Microba Life Sciences Limited and controlled entities

Financial Report for the year ended 30 June 2021

ABN 82 617 096 652

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'group') 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 2021.

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
Ian Frazer
Blake Wills (Resigned: 5 July 2021)
Gene Tyson
Richard Bund
Hyungtae Kim
Caroline Popper
Mark Capone (Appointed: 7 March 2021) (Resigned: 7 October 2021)

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

Results
The loss for the group after providing for income tax amounted to $7,523,752 (30 June 2020: $6,650,667).

Review of operations
The group continued to engage in its principal activity, the results of which are disclosed in the attached financial statements.

The COVID-19 pandemic continued to impact businesses globally through the year ended 30 June 2021. The group's operations continued to be affected with sales initially impacted as a result of government-imposed mandatory lockdowns. Sales have since recovered as business activity, discretionary spending and the focus on health return to normality.

The group maintained its COVID-19 cost management initiatives across all areas of operational expenditure through the period. The group also claimed available Federal and State Government stimulus packages, including JobKeeper, Payroll Tax Relief and PAYG Refunds.

Significant changes in the state of affairs
There were no significant changes in the state of affairs of the group during the financial year, other than those referred to elsewhere in this report.

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

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

After balance date events
No matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the group's operations, the results of those operations, or the group's state of affairs in future financial years.

Likely developments
Over the next 12 months, the group will continue to focus on market share growth and business expansion, as well as the development of the group's therapeutic programs.

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 Secretary

Name: **Pasquale Rombola**
Title: **Chairman & Non-Executive Director**
Experience and expertise: Mr Rombola has over 30 years of 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), he is the Chairman of Advantage Agriculture Pty Ltd a private agribusiness company. He was also formerly the Chairman and Director of Helix Resources Limited (HLX).

Mr Rombola holds a Bachelor of Economics from the University of Western Australia.

Name: **Ian Frazer**
Title: **Deputy Chairman & Non-Executive Director**
Experience and expertise: Professor Frazer is a clinician scientist, trained as a clinical immunologist. He is a Professor at the University of Queensland and is the current Chairman of the Australian Federal Government's Medical Research Future Fund. He is recognised as co-inventor of the technology enabling Gardasil - the leading vaccine currently used worldwide to help prevent cervical cancer.

Professor Frazer holds a Doctor of Medicine from the University of Melbourne and the following degrees from the University of Edinburgh: Bachelor of Medicine, Bachelor of Surgery and Bachelor of Science (Hons).

Name: **Blake Wills (Resigned: 5 July 2021)**
Title: **Executive Director & Chief Executive Officer**
Experience and expertise: Mr Wills is a proven company executive with experience in the finance, life sciences and education sectors. Previously the Chief Operating Officer of an ASX-listed company, Mr Wills brings substantial operational, financial and governance experience to the group as founding CEO. His financial background combined with his extensive operational expertise has driven Microba forward as a thriving company with more than 50 full-time employees. Mr Wills' experience in executing multiple international acquisitions and the management of new product and service builds has given him the skills to provide Microba's world-leading technology to partners globally.

He has completed a Master of Business (Professional Accounting), Bachelor of Finance (Hons) and Bachelor of Business (Finance) at the Queensland University of Technology.

Name: **Gene Tyson**
Title: **Director (Co-Founder)**
Experience and expertise: Professor Tyson is a Professor of Microbial Genomics at The Queensland University of Technology and was formerly the Deputy Director of the Australian Centre for Ecogenomics, Australia's leading centre for genomic research.

Whilst at the University of California, Berkeley he was involved in publishing the first paper regarding the use of metagenomic sequencing for assessing microbial communities. Professor Tyson is also considered a world-leading expert in microbial analysis.

Professor Tyson holds a Bachelor of Science (Hons) from the University of Queensland and a PhD from the University of California, Berkeley.

