u></b>

**Note 10. Cash and cash equivalents**

	<b>2023</b>	<b>2022</b>
	\$	\$
Cash at bank	18,681,587	26,229,530
Cash on deposit	12,220,668	-
Restricted cash	1,141,619	4,351,143
	<b><u>32,043,874</u></b>	<b><u>30,580,673</u></b>

The restricted cash balance held at 30 June 2023 represents USD758,394 cash held in escrow to meet the Group's payment obligations under the Technical Development Agreement (TDA) between the Group and Ginkgo Bioworks, Inc. Under the TDA, cash sufficient to pay for development activities over the next 6 months is to be held in an escrow bank account until the development activity payments become due.

**Note 11. Receivables**

	<b>2023</b>	<b>2022</b>
	\$	\$
<i>Current assets</i>		
Receivables from contracts with customers	602,310	589,084
Contract assets from contracts with customers	122,333	50,518
Research and development tax incentive receivable	6,071,997	2,592,009
Other receivables	439,560	190,907
	<b><u>7,236,200</u></b>	<b><u>3,422,518</u></b>

The Group's exposure to credit and currency risk and expected credit losses related to receivables held are disclosed in note 27. The expected credit loss at 30 June 2023 is close to nil and not material.

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**Note 12. Inventories**

	<b>2023</b> \$	<b>2022</b> \$
<i>Current assets</i>		
Raw materials and consumables - at cost	644,427	360,033

**Note 13. Financial assets**

	<b>2023</b> \$	<b>2022</b> \$
<i>Current assets</i>		
Cash on deposit	204,436	204,436

**Note 14. Other assets**

	<b>2023</b> \$	<b>2022</b> \$
<i>Current assets</i>		
Prepayments	1,396,124	1,249,266

**Note 15. Property, plant and equipment**

	<b>2023</b> \$	<b>2022</b> \$
<i>Non-current assets</i>		
Laboratory equipment at cost	4,519,873	4,067,281
Accumulated depreciation	(2,710,024)	(2,175,296)
	<b>1,809,849</b>	<b>1,891,985</b>
 Furniture, fixtures and fittings at cost	 55,256	 51,807
Accumulated depreciation	(18,323)	(14,593)
	<b>36,933</b>	<b>37,214</b>
 Computer equipment at cost	 250,248	 267,476
Accumulated depreciation	(169,475)	(183,623)
	<b>80,773</b>	<b>83,853</b>
 <b>Total property, plant and equipment</b>	 <b>1,927,555</b>	 <b>2,013,052</b>

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**Note 15. Property, plant and equipment (continued)**

*Reconciliations*

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

	<b>Laboratory equipment</b> \$	<b>Furniture, fixtures and fittings</b> \$	<b>Computer equipment</b> \$	<b>Total</b> \$
<b>Balance at 1 July 2021</b>	<b>958,113</b>	<b>48,451</b>	<b>56,388</b>	<b>1,062,952</b>
Additions	1,540,441	22,625	72,995	1,636,061
Disposals	-	(28,266)	-	(28,266)
Exchange differences	(6,583)	-	-	(6,583)
Depreciation expense	(599,986)	(5,596)	(45,530)	(651,112)
<b>Balance at 30 June 2022</b>	<b>1,891,985</b>	<b>37,214</b>	<b>83,853</b>	<b>2,013,052</b>
Additions	488,503	11,400	50,559	550,462
Disposals	(11,835)	(3,576)	(5,663)	(21,074)
Exchange differences	44,123	-	-	44,123
Depreciation expense	(602,927)	(8,105)	(47,976)	(659,008)
<b>Balance at 30 June 2023</b>	<b>1,809,849</b>	<b>36,933</b>	<b>80,773</b>	<b>1,927,555</b>

**Note 16. Right-of-use assets**

	<b>2023</b> \$	<b>2022</b> \$
<i>Non-current assets</i>		
Buildings - right-of-use	1,942,481	1,651,390
Less: Accumulated depreciation	(1,354,244)	(856,085)
	<b>588,237</b>	<b>795,305</b>
Plant and equipment - right-of-use	72,744	-
Less: Accumulated depreciation	(7,654)	-
	<b>65,090</b>	<b>-</b>
<b>Total carrying amount of lease assets</b>	<b>653,327</b>	<b>795,305</b>

*Reconciliations*

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

	<b>Buildings</b> \$	<b>Laboratory Equipment</b> \$	<b>Total</b> \$
<b>Balance at 1 July 2021</b>	<b>133,257</b>	-	<b>133,257</b>
Additions	1,131,772	-	<b>1,131,772</b>
Disposals	(31,799)	-	<b>(31,799)</b>
Depreciation expense	(437,925)	-	<b>(437,925)</b>
<b>Balance at 30 June 2022</b>	<b>795,305</b>	-	<b>795,305</b>
Additions	291,092	72,744	<b>363,836</b>
Depreciation expense	(498,160)	(7,654)	<b>(505,814)</b>
<b>Balance at 30 June 2023</b>	<b>588,237</b>	<b>65,090</b>	<b>653,327</b>

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**Note 16. Right-of-use assets (continued)**

The Group leases office and laboratory space under two separate lease agreements. Both leases have a term of between 1 and 4 years, with CPI increases to be applied each year. On renewal, the terms of the leases are renegotiated by the Group.

The Group also holds a lease over Laboratory Equipment with a 3 year term. The lease costs are fixed for the term of the agreement and ownership of the underlying assets will transfer to the Group at the conclusion of the lease.

