

The background is a deep blue gradient. On the right side, there is a large, faint, glowing graphic that resembles a stylized 'X' or a molecular structure, with a bright cyan light at its center. Several thin, white, curved lines sweep across the page from the left towards the center, overlapping the text.

MICROBA™

Annual Report

Financial Report for the year ended 30 June 2022

Microba Life Sciences Limited
and controlled entities

Corporate Directory



Directors

Pasquale Rombola
Ian Frazer
Gene Tyson
Richard Bund
Hyungtae Kim
Caroline Popper

Key management personnel

Luke Reid (Chief Executive Officer)
James Heath (Chief Financial Officer)

Company secretaries

James Heath
Peter Webse

Registered office and principal place of business

Microba Life Sciences Limited
Level 10
324 Queen Street
Brisbane QLD
Australia

Share register

Automic Pty Ltd
Level 35
477 Collins Street
Melbourne VIC
Australia

Auditor

Pitcher Partners
Level 38
345 Queen Street
Brisbane QLD
Australia

Solicitors

Thomson Geer
Level 28
1 Eagle Street
Brisbane QLD
Australia

Stock exchange listing

Microba Life Sciences Limited shares are listed on the Australian Securities Exchange (ASX code: MAP)

Website

www.microba.com

Corporate Governance Statement

The Company's corporate governance statement is located at the Company's website: ir.microba.com/corporate-governance/

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Performance Highlights

MICROBA™

\$4.68m

Continuing year-on-year growth

- Full financial year revenue result of \$4,688,645, delivering 25% growth on the prior year

GENOVA
DIAGNOSTICS

G42
Healthcare

0000
midnight.health

Key strategic milestones delivered

- New distribution partnerships signed and commenced operations with Genova Diagnostics in the United States and G42 in the Gulf Cooperation Council (GCC) region
- Partnership signed with Midnight Health to deliver a world-first personalised consumer health service



GINKGO
BIOWORKS

Therapeutic program advancement

- IBD lead candidate MAP 315 selected, manufacturing initiated and CRO appointed in preparation for Phase I clinical trial
- Cancer program accelerated and ahead of schedule, with therapeutic leads identified
- Ginkgo Bioworks (NYSE: DNA) partnership signed, US\$3.5m investment received, and Autoimmune drug development program commenced with delivery of first strains

iff

Additional achievements

- International Flavours & Fragrances (NYSE: IFF) partnership signed targeting the development of novel treatments for allergies, and first therapeutic leads identified
- 115 research projects delivered with customers across the globe

\$30.5m

Company funded to support revenue growth and therapeutic program advancement

- Successful IPO on the ASX, raising \$30m
- \$30,580,673 cash or equivalents as at 30 June 2022

A large, detailed, purple-tinted microscopic image of a rod-shaped bacterium with a textured, segmented surface, positioned on the left side of the page.

01

Chair, Deputy Chair & CEO Letter



Message from the Chairman, Deputy Chair & CEO



Dear Shareholders,

Since the inception of Microba five years ago, our vision and strategy has remained unchanged. The human gut microbiome represents one of the biggest untapped opportunities to improve human health, and because of that, we expect microbiome testing and therapeutics to become a routine part of healthcare in the future.

We have remained steadfast in our pursuit of building a global position in microbiome testing and therapeutic development through leveraging Microba's world-leading technology. Microba made tremendous progress during FY22, and the support we received in our listing on the ASX will enable the company to continue accelerating its growth trajectory.

Our global technology leadership position continues to attract prominent partners across the globe. This is exemplified through the US\$3.5m strategic investment Microba received from Boston-headquartered synthetic biology leader Ginkgo Bioworks (NYSE: DNA) and agreements with New York-headquartered International Flavours & Fragrances (NYSE: IFF), targeting the discovery of novel allergy treatments and the Australian Department of Defence, targeting the identification of therapeutic leads to improve soldier cognitive performance.

The company is seeing growing demand for microbiome health solutions across global markets. Consumers, clinicians, and patients are actively seeking microbiome testing services, which is driving pathology companies and consumer health companies to invest in adding microbiome testing to their product suites. Microba has strategically positioned itself to capture this growing opportunity through the company's global testing services and partner distribution model. Two major new distribution partners, Genova Diagnostics (US) and G42 Healthcare (GCC), were recently signed and commenced operations, opening up the US healthcare and Middle Eastern markets for the first time. Microba also signed a partnership agreement with nib Holdings Limited (ASX: NHF)-backed digital healthcare company Midnight Health, to deliver a world-first personalised, subscription-based, consumer health service to the Australian market. These partnerships put Microba in a strong position to continue accelerating the growth of Microba's global microbiome testing services into the future.