Name:	**Richard Bund**
Title:	**Non-Executive Director**
Experience and expertise:	Mr Bund is a Chartered Accountant and Director of Equipe Advisory Accounting firm. Mr Bund has more than 20 years' experience in accounting and corporate finance and is the director of several private Australian companies. Mr Bund is a Member of the Institute of Chartered Accountants of Australia and the Taxation Institute of Australia. He holds a Bachelor of Commerce (Economics) from the University of Adelaide and a Graduate Diploma in Chartered Accounting from the Institute of Chartered Accountants Australia (ICAA).
Name:	**Hyungtae Kim**
Title:	**Non-Executive Director**
Experience and expertise:	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, Macrogen Europe from 2015 to 2017. Dr Kim is a Director of the Gongwu Genome Information Foundation and Macrogen Inc, a company listed on the KOSDAQ in South Korea. Dr Kim holds a PhD in molecular biology from George Washington University in Washington DC, USA.
Name:	**Caroline Popper**
Title:	**Non-Executive Director**
Experience and expertise:	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. She holds a Bachelor of Medicine from the University of the Witwatersrand, Johannesburg; a Master of Public Health – Health Policy and Health Economics from Johns Hopkins University, Baltimore.
Name:	**Mark Capone (Resigned: 7 October 2021)**
Title:	**Non-Executive Director**
Experience and expertise:	Mr Capone is an accomplished life sciences executive with more than 35 years' experience, most recently serving as President and CEO of Myriad Genetics. While at Myriad, he transformed a pioneering start-up into one of the largest precision medicine companies in the world, bringing both business acumen and technical knowledge to the Microba Life Sciences Board. During his 17-year tenure, the company developed and launched more than a dozen reimbursed molecular diagnostics and achieved total annual revenues of more than $800 million. Prior to Myriad, Mr Capone spent 17 years at Eli Lilly and Company in various positions across the entire value chain. He received his Bachelor of Science in chemical engineering from Penn State University (high distinction) and two Master's of Science in (bio)chemical engineering and management from Massachusetts Institute of Technology. He currently serves as President and CEO of Precision Medicine Advisors, LLC, is a non-executive board member of Abcam plc, and a non-executive director and executive advisor for NephroSant.

Name:	**James Heath**
Title:	**Company Secretary & Chief Financial Officer**
Experience and expertise:	Mr Heath is a Chartered Accountant, with more than nine years experience in accounting, finance and operations advisory across a broad range of industries, he brings his specialist skills to advance the group's financial and operational interests. Mr Heath is a member of Chartered Accountants Australia and New Zealand with a Bachelor of Business Management (Intl. Business and Marketing) and Bachelor of Commerce (Accounting) from The University of Queensland. As Microba's Chief Financial Officer and Company Secretary, he also manages the group's Board governance, operations and human resource management to ensure the company provides the best service to clients and partners. Prior to joining Microba Mr Heath was a management consultant at Deloitte Australia.

Name:	**Luke Reid (Appointed: 5 July 2021)**
Title:	**Chief Executive Officer**
Experience and expertise:	Dr Reid is an experienced professional in research and technology commercialisation, with experience across Australia and working with global markets. He brings more than 10 years' experience in research and technology commercialisation in the biotechnology sector and drives the strategic direction as the group's CEO. His expertise in translational research, technology commercialisation, commercial partnerships, licensing and intellectual property management makes him well-placed to lead the development of new business partnerships across the globe and direct the company's intellectual property strategy. Dr Reid holds a PhD in molecular biology from The University of Adelaide and a Bachelor of Science (Biotechnology (Hons)) from Flinders University.

Options

Options over unissued ordinary shares granted by Microba Life Sciences Limited during or since the end of the financial year, including options granted to the Directors and the most highly remunerated officers of the group (other than the Directors) were as follows:

Name	Position	Options granted
Blake Wills	Director	250,000
Mark Capone	Director	500,000
Caroline Popper	Director	1,000,000
Luke Reid	Executive	225,000
James Heath	Executive	150,000
		2,125,000

The options granted during the year, to the Director and Executives listed above, were granted as part of the 1 April 2021 options issue as disclosed in the "Shares under option" table below and at note 25 of the financial report.

Shares under option

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

Date options granted	Number of options	Issue price of options	Expiry date of the options
15/10/2018	6,900,000	$0.18	15/10/2023
15/02/2019	400,000	$0.18	15/10/2023
01/03/2019	150,000	$0.18	15/10/2023
05/04/2019	400,000	$0.18	15/10/2023
25/11/2019	5,100,000	$0.30	24/11/2024
13/01/2020	400,000	$0.26	24/11/2024
31/01/2020	200,000	$0.30	24/11/2024
30/06/2020	400,000	$0.30	29/06/2024
01/04/2021	3,650,000	$0.34	04/04/2026
	17,600,000		

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
There were no ordinary shares of Microba Life Sciences Limited issued on the exercise of options during the year ended 30 June 2021 and up to the date of this report.

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

During the financial year, the company paid a premium in respect of a contract to insure the Directors and officers 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.