**Note 17. Intangible assets**

	<b>2023</b> \$	<b>2022</b> \$
<i>Non-current assets</i>		
Capitalised system development at cost	2,755,512	1,847,350
Accumulated amortisation	(1,541,032)	(1,202,984)
	<b>1,214,480</b>	<b>644,366</b>
 <i>Intellectual property</i>		
Intellectual property at cost	417,595	414,841
Accumulated amortisation	(231,747)	(205,273)
	<b>185,848</b>	<b>209,568</b>
 <i>Capitalised product development</i>		
Capitalised product development at cost	1,528,613	-
Accumulated amortisation	(81,851)	-
	<b>1,446,762</b>	<b>-</b>
<b>Total intangible assets</b>	<b>2,847,090</b>	<b>853,934</b>

*Reconciliations*

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

	<b>Capitalised system development</b> \$	<b>Intellectual property</b> \$	<b>Capitalised product development</b> \$	<b>Total</b> \$
<b>Balance at 1 July 2021</b>	<b>824,764</b>	<b>246,292</b>	-	<b>1,071,056</b>
Additions	209,418	27,285	-	236,703
Amortisation expense	(389,816)	(64,009)	-	(453,825)
 <b>Balance at 30 June 2022</b>	 <b>644,366</b>	 <b>209,568</b>	-	 <b>853,934</b>
Additions	908,322	49,493	1,528,613	2,486,428
Disposals	(148)	(16,115)	-	(16,263)
Amortisation expense	(338,060)	(57,098)	(81,851)	(477,009)
 <b>Balance at 30 June 2023</b>	 <b>1,214,480</b>	 <b>185,848</b>	 <b>1,446,762</b>	 <b>2,847,090</b>

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**Note 18. Payables**

	<b>2023</b>	<b>2022</b>
	\$	\$
<i>Current liabilities</i>		
Trade creditors	2,981,648	813,188
Employee payables and accruals	1,132,592	931,649
Sundry creditors and accruals	871,108	1,134,275
	<b><u>4,985,348</u></b>	<b><u>2,879,112</u></b>

Refer to note 27 for further information on financial risk management objectives and policies.

**Note 19. Borrowings**

	<b>2023</b>	<b>2022</b>
	\$	\$
<i>Current liabilities</i>		
Credit card liability - unsecured	23,237	26,586
Insurance premium funding - unsecured	335,489	337,477
	<b><u>358,726</u></b>	<b><u>364,063</u></b>

Refer to note 27 for further information on financial risk management objectives and policies.

*Insurance premium funding*

Insurance premium funding is utilised by the Group to evenly distribute annual insurance premiums owed over an 11 month period, as a liquidity management strategy. The balance owed in relation to the Group's insurance premium funding arrangement is shown above.

**Note 20. Lease liabilities**

	<b>2023</b>	<b>2022</b>
	\$	\$
<i>Current liabilities</i>		
Lease liability	543,002	477,301
<i>Non-current liabilities</i>		
Lease liability	234,064	483,766
	<b><u>777,066</u></b>	<b><u>961,067</u></b>

	<b>2023</b>	<b>2022</b>
	\$	\$
Interest expense on lease liabilities	44,003	46,982
Cash outflow in relation to leases	591,840	377,817

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**Note 21. Employee benefits**

	<b>2023</b> \$	<b>2022</b> \$
<i>Current liabilities</i>		
Employee benefits	582,586	486,467
<i>Non-current liabilities</i>		
Employee benefits	170,004	99,496
	<b>752,590</b>	<b>585,963</b>

**Note 22. Other liabilities**

	<b>2023</b> \$	<b>2022</b> \$
<i>Current liabilities</i>		
Deferred Government Grants - R&D Tax Incentive	43,230	86,813
Deferred Grant Income - Other	-	90,523
Novated lease liability	2,316	-
	<b>45,546</b>	<b>177,336</b>
<i>Non-current liabilities</i>		
Deferred Government Grants - R&D Tax Incentive	150,696	95,340
	<b>196,242</b>	<b>272,676</b>

**Note 23. Contract liabilities**

	<b>2023</b> \$	<b>2022</b> \$
<i>Current liabilities</i>		
Contracts with customers where services are transferred at a point in time	446,836	359,148
Contracts with customers where services are transferred over time	856,970	520,984
	<b>1,303,806</b>	<b>880,132</b>

Contract liabilities relate to contracted services where consideration is received from customers prior to the fulfilment of the performance obligations of the contract. Such consideration is recorded as deferred revenue to be recognised as revenue in a future period, once the performance obligations have been fulfilled. Refer to note 2 for details of the Group's revenue recognition policy.

For revenue to be recognised at a point in time, payment by the customer is generally made at the time of ordering the service. For revenue to be recognised over time, payment from the customer is received in line with payment milestones outlined in the contract. Performance obligations related to the consideration received in advance are expected to be fulfilled within 12 months.

**Note 24. Issued capital**

	<b>2023</b> <b>Shares</b>	<b>2022</b> <b>Shares</b>	<b>2023</b> \$	<b>2022</b> \$
Ordinary shares - fully paid	344,136,473	274,357,998	80,373,986	62,884,010

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**Note 24. Issued capital (continued)**

*Movements in ordinary share capital*

<b>Details</b>	<b>Date</b>	<b>Shares</b>	<b>\$</b>
<b>Balance</b>			
Shares issued 13 July 2021 - \$0.40	1 July 2021	204,426,332	<b>33,482,960</b>
Shares issued 13 October 2021 - \$0.40		2,500,000	1,000,000
Shares issued 11 November 2021 - \$0.40		625,000	250,005
Shares issued 5 April 2022 - \$0.45		140,000	56,000
Transaction costs relating to shares issued		66,666,666	30,000,000
		-	(1,904,955)
<b>Balance</b>			
Shares issued 1 December 2022 - \$0.26	30 June 2022	274,357,998	<b>62,884,010</b>
Shares issued 5 April 2023 on exercise of options		68,589,498	17,833,270
Shares issued 26 April 2023 on exercise of options		719,653	147,048
Shares issued 19 May 2023 on exercise of options		435,736	98,032
Transaction costs relating to shares issued		33,588	7,252
		-	(595,626)
<b>Balance</b>			
	30 June 2023	<b>344,136,473</b>	<b>80,373,986</b>

*Exercise of options during the year*

During the year in accordance with their terms 2,575,000 fully vested options under the Employee Share and Option Plan were exercised and net settled. As a result a total of 1,188,977 new shares were issued on net settlement. This results in a lower dilution of the issued capital of the Group on conversion. The volume weighted average share prices at the respective dates of exercise for the financial year ended 30 June 2023 are noted below:

Shares issued - 5 April 2023 - \$0.35  
Shares issued - 26 April 2023 - \$0.32  
Shares issued - 19 May 2023 - \$0.33

*Rights of each share type*

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the numbers of shares held.