Evidence continues to grow that the microbiome plays a role in a wide range of chronic diseases including cancer, diabetes, and inflammatory conditions. Aligned to this, microbiome therapies are rapidly moving through clinical development, with the first microbiome drug approval by the United States Food and Drug Administration (FDA) anticipated next year. Large pharmaceutical companies are continuing to invest in the sector. Notably, Nestlé continued to grow their microbiome portfolio in a transaction with Enterome, which adds to their prior investments in Seres Therapeutics. In addition, we saw investments in the sector from Boehringer Ingelheim and Merck, which demonstrates that large pharmaceutical companies are continuing to invest in the microbiome for drug development opportunities.

Microba significantly advanced its three therapeutic programs during the financial year, spanning inflammatory bowel disease, immuno-oncology and autoimmune disorders. For the company's Inflammatory Bowel Disease program, lead candidate MAP 315 was selected, manufacturing commenced, Contract Research Organisation (CRO) appointed, and regulatory documentation progressed ready for a Phase I clinical trial scheduled for FY23. This will transition the company from a pre-clinical company to a clinical stage company, which is a significant advancement in Microba's therapeutic development activities. In international engagements, Microba's data-driven platform and monoclonal microbial cell therapies are presenting as strongly differentiated with compelling rationale and biology. Aligned to this, Microba is continuing active engagement with global pharmaceutical and biotechnology companies, and our strategy remains to partner our therapeutic assets at the appropriate time to maximise value for shareholders.

With the solid foundations laid in FY22, the company is expecting another year of compelling growth in FY23 through the continued growth and expansion of Microba's testing services and the advancement of the company's therapeutics programs.

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 by improving the health of people globally through Microba's precision microbiome solutions.

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



A handwritten signature in black ink, consisting of the letters 'P R' followed by a stylized flourish.

Mr Pasquale Rombola
CHAIR



A handwritten signature in black ink, appearing to read 'Ian Frazer' in a cursive style.

Prof. Ian Frazer (AC)
DEPUTY CHAIR



A handwritten signature in black ink, appearing to read 'Luke Reid' in a cursive style.

Dr. Luke Reid
CHIEF EXECUTIVE OFFICER

02

Review of Operations



Financial Review

Revenue for the financial year totalled \$4,688,645, representing 25% growth on the prior financial year. Cash receipts from customers for the full financial year totalled \$4,610,809. The financial year's revenue growth was weighted to the second half, and we anticipate this trend to continue into FY23.

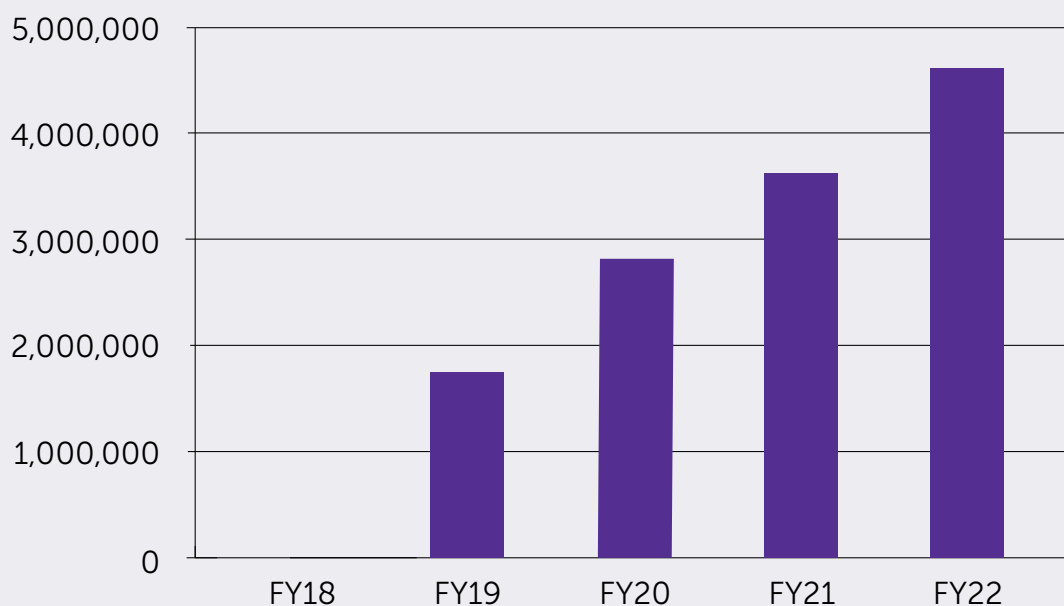
Revenue from Testing Services continued its year-on-year growth across both Personal Testing and Research Testing product categories, with continued strong demand for personal testing products and research testing services. The Group maintained a healthy gross margin in excess of 50%, despite supply chain challenges and raw material price increases.