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

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

On behalf of the Directors

Pasquale Rombola
Director

27 October 2021
Brisbane

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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 2021, 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
27 October 2021

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Microba Life Sciences Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2021

	Note	2021 $	2020 $
Revenue			
Revenue from contracts with customers	4	3,732,443	2,909,026
Cost of sales		(1,668,396)	(1,722,591)
Gross profit		**2,064,047**	**1,186,435**
Subsidies and grant income		1,968,360	748,528
Interest income		101,711	101,583
Expenses			
Employee benefits and other related costs	7	(6,150,650)	(4,148,168)
Research and development expense		(1,539,419)	(163,272)
Depreciation and amortisation expense	8	(1,218,079)	(1,091,050)
Data storage and processing expense		(556,137)	(495,665)
Consulting fees		(662,436)	(1,103,118)
Advertising expense		(306,265)	(224,708)
Legal fees		(159,542)	(235,301)
Finance costs	9	(23,456)	(36,965)
Travel expense		(26,268)	(302,160)
Other expenses		(1,015,618)	(893,326)
Total expenses		**(11,657,870)**	**(8,693,733)**
Loss before income tax benefit		**(7,523,752)**	**(6,657,187)**
Income tax benefit	6	-	6,520
Loss after income tax benefit for the year attributable to the owners of Microba Life Sciences Limited	26	**(7,523,752)**	**(6,650,667)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(506)	(5,235)
Other comprehensive income for the year, net of tax		**(506)**	**(5,235)**
Total comprehensive income for the year attributable to the owners of Microba Life Sciences Limited		**(7,524,258)**	**(6,655,902)**

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 2021

	Note	2021 $	2020 $
Assets			
Current assets			
Cash and cash equivalents	10	13,028,906	6,897,309
Receivables	11	1,649,918	622,787
Inventories	12	513,281	340,809
Other assets	13	1,028,340	244,614
Total current assets		**16,220,445**	**8,105,519**
Non-current assets			
Property, plant and equipment	14	1,062,952	1,391,668
Right-of-use assets	15	133,257	240,476
Intangible assets	16	1,071,056	1,070,160
Total non-current assets		**2,267,265**	**2,702,304**
Total assets		**18,487,710**	**10,807,823**
Liabilities			
Current liabilities			
Payables	17	1,596,603	1,198,672
Borrowings	18	108,888	145,302
Lease liabilities	19	93,367	172,923
Employee benefits	20	356,281	181,734
Other liabilities	21	85,112	-
Contract liabilities	22	1,113,328	1,144,708
Total current liabilities		**3,353,579**	**2,843,339**
Non-current liabilities			
Borrowings	18	-	135,886
Lease liabilities	19	66,763	109,536
Employee benefits	20	43,673	15,160
Other liabilities	21	87,593	-
Total non-current liabilities		**198,029**	**260,582**
Total liabilities		**3,551,608**	**3,103,921**
Net assets		**14,936,102**	**7,703,902**
Equity			
Issued capital	23	33,482,960	19,289,292
Reserves	24	1,185,196	622,912
Retained earnings	26	(19,732,054)	(12,208,302)
Total equity		**14,936,102**	**7,703,902**

Microba Life Sciences Limited
Consolidated statement of changes in equity
For the year ended 30 June 2021

	Issued capital $	Reserves $	Retained earnings $	Total equity $
Balance at 1 July 2019	**17,887,991**	**182,873**	**(5,557,635)**	**12,513,229**
Loss after income tax benefit for the year	-	-	(6,650,667)	(6,650,667)
Other comprehensive income for the year, net of tax	-	(5,235)	-	(5,235)
Total comprehensive income for the year	-	**(5,235)**	**(6,650,667)**	**(6,655,902)**
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 23)	1,401,301	-	-	1,401,301
Share-based payments (note 25)	-	445,274	-	445,274
Balance at 30 June 2020	**19,289,292**	**622,912**	**(12,208,302)**	**7,703,902**

	Issued capital $	Reserves $	Retained earnings $	Total equity $
Balance at 1 July 2020	**19,289,292**	**622,912**	**(12,208,302)**	**7,703,902**
Loss after income tax expense for the year	-	-	(7,523,752)	(7,523,752)
Other comprehensive income for the year, net of tax	-	(506)	-	(506)
Total comprehensive income for the year	**-**	**(506)**	**(7,523,752)**	**(7,524,258)**
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 23)	14,193,668	-	-	14,193,668
Share-based payments (note 25)	-	562,790	-	562,790
Balance at 30 June 2021	**33,482,960**	**1,185,196**	**(19,732,054)**	**14,936,102**