At shareholders meetings each ordinary share is entitled to one vote when a poll is called.

*Share buy-back*

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

*Shares reserved for issue under option*

During the year ended 30 June 2023, the Group issued 22,863,168 options over ordinary shares to A.C.N 002 889 545 Pty Ltd, a subsidiary of Sonic Healthcare Limited, at an exercise price of \$0.33.

*Capital risk management*

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders, benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group would consider raising capital when an opportunity to invest in a business or company was seen as value adding relative to the current Company's share price at the time of the investment.

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**Note 25. Reserves**

	<b>2023</b>	<b>2022</b>
	\$	\$
Foreign currency translation reserve	137,375	78,167
Share-based payments reserve	<u>1,945,170</u>	<u>1,776,510</u>
	<b><u>2,082,545</u></b>	<b><u>1,854,677</u></b>

The foreign currency translation reserve is used to record the exchange differences arising on translation of a foreign entity.

The share-based payments reserve is used to record the fair value of the shares or options issued to employees. Refer to note 26.

**Note 26. Share-based payments**

**Equity-settled share-based payments**

*Employee option plan*

The Group has approved an employee share and option plan titled the 'Microba Employee Share and Option Plan' ('ESOP') designed to provide eligible persons with the opportunity to participate at the discretion of the Directors. The shares and options issued under the plan are subject to vesting conditions and disposal restrictions. Options issued under the ESOP are issued at a premium to the last share issuance price to align employee and shareholder interests.

Details of the options granted under the ESOP are provided below:

		<b>2023</b>		<b>Balance at the start of the year</b>	<b>Granted during the period</b>	<b>Exercised during the period</b>	<b>Forfeited during the period</b>	<b>Balance at the end of the year</b>
<b>Grant date</b>	<b>Expiry date</b>	<b>Exercise price</b>						
15/10/2018	15/10/2023	\$0.180		6,900,000	-	(2,500,000)	-	4,400,000
15/02/2019	15/10/2023	\$0.180		400,000	-	-	-	400,000
01/03/2019	15/10/2023	\$0.180		150,000	-	(75,000)	-	75,000
05/04/2019	15/10/2023	\$0.180		400,000	-	-	-	400,000
25/11/2019	24/11/2024	\$0.300		5,100,000	-	-	-	5,100,000
13/01/2020	24/11/2024	\$0.255		400,000	-	-	-	400,000
31/01/2020	24/11/2024	\$0.300		200,000	-	-	-	200,000
30/06/2020	29/06/2024	\$0.300		400,000	-	-	(133,334)	266,666
01/04/2021	04/04/2026	\$0.336		3,650,000	-	-	(333,334)	3,316,666
05/04/2022	05/05/2025	\$0.675		1,200,000	-	-	-	1,200,000
				<b>18,800,000</b>	<b>-</b>	<b>(2,575,000)</b>	<b>(466,668)</b>	<b>15,758,332</b>

Options granted to Directors and Employees under the ESOP are dependent upon continuous service to the Company, and are to be settled by equity once exercisable. The average remaining contractual life of options outstanding at period end is 1.35 years (2022: 2.22 years).

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**Note 26. Share-based payments (continued)**

	<b>Number of options 2023</b>	<b>Weighted average exercise price 2023</b>	<b>Number of options 2022</b>	<b>Weighted average exercise price 2022</b>
Outstanding at the beginning of the financial year	18,800,000	\$0.280	17,600,000	\$0.253
Granted	-	\$0.000	1,200,000	\$0.675
Forfeited	(466,668)	\$0.326	-	\$0.000
Exercised*	(2,575,000)	\$0.180	-	\$0.000
<b>Outstanding at the end of the financial year</b>	<b><u>15,758,332</u></b>	<b>\$0.295</b>	<b><u>18,800,000</u></b>	<b>\$0.280</b>
<b>Exercisable at the end of the financial year</b>	<b><u>5,275,000</u></b>	<b>\$0.180</b>	<b><u>-</u></b>	<b>\$0.000</b>

\* The volume weighted average share price at the dates of exercise of options exercised during the year ended 30 June 2023 is as follows:

Shares issued - 5 April 2023 - \$0.35

Shares issued - 26 April 2023 - \$0.32

Shares issued - 19 May 2023 - \$0.33

At 30 June 2023, there are 5,275,000 (2022: 0) exercisable options, and 10,483,332 (2022: 18,800,000) options that are escrowed under voluntary escrow agreements.