Microba continues to invest in its therapeutic programs and global expansion. This included \$7,121,276 of investment in research & development activities

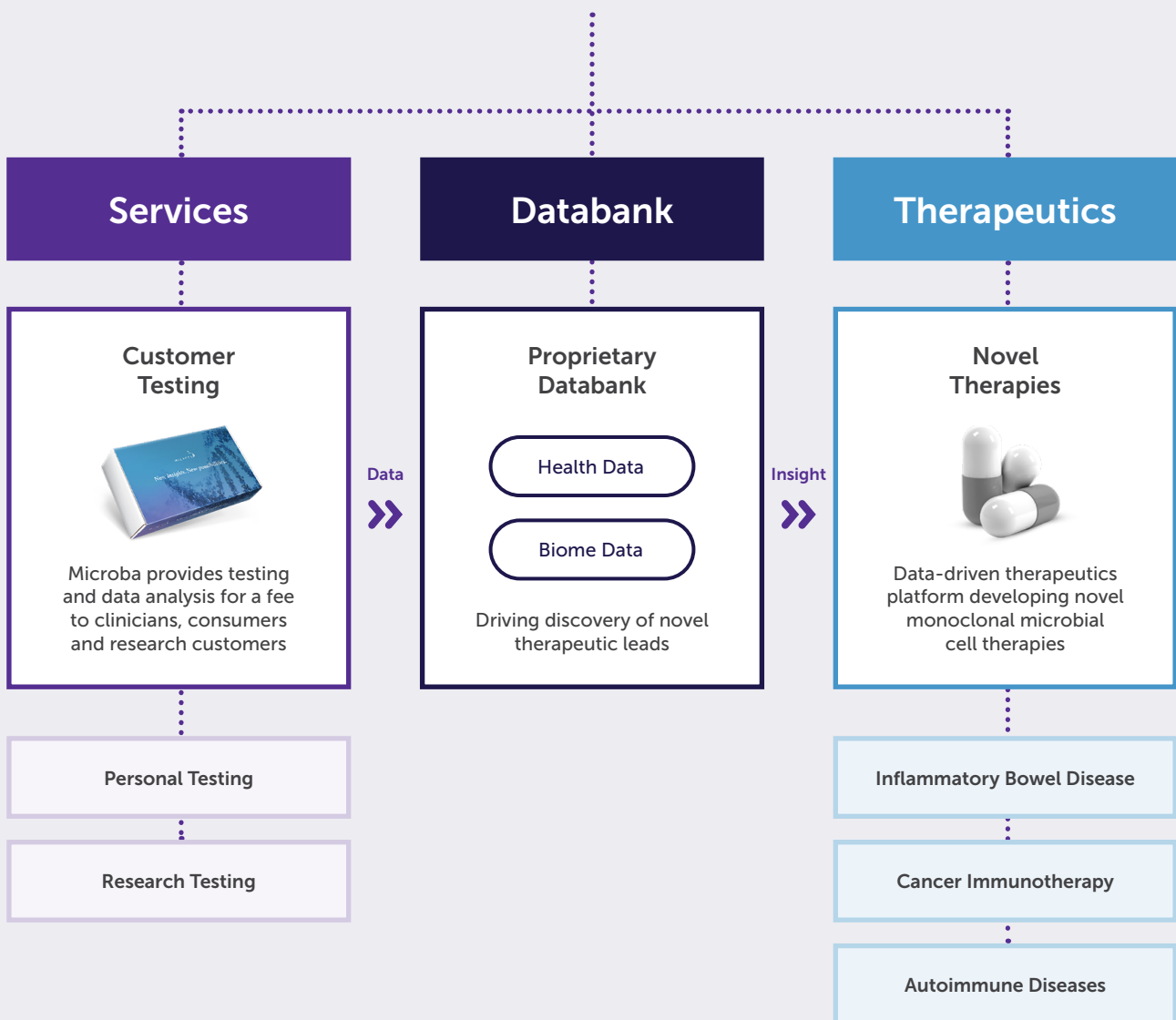
principally related to the Company's therapeutic development programs. Microba reported a loss for the year ended 30 June 2022 of \$11,470,429 compared with a loss of \$7,523,752 in FY21.