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 2021

	Note	2021 $	2020 $
Cash flows from operating activities			
Receipts from customers		3,091,067	3,922,164
Payments to suppliers and employees		(11,408,707)	(8,666,753)
		(8,317,640)	**(4,744,589)**
Interest received		135,081	68,213
Subsidies and grants received		1,024,431	390,063
Interest and other finance costs paid		(23,456)	(36,965)
Net cash used in operating activities	27	**(7,181,584)**	**(4,323,278)**
Cash flows from investing activities			
Payments for property, plant and equipment	14	(247,320)	(360,859)
Payments for intangible assets	16	(425,135)	(495,316)
Proceeds from release of security deposits		-	13,750
Subsidies and grants received		149,972	-
Net cash used in investing activities		**(522,483)**	**(842,425)**
Cash flows from financing activities			
Proceeds from issue of shares	23	15,144,977	1,400,000
Repayment of bank loans		(141,333)	(125,190)
Principal portion of lease payments		(216,671)	(207,102)
Share issue transaction costs		(951,309)	-
Net cash from financing activities		**13,835,664**	**1,067,708**
Net increase/(decrease) in cash and cash equivalents		6,131,597	(4,097,995)
Cash and cash equivalents at the beginning of the financial year		6,897,309	10,995,304
Cash and cash equivalents at the end of the financial year	10	**13,028,906**	**6,897,309**

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

Note 1. General information

The financial statements cover Microba Life Sciences Limited as a consolidated group consisting of Microba Life Sciences Limited and the entities it controlled at the end of, or during, the year.

Microba Life Sciences Limited is an unlisted public company limited by shares, incorporated and domiciled in Australia. Microba Life Sciences Limited is a for-profit entity for the purpose of preparing the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 27 October 2021. 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.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and Interpretations issued by the Australian Accounting Standards Board ('AASB') 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 2021 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'.

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.

New or amended Accounting Standards and Interpretations adopted
The group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Going concern
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 $7,523,752 during the year ended 30 June 2021 (2020: loss of $6,650,667) and has a net cash outflow from operating activities of $7,181,584 (2020: net cash outflows of $4,323,278). The group held cash and cash equivalents of $13,028,906 at year end.

Note 2. Significant accounting policies (continued)

Management's budget for the next 12 months from the date of this report, continues to fund the current operations and planned business expansion, but is dependent on the group's ability to generate revenue from the commercialisation of the group's products and services and the continued success in future capital raising initiatives. Should this not occur, there is a material uncertainty whether the company will be able to continue as a going concern and whether it will realise its assets and settle its liabilities and commitments in the normal course of business at the amounts stated in the financial report. No adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that might be necessary should the company not continue as a going concern.

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 31.

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.

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.

Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the group becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value adjusted for transaction costs, except where the instrument is classified as fair value through profit or loss, in which case transaction costs are immediately recognised as expenses in profit or loss.

Classification of financial assets

Financial assets recognised by the group are subsequently measured in their entirety at either amortised cost or fair value, subject to their classification and whether the group irrevocably designates the financial asset on initial recognition at fair value through other comprehensive income ('FVtOCI') in accordance with the relevant criteria in *AASB 9 Financial instruments*.

Financial assets not irrevocably designated on initial recognition at FVtOCI are classified as subsequently measured at amortised cost, FVtOCI or fair value through profit or loss ('FVtPL') on the basis of both:

- the group's business model for managing the financial assets; and
- the contractual cash flow characteristics of the financial asset.

Note 2. Significant accounting policies (continued)

Classification of financial liabilities
Financial liabilities classified as held-for-trading, contingent consideration payable by the group for the acquisition of a business, and financial liabilities designated at FVtPL, are subsequently measured at fair value.

All other financial liabilities recognised by the group are subsequently measured at amortised cost.

Trade and other receivables
Trade and other receivables arise from the group’s transactions with its customers and are normally settled within 30 to 90 days, dependent on the payment terms offered to the group's customers.

Consistent with both the group’s business model for managing the financial assets and the contractual cash flow characteristics of the assets, trade and other receivables are subsequently measured at amortised cost.

Revenue recognition
The group recognises revenue as follows:

Revenue from contracts with customers
Revenue is recognised at an amount that reflects the consideration to which the group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the group:

- Identifies the contract with a customer.
- Identifies the performance obligations in the contract.
- Determines the transaction price which takes into account estimates of variable consideration and the time value of money.
- Allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered.
- Recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

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

Sale of goods
Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Microbiome testing services
Revenue from microbiome testing services is recognised at the point in time when the customer obtains the final testing results report.

Research and other partner platform services
Revenue from contracts to provide research and partner platform services is recognised over time as the services are rendered and performance obligations are satisfied.

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.

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

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.

Government grants include amounts received or receivable under the Federal Government's JobKeeper Payment Scheme and Cash Flow Boost Scheme which provide temporary subsidies to eligible businesses affected by COVID-19.