There were no options granted during the year ended 30 June 2023. For the options granted during the previous financial year, the Black-Scholes valuation model inputs used to determine the fair value at the grant date, are as follows:

<b>Grant date</b>	<b>Expiry date</b>	<b>Share price at grant date</b>	<b>Exercise price</b>	<b>Expected volatility</b>	<b>Dividend yield</b>	<b>Risk-free interest rate</b>	<b>Fair value at grant date</b>
05/04/2022	05/05/2025	\$0.450	\$0.675	95.00%	-	0.70%	\$0.229

**Expenses recognised from share-based payment transactions**

The expense recognised in relation to the share-based payment transactions was recognised within employee benefit expense within the statement of profit or loss were as follows:

	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Options issued under ESOP	462,780	585,573
Options forfeited under ESOP	(41,788)	-
Shares issued under ESOP	-	56,000
<b>Total expenses recognised from share-based payment transactions</b>	<b>420,992</b>	<b>641,573</b>

**Note 27. Financial risk management objectives and policies**

**Financial risk management objectives**

The Group has various financial instruments such as cash and cash equivalents, cash on deposit, trade receivables, and trade payables, which arise directly from its operations. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, and liquidity risk. The Group's key management personnel oversee the management of these risks. The objective of the management of these risks is to support the delivery of the Group's financial targets while protecting future financial security.

The Group uses different methods to measure and manage different types of risks to which it is exposed, as outlined below.

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**Note 27. Financial risk management objectives and policies (continued)**

**Market risk**

**Foreign currency risk**

The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

To protect against exchange rate movements, the Group monitors levels of foreign currency exposure and holds funds in foreign currencies to cover highly probable forecasted foreign currency cashflows occurring within the next six months.

The carrying amount of the Group's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

	<b>Assets</b>		<b>Liabilities</b>	
	<b>2023</b> \$	<b>2022</b> \$	<b>2023</b> \$	<b>2022</b> \$
US dollars	2,286,425	4,234,333	772,225	58,195
Swiss francs	14,874	791,638	343,946	-
Euros	527,536	208,916	450	6,200
Canadian dollars	-	-	6,475	11,366
Pound Sterling	-	-	-	4,000
	<b>2,828,835</b>	<b>5,234,887</b>	<b>1,123,096</b>	<b>79,761</b>

Based on this exposure, had the Australian dollar strengthened or weakened by 10% against these foreign currencies, the impact on the loss on the Group would have been an increase/decrease of \$258,482 (2022: \$777,683) and a corresponding increase/decrease in equity of the same amount.

**Interest rate risk**

The Group's main interest rate risk arises from cash and cash equivalents with floating interest rates. The Group's deposit accounts are subject to fixed interest rates, repricing periodically. The Group's transactional bank accounts are predominantly non-interest bearing.

As at the reporting date, the Group had the following cash balances subject to interest income:

	<b>2023</b>		<b>2022</b>	
	<b>Weighted average interest rate %</b>	<b>Balance \$</b>	<b>Weighted average interest rate %</b>	<b>Balance \$</b>
Cash and cash equivalents - non-interest bearing	-	3,295,360	-	3,608,509
Cash and cash equivalents - interest bearing	3.05%	15,386,227	0.21%	22,621,021
Cash on deposit	4.30%	12,220,668	-	-
Restricted cash	-	1,141,619	-	4,351,143
<b>Exposure to interest rate risk on cash deposits</b>		<b>32,043,874</b>		<b>30,580,673</b>

The premium funding facility held and drawn down by the Group is at a fixed interest rate of 3.89% for a term of one year. Owing to the nature and duration of the borrowing, the Group does not consider the interest rate risk arising from the arrangement to be material. The drawn amounts are expected to be repaid within the term and re-draw is subject to managements discretion at the point of the renewal of insurance policies.

**Note 27. Financial risk management objectives and policies (continued)**

Refer to note 19 for additional disclosure relating to the Group's borrowings.

Due to the nature of the Group's interest exposure and the current market interest rates, a reasonable increase or decrease in the interest rate of 0.5% to 1.0% would not result in a significant increase/decrease in the net loss and equity position of the Group. Interest income earned on the Group's cash deposits was \$878,049 (2022: \$49,551) and interest expense was \$60,412 (2022: \$55,289).

Management considers the interest rate risk to which the Group is exposed to be minimal and as such, does not enter into interest rate swaps or other derivatives relating to interest rate exposure.

**Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

Regular monitoring of receivables is undertaken to ensure that the credit exposure remains within the Group's normal terms of trade. Trade receivables will generally be written off when there is no reasonable expectation of recovery, based on management's assessment.

The Group holds cash in current and savings accounts with various large and reputable financial institutions in Australia, USA and Europe. The credit risk associated with these counterparties is considered negligible as these counterparties are reputable banks with high quality external credit ratings.

The Parent has a policy of lending to its wholly owned subsidiaries, ensuring their continued operations, as required.

**Allowance for expected credit losses**

Management has determined that there is no material expected credit loss for the Group, and as such, no loss has been recognised for the year ended 30 June 2023, or any previous period.

The ageing of the receivables held by the Group are as follows:

	<b>2023</b>	<b>2022</b>
	\$	\$
Not overdue	7,067,225	3,388,746
0 to 3 months overdue	168,975	33,772
	<b><u>7,236,200</u></b>	<b><u>3,422,518</u></b>

Historically, the Group has not recognised any bad or doubtful debts in relation to receivables from contracts with customers. Therefore, expected credit loss at balance date is expected to be close to nil and not material.

**Liquidity risk**

Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves by continuously monitoring actual and forecast cash flows.

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**Note 27. Financial risk management objectives and policies (continued)**

*Remaining contractual maturities*

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the earliest date on which the financial liabilities are required to be paid. The tables include the total financial liability, consistent with the statement of financial position.