As at 30 June 2022, Microba had \$30.5 million in cash or equivalents with minimal debt. This puts the Company in a strong position to execute its growth strategy and provides a solid runway to support the advancement of the Company's therapeutic programs.

Testing Services Revenue - YoY Growth



MICROBA™



Review of Operations SERVICES

Personal Testing

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

 <p>Metagenics</p> <p>AU & NZ A leader in functional nutrition with a large allied health clinician customer base.</p> <p>Launched Mid 2019</p>	 <p>SYNLAB</p> <p>Europe Europe's largest pathology company. Presence in over 40 countries serving 10m patients.</p> <p>Launched Mid 2021</p>	 <p>GENOVA DIAGNOSTICS</p> <p>US Leading GI pathology company headquartered in North Carolina with >10,000 purchasing clinicians.</p> <p>Launched Mid 2022</p>	 <p>G42 HEALTHCARE</p> <p>Middle East Leading health-tech company harnessing data and advanced technologies for personalised care.</p> <p>Launched Mid 2022</p>	 <p>0000 midnight.health</p> <p>AU Fast growth innovative consumer healthcare company backed by major health insurer nib (ASX: NHF).</p> <p>Launched Mid 2022</p>	<p>+ New partner</p>	<p>+ New partner</p>
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New territories and distribution partnerships

Microba continues to execute its scalable partnership model for the company's personal testing services. This Software as a Service (SaaS) type model enables leading partners with deep channels into market to quickly launch an advanced microbiome testing solution powered by Microba's technology.

New distribution partnerships with Genova Diagnostics (US) and G42 Healthcare (GCC) were signed and commenced operations. This marks the entry of Microba's personal testing services into the US healthcare market and Middle Eastern consumer health market, which is expected to drive revenue growth in FY23. In addition, Microba signed a partnership agreement with nib Holdings Limited (ASX: NHF)-backed digital healthcare company Midnight Health, to deliver a personalised consumer health service to the Australian market. Microba continues to expand global uptake of its scalable microbiome testing services through driving sales growth with existing partnerships and expanding the distribution network through signing and launching new distribution partnerships.

New products opening markets

Microba released a next-generation product for health professionals under a beta access program. The new product enables health professionals to

comprehensively assess gut microbiome biomarkers and identify opportunities to intervene through diet, lifestyle and supplementation. The new product expands the total addressable market for Microba's testing products with healthcare professionals.

A new subscription-based product was developed for the company's partnership with Midnight Health. The product enables a personalised supplement to be formulated for each customer based on their microbiome test results. The world-first product enables consumers to access a personalised, evidence-based, gut health solution based on an objective microbiome test result.

Accreditations expanding market access

Microba became the first Australian microbiome company to be granted ISO15189 accreditation. This accreditation enables the delivery of an infectious disease product called MetaPanel™, for unbiased detection of causal agents of gastrointestinal infectious disease in clinical settings.

Further, Microba had its application for in vitro diagnostic (IVD) product registration in the European market accepted. This registration further supports the expansion and uptake of Microba's testing products in the European medical market together with the Company's major European distribution partner SYNLAB (FRA: SYAB) which is continuing to expand into new countries across Europe.

Review of Operations SERVICES

Research Testing

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

Driving strategic partnerships and revenue growth

>220

Global research project contracts to date

>55

Organisations served

114,000

Gb of data delivered to clients

7

Countries

Record project delivery for research clients

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 115 research projects across the year and is extremely proud of the impact it is making through working with such a diverse array of customers and partners to advance the global knowledge base using Microba's precision tools. These projects not only continue to generate strong revenue but also grow Microba's international reputation.