The 'COVID-19 Payroll Tax Relief', including the 2 month refund of consolidated payroll tax and 3 month payroll tax holiday, provided by the State Government of Queensland has been recognised in the 'Statement of Profit or Loss and Other Comprehensive Income' as a reduction in the 'employee benefits and other related costs'.

The group's research and development (R&D) activities are eligible under an Australian government tax incentive for eligible 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 2021, the group recognised an amount of other income of $1,510,860 (2020: $0). This amount represents claims for the following years:

Year ended 30 June 2020	935,743
Year ended 30 June 2019	575,117
	1,510,860

The R&D Tax Claim for the year ended 30 June 2021 has not been lodged and as such, no amount relating to this claim has been recognised in the financial report.

The group's most recent claim for R&D tax incentives that was recognised in a financial report was in the year ended 30 June 2018. This claim was recognised as a credit to income tax under the "Income Tax Approach". The group has assessed that the change in recognition criteria is not significant due to the immaterial nature of the claim for the year ended 30 June 2018 of $80,216.

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.

Note 2. Significant accounting policies (continued)

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:
- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

Tax consolidation
The parent entity and its 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.

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.

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.

Note 2. Significant accounting policies (continued)

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%

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 comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

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

Intangible assets
System development costs and intellectual property
Costs incurred in developing Microba Proprietery Platforms 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.

Note 2. Significant accounting policies (continued)

Capitalised development costs 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 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. Other development expenditure which does not meet the recognition requirements 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.

A reversal of an impairment loss for an asset measured at cost is recognised in profit or loss. A reversal of an impairment loss for an asset measure at a revalued amount is treated as a revaluation increase and is recognised in other comprehensive income , except to the extent that an impairment loss on the same asset was previously recognised in profit or loss, in which case a reversal of that impairment loss is also recognised in profit or loss.

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 cost 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, long service leave and accumulating sick 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.

Note 2. Significant accounting policies (continued)

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

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

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

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price. Details of share-based payments provided to employees are disclosed at note 25.

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.

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.

Issued capital
Ordinary shares are classified as equity.

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.

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

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 development costs
System development projects where knowledge and understanding gained from research and practical experience are directed towards developing new service offerings or processes, are recognised as intangible assets in the Statement of Financial Position when they meet the criteria for capitalisation. Development cost may be capitalised if the group can demonstrate the technical and commercial feasibility of completing the service offering 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 can 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. However, because it may be difficult to distinguish between research and development projects, this judgement can be affected by individual interpretations.

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 either the Binomial or 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.

Revenue from contracts with customers
When recognising revenue in relation to microbiome testing and research services, the key performance obligations of the group is considered to be as follows, as this is deemed to be the time that the customer obtains control of the promised goods or services and therefore the benefits of unimpeded access.

Insight testing services, where services are transferred at a point in time:

- the point of delivery of the analysis report to the customer.

Partner platform testing services, where services are transferred at a point in time:

- the point of delivery of the testing kit to the customer; and
- the point of delivery of the analysis report to the customer.

Research services and other partner platform services, where services are transferred over time:

- the point in which the agreed services are performed based on distinct obligations under the agreement formed with the customer.

Where there is an arrangement with a customer for the group to receive a non-refundable prepayment in exchange for providing the customer a right to receive a good or service in the future and the likelihood of the customer exercising its remaining right becomes remote, the group recognises the expected breakage amount as revenue in proportion to the pattern of rights exercised by the customer.

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.

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

Impairment of intangible assets and property, plant and equipment
The group assesses impairment of intangible assets 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 incorporate a number of key estimates and assumptions.

Research and development tax incentive ('R&D')
The group lodges annual returns to claim eligible expenditure under R&D tax incentive. The application of the R&D provisions requires a level of judgement and the maintenance of appropriate records to support amounts claimed.

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.

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

Note 4. Revenue from contracts with customers

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

	2021 $	2020 $
Microbiome testing services	1,504,328	1,599,308
Research and other platform services	2,222,979	1,309,718
Sale of goods	5,136	-
	3,732,443	2,909,026

Note 5. Key management personnel disclosures

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

	2021 $	2020 $
Total compensation received by key management personnel	1,202,390	1,001,881

Costs relating to 10 (2020: 11) key management personnel have been included in the compensation received by key management personnel disclosed above, including all Executive and Non-Executive Directors. A Director fee pool was introduced during the 2020 financial year.