2023	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
	\$	\$	\$	\$	\$
<b>Non-derivatives</b>					
<i>Non-interest bearing</i>					
Trade and other payables	4,985,348	-	-	-	<b>4,985,348</b>
<i>Interest-bearing - fixed rate</i>					
Borrowings	358,726	-	-	-	<b>358,726</b>
Lease liability	543,002	227,583	6,481	-	<b>777,066</b>
<b>Total non-derivatives</b>	<b>5,887,076</b>	<b>227,583</b>	<b>6,481</b>	-	<b>6,121,140</b>

2022	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
	\$	\$	\$	\$	\$
<b>Non-derivatives</b>					
<i>Non-interest bearing</i>					
Trade and other payables	2,879,112	-	-	-	<b>2,879,112</b>
<i>Interest-bearing - fixed rate</i>					
Borrowings	364,063	-	-	-	<b>364,063</b>
Lease liability	477,301	281,331	202,435	-	<b>961,067</b>
<b>Total non-derivatives</b>	<b>3,720,476</b>	<b>281,331</b>	<b>202,435</b>	-	<b>4,204,242</b>

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

***Fair value of financial instruments***

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

**Microba Life Sciences Limited**  
**Notes to the consolidated financial statements**  
**30 June 2023**

**Note 28. Reconciliation of loss after income tax to net cash used in operating activities**

	2023	2022
	\$	\$
<b>Loss after income tax expense for the year</b>	<b>(12,680,212)</b>	<b>(11,470,429)</b>
Adjustments for:		
Depreciation and amortisation (non-cash)	1,641,831	1,542,862
Write back of bad debts	-	(170,522)
Share-based payments (non-cash)	420,992	641,573
Loss on disposal of property, plant and equipment (non-cash)	21,074	20,311
Unwinding of capital portion of grants and subsidies received (investing cash flow)	(38,087)	(276,346)
Foreign currency differences (non-cash)	(140,014)	(483,521)
Change in operating assets and liabilities:		
Increase in receivables	(3,813,682)	(1,772,600)
Decrease/(increase) in inventories	(284,394)	153,248
Increase in prepayments	(146,858)	(220,926)
Increase in payables	2,106,236	1,373,681
Increase/(decrease) in contract liabilities	423,674	(233,197)
Increase in provision for income tax	5,419	-
Increase in employee benefits	166,627	186,009
Increase/(decrease) in other operating liabilities	(76,434)	261,045
<b>Net cash used in operating activities</b>	<b>(12,393,828)</b>	<b>(10,448,812)</b>

**Note 29. Non-cash investing and financing activities**

	2023	2022
	\$	\$
Additions to the right-of-use assets	363,836	1,131,772
Shares issued under employee share plan	-	56,000
Shares issued on the exercise of options under ESOP	252,332	-
	<b>616,168</b>	<b>1,187,772</b>

**Microba Life Sciences Limited**  
**Notes to the consolidated financial statements**  
**30 June 2023**

**Note 30. Changes in liabilities arising from financing activities**

	<b>Equipment Loan \$</b>	<b>Insurance Premium Funding \$</b>	<b>Lease Liability \$</b>	<b>Credit Card Liability \$</b>	<b>Total \$</b>
<b>Balance at 1 July 2021</b>	<b>135,886</b>	<b>-</b>	<b>160,130</b>	<b>(26,998)</b>	<b>269,018</b>
Net cash from/(used in) financing activities	(135,886)	(90,192)	(330,835)	53,584	(503,329)
Loans received	-	425,349	-	-	425,349
Acquisition of plant and equipment by means of leases	-	-	1,131,772	-	1,131,772
Disposal of leased assets	-	-	(31,799)	-	(31,799)
Interest expense	-	2,320	46,982	-	49,302
Other changes	-	-	(15,183)	-	(15,183)
<b>Balance at 30 June 2022</b>	<b>-</b>	<b>337,477</b>	<b>961,067</b>	<b>26,586</b>	<b>1,325,130</b>
Net cash used in financing activities	-	(497,355)	(591,840)	(3,349)	(1,092,544)
Loans received	-	479,270	-	-	479,270
Acquisition of plant and equipment by means of leases	-	-	363,836	-	363,836
Interest expense	-	16,097	44,003	-	60,100
<b>Balance at 30 June 2023</b>	<b>-</b>	<b>335,489</b>	<b>777,066</b>	<b>23,237</b>	<b>1,135,792</b>

**Note 31. Key management personnel disclosures**

Key management personnel include the Chief Executive Officer, Chief Financial Officer and the Directors of the Group, who have the authority and responsibility for planning, directing and controlling the activities of the Group.

*Compensation*

The aggregate compensation made to Directors and other members of key management personnel of the Group is set out below:

	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	1,015,250	959,318
Post-employment benefits	51,242	39,913
Long-term benefits	10,778	11,285
Share-based payments	196,454	229,139
	<b>1,273,724</b>	<b>1,239,655</b>

Additional detail relating the compensation of key management personnel and Directors is included in the accompanying Directors' Report.

**Note 32. Related party transactions**

*Parent entity*

Microba Life Sciences Limited is the parent entity.

*Subsidiaries*

Interests in subsidiaries are set out in note 37.

*Key management personnel*

Disclosures relating to key management personnel are set out in note 31 and the remuneration report included in the Directors' report.

**Microba Life Sciences Limited**  
**Notes to the consolidated financial statements**  
**30 June 2023**

**Note 32. Related party transactions (continued)**

*Transactions with related parties*

There were no transactions with related parties during the current and previous financial year, other than key management personnel remuneration as disclosed in note 31.

*Receivable from and payable to related parties*

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

*Loans to/from related parties*

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

**Note 33. Remuneration of auditors**

During the financial year the following fees were paid or payable for services provided by Pitcher Partners, the auditor of the Company, and its network firms:

	<b>2023</b> \$	<b>2022</b> \$
<i>Audit services - Pitcher Partners</i>		
Audit or review of the financial statements	91,000	74,196
<i>Other services - Pitcher Partners</i>		
Taxation services	55,680	60,420
Consulting fees relating to Microba's IPO	-	47,200
Other fees	12,569	4,519
	<b>68,249</b>	<b>112,139</b>
	<b>159,249</b>	<b>186,335</b>
<i>Other services - network firms</i>		
Taxation services	21,508	5,352
	<b>21,508</b>	<b>5,352</b>

**Note 34. Earnings per share**

	<b>2023</b> \$	<b>2022</b> \$
<b>Loss after income tax attributable to the owners of Microba Life Sciences Limited</b>	<b>(12,680,212)</b>	<b>(11,470,429)</b>
	<b>Number</b>	<b>Number</b>
<b>Weighted average number of ordinary shares used in calculating basic earnings per share</b>	<b>314,259,389</b>	<b>223,078,862</b>
<b>Weighted average number of ordinary shares used in calculating diluted earnings per share</b>	<b>314,259,389</b>	<b>223,078,862</b>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(4.03)	(5.14)
Diluted earnings per share	(4.03)	(5.14)

Due to the loss making position of the Group, the impact of options issued is non-dilutive and as such, has been excluded from the calculation of earnings per share.