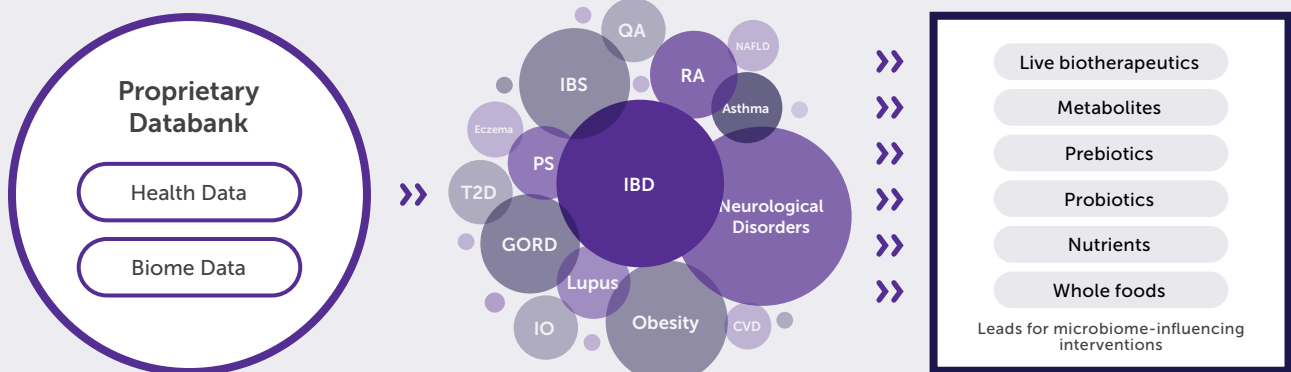
Review of Operations

DATABANK

Microba continued to grow its proprietary Databank through customers opting in to share their de-identified data for medical research. This globally unique Databank enables Microba to discover therapeutic leads, consumer health innovations, and diagnostic biomarkers. Several discoveries were made and progressed from the Databank in FY22 including:

- MAP315 therapeutic lead candidate selected for the treatment of ulcerative colitis
- Three therapeutic leads for Microba’s cancer immuno-therapy program
- Multiple leads discovered for asthma and allergic rhinitis for IFF partnership
- Multiple leads discovered and first isolated strains delivered to commence Autoimmune drug development program with Ginkgo Bioworks







Microba will continue to build and leverage this proprietary data asset to discover and develop these high-value product opportunities, which we expect to yield outsized value for shareholders.



Review of Operations

THERAPEUTICS

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

Inflammatory Bowel Disease	Cancer Immunotherapy	Autoimmune Diseases
<p>Progressing to Phase I</p>  <p>IBD program lead candidate MAP315 progressed in manufacturing, and CRO appointed preparing for Phase I clinical trial.</p> 	<p>Leads Discovered</p>  <p>Cancer program accelerated, ahead of schedule with therapeutic leads discovered and progressing towards pre-clinical animal studies.</p> 	<p>Commenced</p>  <p>Autoimmune program with Ginkgo Bioworks commenced with delivery of first strains for analysis through the Ginkgo platform.</p> 

To lead these efforts, Microba appointed Professor Trent Munro as Senior Vice President of Therapeutics. Professor Munro has over 25 years' research and development experience, including the role of Executive Director leading a global team at multinational biopharmaceutical company Amgen based in California, United States. During his time at Amgen, Professor Munro played key roles in the translation of molecules from research, through clinical trials, regulatory approval, and global licensure. He completed postdoctoral studies in cell biology and developmental genetics at Harvard Medical School and the University of Cambridge and has a PhD in Protein Biochemistry from the University of Queensland.

Inflammatory bowel disease program

IBD is a debilitating chronic disease which causes prolonged inflammation of the digestive tract and now affects more than 7 million people globally, with this number increasing each year¹. Ulcerative colitis (UC) is one of the major forms of IBD which results in

inflammation and ulcers (sores) in the digestive tract. 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 patients unable to achieve sustained remission², which sees

¹ [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)

² <https://www.crohnscolitisfoundation.org/sites/default/files/2019-02/Updated%20IBD%20Factbook.pdf>

them experiencing regular episodes of inflammation, diarrhoea, bleeding and abdominal pain³, with as many as 25% of patients requiring hospitalisation⁴.

During FY22, Microba's novel microbial cell therapy candidate MAP 315 was selected because of pre-clinical data indicating that it stimulates epithelial and mucosal healing, activities known to be critical for sustained remission from ulcerative colitis. MAP 315 then progressed into GMP manufacturing. Beyond Drug Development was appointed as the lead CRO and regulatory documentation was developed in preparation for an upcoming Phase I trial. This program – to commence in the new financial year – is expected to transition the company from a preclinical company to a clinical stage company, which represents a significant advancement in Microba's therapeutic development activities.

The market for ulcerative colitis treatment was valued at US\$7.5 billion in 2020 and is forecast to grow to US\$10.8 billion by 2030⁵. MAP 315 presents an opportunity to fill a key gap in the current standard of care for ulcerative colitis treatment with a strong safety profile, representing a novel treatment paradigm for patients living with this debilitating disease.