Note 6. Income tax

Components of tax expense

	2021 $	2020 $
Current tax	-	-
Deferred tax	-	(6,520)
	-	(6,520)

Income tax reconciliation

	2021 $	2020 $
Prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows:		
Prima facie income tax payable on profit before tax at 26.0% (2020: 27.5%)	(1,956,176)	(1,830,726)
Add tax effect of:		
Cash Flow Boost	(13,000)	-
Entertainment non-deductible	7,798	-
Tax losses not recognised	1,819,004	1,688,330
Share based payments expense	142,374	128,532
Other non-allowable items	-	13,750
Restate deferred taxes to 26%	-	(324)
	1,956,176	1,830,288
Income tax expense attributable to profit	-	(438)

Deferred tax

	2021 $	2020 $
The balance comprises:		
Employee benefits	113,030	54,146
Accruals	18,221	19,859
Lease assets and lease liabilities (net)	6,987	11,545
Capital raising costs	82,419	-
Deferred revenue	126,193	-
Doubtful debts	62,781	-
Income tax losses	39,513	176,098
	449,144	261,648
Deferred tax liabilities:		
Capitalised development costs	180,641	261,648
Tangible assets	1,114	-
Intangible assets	49	-
Prepayments	267,340	-
	449,144	261,648
Net deferred tax liabilities	-	-

Note 6. Income tax (continued)

Tax losses not recognised

As at 30 June 2021, the group has income tax losses not recognised of $1,819,004, the balance of which will be determined on lodgement of outstanding income tax returns including the relevant R&D Claims. The group has not recognised deferred tax balances to the uncertainty of losses being recovered in future periods.

Changes in applicable tax rates

During the year ended 30 June 2021 the income tax rate was reduced from 27.5% to 26.0%

Note 7. Employee benefits and other related costs

	2021 $	2020 $
Short term benefits	4,764,207	3,226,850
Share based payments	562,790	467,388
Superannuation guarantee contributions	405,289	311,252
Other employee benefits and related costs	418,364	142,678
	6,150,650	4,148,168

Note 8. Depreciation and amortisation expense

	2021 $	2020 $
Depreciation expense	793,840	773,044
Amortisation expense	424,239	318,006
	1,218,079	1,091,050

Note 9. Finance costs

	2021 $	2020 $
Finance costs	23,456	36,965

Note 10. Cash and cash equivalents

	2021 $	2020 $
Cash at bank	12,978,604	6,847,543
Cash on deposit	50,302	49,766
	13,028,906	6,897,309

Note 11. Receivables

	2021 $	2020 $
Current assets		
Receivables from contracts with customers	264,751	148,967
Research and development tax incentive receivable	1,083,662	-
Other receivables	301,505	473,820
	1,649,918	622,787

Note 12. Inventories

	2021 $	2020 $
Current assets		
Raw materials and consumables - at cost	513,281	340,809

Note 13. Other assets

	2021 $	2020 $
Current assets		
Prepayments	1,028,231	244,380
Other current assets	109	234
	1,028,340	244,614

Note 14. Property, plant and equipment

	2021 $	2020 $
Non-current assets		
Laboratory equipment at cost	2,526,840	2,372,104
Accumulated depreciation	(1,568,727)	(1,080,723)
	958,113	1,291,381
Furniture, fixtures and fittings at cost	69,483	60,384
Accumulated depreciation	(21,032)	(13,110)
	48,451	47,274
Computer equipment at cost	194,481	157,782
Accumulated depreciation	(138,093)	(104,769)
	56,388	53,013
Total property, plant and equipment	**1,062,952**	**1,391,668**

Note 14. Property, plant and equipment (continued)

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

	Laboratory equipment $	Furniture, fixtures and fittings $	Computer equipment $	Total $
Balance at 1 July 2020	**1,291,381**	**47,274**	**53,013**	**1,391,668**
Additions	154,736	9,099	36,699	200,534
Depreciation expense	(488,004)	(7,922)	(33,324)	(529,250)
Balance at 30 June 2021	**958,113**	**48,451**	**56,388**	**1,062,952**

Property, plant and equipment pledged as security

Refer to note 18 for further information on property, plant and equipment secured under an equipment loan and goods mortgage and classified as a finance lease.