**Microba Life Sciences Limited**  
**Notes to the consolidated financial statements**  
**30 June 2023**

**Note 35. Operating segments**

*Identification of reportable operating segments*

The Group is organised into two (2) operating segments: Testing Services, and Research & Development. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Maker ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The CODM reviews the profit and loss before tax of the consolidated Group on a monthly basis. The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

*Major customers*

During the year ended 30 June 2023 there were no significant customers from which 10% or more of the Group's external revenue was derived.

*Operating segment information*

*Segment profit and loss*

	<b>Testing Services</b> \$	<b>Research &amp; Development</b> \$	<b>Unallocated</b> \$	<b>Total</b> \$
<b>2023</b>				
Revenue from contracts with external customers	5,420,136	-	-	5,420,136
Cost of sales	(2,741,873)	-	-	(2,741,873)
<b>Gross profit</b>	<b>2,678,263</b>	-	-	<b>2,678,263</b>
Subsidies and grant income	91,700	6,275,588	-	6,367,288
Interest income	-	-	878,049	878,049
Other income	-	-	3,083	3,083
Foreign currency income	-	-	367,547	367,547
	<b>91,700</b>	<b>6,275,588</b>	<b>1,248,679</b>	<b>7,615,967</b>
<b>Expenses</b>				
Employee benefits and other related costs	(2,186,442)	(1,664,336)	(3,958,587)	(7,809,365)
Research and development expense	-	(9,337,113)	-	(9,337,113)
Depreciation and amortisation expense	-	-	(1,641,831)	(1,641,831)
Consulting fees	(209,526)	(193,394)	(586,924)	(989,844)
Marketing and advertising expense	(389,925)	(23,324)	(279,458)	(692,707)
Legal and intellectual property advisory fees	(25,479)	(20,559)	(99,746)	(145,784)
Finance costs	-	-	(60,412)	(60,412)
Other expenses	(379,361)	(292,465)	(1,619,917)	(2,291,743)
<b>Total expenses</b>	<b>(3,190,733)</b>	<b>(11,531,191)</b>	<b>(8,246,875)</b>	<b>(22,968,799)</b>
<b>Loss before income tax benefit</b>	<b>(420,770)</b>	<b>(5,255,603)</b>	<b>(6,998,196)</b>	<b>(12,674,569)</b>
Income tax expense	-	-	(5,643)	(5,643)
<b>Loss after income tax expense</b>	<b>(420,770)</b>	<b>(5,255,603)</b>	<b>(7,003,839)</b>	<b>(12,680,212)</b>

**Microba Life Sciences Limited**  
**Notes to the consolidated financial statements**  
**30 June 2023**

**Note 35. Operating segments (continued)**

**For personal use only**

	<b>Testing Services</b> \$	<b>Research &amp; Development</b> \$	<b>Unallocated</b> \$	<b>Total</b> \$
<b>2022</b>				
Revenue from contracts with external customers	4,688,645	-	-	4,688,645
Cost of sales	(2,322,930)	-	-	(2,322,930)
<b>Gross profit</b>	<b>2,365,715</b>	-	-	<b>2,365,715</b>
Subsidies and grant income	-	4,227,762	96,334	4,324,096
Interest income	-	-	49,551	49,551
Foreign currency gain	-	-	492,507	492,507
		<b>4,227,762</b>	<b>638,392</b>	<b>4,866,154</b>
<b>Expenses</b>				
Employee benefits and other related costs	(2,743,721)	(1,380,900)	(4,448,319)	(8,572,940)
Research and development expense	-	(5,383,823)	-	(5,383,823)
Depreciation and amortisation expense	-	-	(1,542,862)	(1,542,862)
Consulting fees	(140,491)	(92,582)	(433,645)	(666,718)
Marketing and advertising expense	(345,418)	(227)	(195,068)	(540,713)
Legal and intellectual property advisory fees	(45,104)	(25,021)	(421,638)	(491,763)
Finance costs	-	-	(55,289)	(55,289)
Other expenses	(297,782)	(57,049)	(1,084,129)	(1,438,960)
<b>Total expenses</b>	<b>(3,572,516)</b>	<b>(6,939,602)</b>	<b>(8,180,950)</b>	<b>(18,693,068)</b>
<b>Loss before income tax</b>		<b>(1,206,801)</b>	<b>(2,711,840)</b>	<b>(7,542,558)</b>
Income tax expense		-	-	(9,230)
<b>Loss after income tax</b>		<b>(1,206,801)</b>	<b>(2,711,840)</b>	<b>(7,551,788)</b>
				<b>(11,470,429)</b>
<b>Segment assets and liabilities</b>				
Assets and liabilities of the Group are reported to the CODM at the total business level and no segment information is provided to, or used by, the CODM. As such, no segment information for assets and liabilities of the Group have been included, with the exception of non-current assets as disclosed below.				
All non-current assets held by the Group are unallocated. Total non-current assets for the period ended 30 June 2023 are \$5,427,972 (2022: \$3,662,291).				
<b>Geographical information</b>				
	<b>Revenue from external customers</b>		<b>Geographical non-current assets</b>	
	<b>2023</b> \$	<b>2022</b> \$	<b>2023</b> \$	<b>2022</b> \$
Australia	3,161,571	2,621,730	4,372,153	2,350,824
Europe	1,082,185	774,732	-	-
New Zealand	163,569	259,468	-	-
United Arab Emirates	456,708	266,652	-	-
United Kingdom	1,236	691	-	-
United States	554,460	765,372	1,055,819	1,311,467
Singapore	407	-	-	-
	<b>5,420,136</b>	<b>4,688,645</b>	<b>5,427,972</b>	<b>3,662,291</b>

**Microba Life Sciences Limited**  
**Notes to the consolidated financial statements**  
**30 June 2023**

**Note 36. Parent entity information**

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

*Statement of profit or loss and other comprehensive income*

	Parent	2023	2022
	\$	\$	\$
<b>Loss after income tax</b>		<b>(12,621,128)</b>	<b>(10,817,148)</b>
Other comprehensive income for the year, net of tax		-	-
<b>Total comprehensive loss</b>		<b>(12,621,128)</b>	<b>(10,817,148)</b>

*Statement of financial position*

	Parent	2023	2022
	\$	\$	\$
Total current assets		39,196,645	34,150,779
Total non-current assets		-	-
<b>Total assets</b>		<b>39,196,645</b>	<b>34,150,779</b>
Total current liabilities		472,113	507,153
Total non-current liabilities		150,696	107,422
<b>Total liabilities</b>		<b>622,809</b>	<b>614,575</b>
<b>Net assets</b>		<b>38,573,836</b>	<b>33,536,204</b>
<b>Equity</b>			
Issued capital	80,373,986	62,883,886	
Share-based payments reserve	1,945,170	1,776,510	
Accumulated losses	(43,745,320)	(31,124,192)	
<b>Total equity</b>		<b>38,573,836</b>	<b>33,536,204</b>

*Guarantees entered into by the parent entity in relation to the debts of its subsidiaries*

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2023 and 30 June 2022.

*Contingent liabilities*

The parent entity had no contingent liabilities as at 30 June 2023 and 30 June 2022.

*Capital commitments - Property, plant and equipment*

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2023 and 30 June 2022.

*Loans to subsidiaries*

The parent entity holds loans with its subsidiaries which cause the net assets of the parent entity to exceed the total equity of the consolidated Group. Impairment losses have been recorded against the parent entity's loans receivable to reduce the equity position of the parent entity to the consolidated equity of the Group.

*Significant accounting policies*

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2.

**Microba Life Sciences Limited**  
**Notes to the consolidated financial statements**  
**30 June 2023**

**Note 37. Interests in subsidiaries**

**Subsidiaries of Microba Life Sciences Limited**

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

<b>Name</b>	<b>Principal place of business / Country of incorporation</b>	<b>Ownership interest</b>	
		<b>2023</b> <b>%</b>	<b>2022</b> <b>%</b>
Microba Pty Ltd Incorporated 6 September 2019	Australia	100%	100%
Microba Services Pty Ltd Incorporated 6 September 2019	Australia	100%	100%
Microba IP Pty Ltd Incorporated 6 September 2019	Australia	100%	100%
Microba US, Inc. Incorporated 14 January 2020	United States of America	100%	100%

**Note 38. Contingent liabilities**

There were no contingent liabilities requiring disclosure in the financial report.

**Note 39. Events after the reporting period**

Subsequent to year end, on 28 July 2023, the Company granted a total of 10,605,000 options to employees (including KMP) in accordance with terms of the Microba Employee Share & Option Plan. Of the options granted, 6,605,000 options were granted at an exercise price of \$0.45 and vest after 3 years, except for 300,000 options which vest after 18 months from grant date. The remaining 4,000,000 options granted were issued at an exercise price of \$0.65 and vest after 3 years from grant date. The vesting conditions for these options are tied to revenue growth, total shareholder return and continuous employment over the vesting period.

Apart from the matter above, no other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's affairs in future years.

**Microba Life Sciences Limited**

**Directors' declaration**

**30 June 2023**

The Directors of the Company declare that:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2023 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

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

On behalf of the Directors



Pasquale Rombola  
Director

30 August 2023  
Brisbane

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Level 38, 345 Queen Street  
Brisbane, QLD 4000

Postal address  
GPO Box 1144  
Brisbane, QLD 4001

p. +61 7 3222 8444

## Independent Auditor's Report To the Members of Microba Life Sciences Limited

### Report on the Audit of the Financial Report

#### *Opinion*

We have audited the financial report of Microba Life Sciences Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2023, 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, 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 Group is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year then ended; and
- (b) 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 (including Independence Standards)* "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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

#### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Brisbane Sydney Newcastle Melbourne Adelaide Perth

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FELICITY CRIMSTON  
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KIERAN WALLIS