Note 15. Right-of-use assets

	2021 $	**2020 $**
Non-current assets		
Right-of-use assets	832,839	691,711
Less: Accumulated depreciation	(699,582)	(451,235)
Total carrying amount of lease assets	133,257	240,476

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

	Buildings $
Balance at 1 July 2020	240,476
Additions	141,128
Depreciation expense	(248,347)
Balance at 30 June 2021	133,257

The group leases buildings for its offices and laboratory under agreements of between 18 months and 4 years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

Note 16. Intangible assets

	2021 $	2020 $
Non-current assets		
Capitalised system development at cost	1,637,933	1,379,443
Accumulated amortisation	(813,169)	(427,994)
	824,764	951,449
Intellectual property at cost	387,556	220,911
Accumulated amortisation	(141,264)	(102,200)
	246,292	118,711
Total intangible assets	**1,071,056**	**1,070,160**

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

	Capitalised system development $	Intellectual property $	Total $
Balance at 1 July 2020	**951,449**	**118,711**	**1,070,160**
Additions	258,490	166,645	425,135
Amortisation expense	(385,175)	(39,064)	(424,239)
Balance at 30 June 2021	**824,764**	**246,292**	**1,071,056**

Note 17. Payables

	2021 $	2020 $
Current liabilities		
Trade creditors	353,525	392,290
Employee payables and accruals	797,424	669,686
Sundry creditors and accruals	445,654	136,696
	1,596,603	1,198,672

Note 18. Borrowings

	2021 $	2020 $
Current liabilities		
Equipment loan	135,886	141,333
Credit card liability	(26,998)	3,969
	108,888	145,302
Non-current liabilities		
Equipment loan	-	135,886
	108,888	281,188

Note 18. Borrowings (continued)

Secured liabilities
The equipment loan liability relates to a goods mortgage on laboratory equipment.

The liability is effectively secured as the rights to the assets, recognised in the statement of financial position in property, plant and equipment, revert to the lender in the event of default.

Note 19. Lease liabilities

	2021 $	2020 $
Current liabilities		
Lease liability	93,367	172,923
Non-current liabilities		
Lease liability	66,763	109,536
	160,130	282,459

	2021 $	2020 $
Interest expense on lease liabilities	13,209	18,635
Expense relating to lease payments made for leases of 12-months or less (for which a lease asset and a lease liability has not been recognised)	-	18,982
Cash outflow in relation to leases	229,978	225,737

Note 20. Employee benefits

	2021 $	2020 $
Current liabilities		
Employee benefits	356,281	181,734
Non-current liabilities		
Employee benefits	43,673	15,160
	399,954	196,894

Note 21. Other liabilities

	2021 $	2020 $
Current liabilities		
Deferred Government Grants - R&D Tax Incentive	85,112	-
Non-current liabilities		
Deferred Government Grants - R&D Tax Incentive	87,593	-
	172,705	-

Note 22. Contract liabilities

	2021 $	2020 $
Current liabilities		
Contracts with customers where services are transferred at a point in time	335,428	361,297
Contracts with customers where services are transferred over time	777,900	783,411
	1,113,328	1,144,708

Contract liabilities relate to contracted services where revenue is to be recognised in a future period.

Note 23. Issued capital

	2021 Shares	2020 Shares	2021 $	2020 $
Ordinary shares - fully paid	204,426,332	156,770,984	33,482,960	19,289,292

Movements in ordinary share capital

Details	Date	Shares	$
Balance	**1 July 2019**	**151,275,690**	**17,887,991**
Ordinary shares issued 30 September 2019 - $0.2550		5,495,294	1,420,222
Transaction costs relating to shares issued		-	(18,921)
Balance	**30 June 2020**	**156,770,984**	**19,289,292**
Ordinary shares issued 28 August 2020 - $0.28		30,357,133	8,499,977
Ordinary shares issued 1 April 2021 - $0.28		2,285,715	640,000
Ordinary shares issued 11 June 2021 - $0.40		7,387,500	2,955,000
Ordinary shares issued 17 June 2021 - $0.40		7,625,000	3,050,000
Transaction costs relating to shares issued		-	(951,309)
Balance	**30 June 2021**	**204,426,332**	**33,482,960**

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, otherwise each shareholder has one vote on show of hands.

Note 24. Reserves

	2021 $	2020 $
Foreign currency reserve	(5,741)	(5,235)
Share-based payments reserve	1,190,937	628,147
	1,185,196	622,912

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 25.

Note 25. 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 options are subject to vesting conditions and disposal restrictions. Options under the ESOP are issued at a premium to the last share issuance price.

Details of the options granted are provided below:

2021

Grant date	Expiry date		Balance at the start of the year	Granted during the period	Expired during the period	Balance at the end of the year
15/10/2018	15/10/2023	$0.18	6,900,000	-	-	6,900,000
15/02/2019	15/10/2023	$0.18	400,000	-	-	400,000
01/03/2019	15/10/2023	$0.18	150,000	-	-	150,000
05/04/2019	15/10/2023	$0.18	400,000	-	-	400,000
25/11/2019	24/11/2024	$0.30	5,100,000	-	-	5,100,000
13/01/2020	24/11/2024	$0.26	400,000	-	-	400,000
31/01/2020	24/11/2024	$0.30	200,000	-	-	200,000
30/06/2020	29/06/2024	$0.30	400,000	-	-	400,000
01/04/2021	04/04/2026	$0.34	-	3,650,000	-	3,650,000
			13,950,000	3,650,000	-	17,600,000

The assessed fair value of the options at grant date is:

- $0.099 for options vesting within 1 year;
- $0.103 for options vesting within 2 years;
- $0.212 for options vesting within 3 years; and
- $0.179 for options vesting within 4 years.

Fair value was determined using the Binomial option pricing model. The following inputs were utilised:

- Exercise prices and expected lives as disclosed above;
- Expected price volatility of the group's shares of 95% (2020: 75%);
- Expected dividend yield of 0% (2020: 0%); and
- Risk-free interest rate of 0.70% (2020: 0.41% to 0.82%).

Expected volatility was determined by the share price volatility of Australian listed biotechnology companies.

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:

	2021 $	2020 $
Options issued under employee option plan	562,790	445,274
Total expenses recognised from share-based payment transactions	562,790	445,274

Note 26. Retained earnings

	2021 $	2020 $
Accumulated losses at the beginning of the financial year	(12,208,302)	(5,557,635)
Loss after income tax benefit for the year	(7,523,752)	(6,650,667)
Accumulated losses at the end of the financial year	(19,732,054)	(12,208,302)

Note 27. Reconciliation of loss after income tax to net cash used in operating activities

	2021 $	2020 $
Loss after income tax benefit for the year	(7,523,752)	(6,650,667)
Adjustments for:		
Depreciation and amortisation (non-cash)	1,218,079	1,091,050
Share-based payments (non-cash)	562,790	445,274
Capital portion of subsidies and grants received	(149,972)	-
Foreign currency differences (non-cash)	(506)	(5,235)
Change in operating assets and liabilities:		
Increase in receivables	(1,027,131)	(460,441)
Increase in inventories	(172,472)	(171,209)
Increase in prepayments	(783,851)	(85,580)
Increase in other operating assets	(16,118)	-
Increase in payables	454,557	547,765
Decrease in deferred tax liabilities	-	(6,520)
Increase in employee benefits	203,060	121,533
Increase in other operating liabilities	53,732	850,752
Net cash used in operating activities	(7,181,584)	(4,323,278)

Note 28. Related party transactions

Subsidiaries
Interests in subsidiaries are set out in note 30.

Key management personnel
Disclosures relating to key management personnel are set out in note 5.

Transactions with related parties
There were no transactions with related parties during the current and previous financial year.

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 29. Contingent liabilities

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

Note 30. 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:

Name	Principal place of business / Country of incorporation	Ownership interest 2021 %	Ownership interest 2020 %
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 31. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent 2021 $	Parent 2020 $
Loss after income tax	(7,481,380)	(6,698,780)
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income	(7,481,380)	(6,698,780)

Note 31. Parent entity information (continued)

Statement of financial position

	Parent 2021 $	Parent 2020 $
Total current assets	12,986,931	5,937,930
Total non-current assets	2,131,452	1,802,730
Total assets	15,118,383	7,740,660
Total current liabilities	94,688	30,238
Total non-current liabilities	87,593	6,520
Total liabilities	182,281	36,758
Net assets	14,936,102	7,703,902
Equity		
Issued capital	33,482,836	19,289,292
Share-based payments reserve	1,190,937	628,147
Accumulated losses	(19,737,671)	(12,213,537)
Total equity	14,936,102	7,703,902

Note 32. Events after the reporting period

No matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the group's operations, the results of those operations, or the group's state of affairs in future financial years.

The Directors of the company declare that:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Australian Accounting Standards - Reduced Disclosure Requirements, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the group's financial position as at 30 June 2021 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.

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

27 October 2021
Brisbane

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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 2021, the consolidated statement of profit and 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 2021 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* "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.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial report, which indicates that the Group incurred a net loss of $7,523,752 during the year and had net cash outflow from operating activities of $7,181,584 for the year ending 30 June 2021. The group is dependent on the continued commercialisation of its product and services and success in future capital raising initiatives. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's director's report for the year ended 30 June 2021, 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 management.

- Conclude on the appropriateness of management's 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.

We communicate with those charged with governance 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.

Pitcher Partners

PITCHER PARTNERS

CMason

CHERYL MASON
Partner

Brisbane, Queensland
27 October 2021