MURRAY GRAHAM  
ANDREW ROBIN  
KAREN LEVINE

EDWARD FLETCHER  
ROBERT HUGHES

Key Audit Matter	How our audit addressed the key audit matter
<b>Research and Development Tax Incentive Refer to Notes 5 and 11</b> <p>At 30 June 2023 the Group's consolidated statement of financial position includes a Research and Development (R&amp;D) Tax Incentive receivable of \$6,071,997 and R&amp;D Tax Incentive revenue of \$6,094,543.</p> <p>The Group receives refundable R&amp;D tax incentives from the Australian government which represents 43.5 cents in each dollar of eligible annual R&amp;D expenditure, if its turnover is less than \$20 million per annum.</p> <p>The Group has had four Overseas Advanced Findings successfully approved by AusIndustry relating to its immuno-oncology and IBD therapeutic programs.</p> <p>Management performed a detailed assessment of the Group's total R&amp;D expenditure to estimate the refundable R&amp;D tax incentive receivable under the R&amp;D tax incentive legislation, based on R&amp;D tax legislation.</p> <p>This was considered a key audit matter due to the size of the receivable and revenue recognised as well as the degree of judgment and interpretation of the R&amp;D tax legislation required to assess the eligibility of the R&amp;D expenditure under the scheme.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of, and evaluating the design and implementation of the controls associated with management's assessment of eligible R&amp;D expenditure under the scheme;</li> <li>• Relying on our internal tax expert to; <ul style="list-style-type: none"> <li>○ Review the expenditure methodology employed by management for consistency with the R&amp;D tax legislation; and</li> <li>○ Consider the nature of the expenses against the eligibility criteria of the R&amp;D tax incentive scheme to form a view about whether the expenses included in the estimate were likely to meet the eligibility criteria;</li> </ul> </li> <li>• Testing a sample of expenditure upon which the claim is based, to underlying documentation, such as invoices and payroll records;</li> <li>• Inspecting copies of relevant correspondence with AusIndustry and the ATO related to the claims; and</li> <li>• Assessing the appropriateness of the accounting entries and classification of the R&amp;D tax incentive and financial statement disclosures, based on Australian Accounting Standards.</li> </ul>

#### *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 2023, 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 the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- 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.
- 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.
- 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.

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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 financial report of the current period and are therefore the 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**

#### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included in pages 31 to 36 of the directors' report for the year ended 30 June 2023. In our opinion, the Remuneration Report of Microba Life Sciences Limited, for the year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001*.

#### *Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

*Pitcher Partners*  
PITCHER PARTNERS  
  
CHERYL MASON  
Partner

Brisbane, Queensland  
30 August 2023

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## ASX Additional Information

**Microba Life Sciences Limited**  
**Shareholder information**  
**30 June 2023**

The shareholder information set out below was applicable as at 14 August 2023, unless otherwise stated.

**Distribution of equitable securities**

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

	<b>Number of holders</b>	<b>Ordinary shares % of total shares issued</b>
1 to 1,000	23	-
1,001 to 5,000	391	0.31
5,001 to 10,000	162	0.37
10,001 to 100,000	444	4.83
100,001 and over	169	94.49
	<b>1,189</b>	<b>100.00</b>
<b>Holding less than a marketable parcel</b>	<b>53</b>	<b>-</b>

**Equity security holders**

*Twenty largest quoted equity security holders*

The names of the twenty largest security holders of quoted equity securities are listed below:

	<b>Number held</b>	<b>Ordinary shares % of total shares issued</b>
ACN 002 889 545 PTY LTD	68,589,498	19.93
SA MICROBA HOLDINGS PTY LTD	31,524,277	9.16
UBS NOMINEES PTY LTD	24,001,553	6.97
MACROGEN INC	17,828,431	5.18
NATIONAL NOMINEES LIMITED	17,674,362	5.14
BOYSENHOLTZ PTY LTD	17,178,431	4.99
GENENIKA PTY LTD	17,100,000	4.97
CITICORP NOMINEES PTY LIMITED	13,192,298	3.83
GINKGO BIOWORKS INC	10,886,385	3.16
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	8,540,555	2.48
BNP PARIBAS NOMS PTY LTD	7,303,808	2.12
ROMBOLA FAMILY PTY LTD	4,500,000	1.31
UNIQUEST PTY LTD	3,424,643	1.00
AUSTRALIAN DIRECT INVESTMENTS PTY LIMITED	3,070,729	0.89
DERP ENTERPRISES PTY LTD	2,902,500	0.84
WYEAST PTY LTD	2,900,000	0.84
ADAM SKARSHEWSKI	2,900,000	0.84
SANDHURST TRUSTEES LTD	2,769,825	0.80
RPMT INVESTMENTS PTY LTD	2,400,000	0.70
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	2,230,159	0.65
	<b>260,917,454</b>	<b>75.80</b>

**Unquoted equity securities**

	<b>Number on issue</b>	<b>Number of holders</b>
Options over ordinary shares issued	49,226,500	30

**Microba Life Sciences Limited**  
**Shareholder information**  
**30 June 2023**

The following entity holds 20% or more of unquoted equity securities:

<b>Name</b>	<b>Class</b>	<b>Number held</b>
ACN 002 889 545 PTY LTD	Options over ordinary shares issued	22,863,168

**Substantial holders**

Substantial holders in the Company are set out below:

	<b>Ordinary shares % of total shares issued</b>	<b>Number held</b>
Sonic Healthcare Limited	19.99	68,589,498
Perennial Value Management	11.73	40,232,627
SA Microba Holdings Pty Ltd	9.19	31,524,277
Thorney Investment Group	7.17	24,660,153
Macrogen, Inc.	5.20	17,828,431

Substantial holdings are based on the last notice for each holder lodged on the Australian Securities Exchange (ASX).

**Voting rights**

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

*Ordinary shares*

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

There are no other classes of equity securities.

**Restricted securities**

<b>Class</b>	<b>Expiry date</b>	<b>Number of shares</b>
Ordinary Shares	5 April 2024	48,031,314
Ordinary Shares	11 November 2024	<u>140,000</u>
		<b><u>48,171,314</u></b>

**Shares subject to voluntary escrow**

<b>Class</b>	<b>Expiry date</b>	<b>Number of shares</b>
Ordinary Shares	27 January 2024	54,500,297

**Options subject to voluntary escrow**

<b>Class</b>	<b>Expiry date</b>	<b>Number of options</b>
Options over ordinary shares	27 January 2024	8,116,666
Options over ordinary shares	5 April 2024	<u>2,366,666</u>
		<b><u>10,483,332</u></b>

**Share buy-back**

There is currently no on-market share buy-back.

**Use of funds**

Since admission, the Company used its cash consistent with its business objectives.

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1300 974 621 • [info@microba.com](mailto:info@microba.com)