Immuno-oncology program

The International Agency for Research on Cancer estimates that approximately 10 million deaths and 19.3 million new cases of cancer were diagnosed in 2020⁶. Immune checkpoint inhibitors help the body recognise and attack cancer cells and have been a

breakthrough in cancer treatment. Despite their impact, between 42-70% of patients do not respond to immune checkpoint inhibitor therapies⁷.

The gut microbiome presents an opportunity to develop a microbiome adjuvant therapy to improve patient response to immune checkpoint inhibitors. Over 30 published studies now support the influence of the gut microbiome in modulating mechanisms of resistance and response to immune checkpoint inhibitors. Modulation of the gut microbiome using FMT in Phase I and II studies has demonstrated the ability to improve immune checkpoint inhibitor response⁸.

In FY22, Microba identified three therapeutic leads for potential ICI adjuvant therapy. This enables preclinical animal studies to be brought forward to the end of calendar year 2022, which is approximately 12 months ahead of schedule.

The global market for immune checkpoint inhibitors was forecast to be valued at US\$16.6 billion in 2021 and is forecast to grow to US\$58.6 billion in 2026⁹. A microbiome-based therapy which can increase patient response rates to ICI treatment would represent a substantial opportunity to improve cancer treatment for millions of cancer patients globally and a significant commercial prospect for Microba.

Autoimmune Disease program

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.

³ Scribano, M.L. Adverse events of IBD therapies. *Inflamm Bowel Dis.* (2008). <https://doi.org/10.1002/ibd.20702>.

⁴ 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>.

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

⁶ Sung, H. et al. Global Cancer Statistics 2020: GLOBOCAN Estimates of Incidence and Mortality Worldwide for 36 Cancers in 185 Countries. *CA Cancer J Clin.* (2021). <https://doi.org/10.3322/caac.21660>.

⁷ Leonardi, G.C. et al. Cutaneous melanoma and the immunotherapy revolution (Review). *Int J Oncol.* (2020).

<https://doi.org/10.3892/ijo.2020.5088>; Wolchok, J.D. et al. Overall Survival with Combined Nivolumab and Ipilimumab in Advanced Melanoma. *N Engl J Med.* (2017). <https://doi.org/10.1056/nejmoa1709684>.

⁸ Baruch, E. et al. Fecal microbiota transplant promotes response in immunotherapy-refractory melanoma patients. *Science* (2020). <https://doi.org/10.1126/science.abb5920>; Davar, D. et al. Fecal microbiota transplant overcomes resistance to anti-PD-1 therapy in melanoma patients. *Science* (2021). <https://doi.org/10.1126/science.abf3363>

⁹ Market Data Forecast. Global Checkpoint Inhibitors Market Size, Share, Trends, COVID-19 Impact & Growth Analysis Report – Segmented By Type (PD-1 inhibitors, PD-L1 inhibitors, CTLA-4, Chimeric Antigen Receptor T-cell and others), Application & Region – Industry Forecast (2021 to 2026). (2021).

Autoimmune conditions now impact around 5% of the population and their prevalence is rising¹⁰.

In recent years, several studies have highlighted the role of the microbiome in the pathogenesis of autoimmune diseases¹¹. During FY22, Microba established an Autoimmune Disease therapeutics program targeting three autoimmune disorders (lupus, psoriatic arthritis and autoimmune liver diseases) in partnership with Ginkgo Bioworks (NYSE: DNA).

The global market for autoimmune disease treatments was estimated to be US\$53.2 billion in 2019 and forecast to grow to US\$90.7 billion by 2024¹². Microba has officially commenced this program with the first strains from the Company's biobank supplied to Ginkgo Bioworks for characterisation and screening through the Ginkgo platform. This program has the potential to generate multiple therapeutic assets for major unmet needs in the management of autoimmune diseases and generate significant value for shareholders.

Other therapeutic activities

Allergy treatment partnership with global leader IFF

Allergies are amongst the world's most common chronic illnesses affecting ~20% of the population with

prevalence increasing. A growing body of literature is building evidence that the development of allergic disease is impacted by the gut microbiome. Support for this also comes from the overlap in risk factors for the development of allergic disease and factors that change gut microbiome composition. These include early life antimicrobial exposure, caesarean birth, formula feeding, lack of maternal exposure to pets or livestock, maternal consumption of antimicrobials and other early life factors.

During FY22, Microba entered into an agreement with International Flavors & Fragrances Inc. (NYSE: IFF) to discover novel treatments for allergic diseases, leveraging Microba's Databank and Therapeutic Platform. In the first phase of the project, Microba identified multiple microbial therapeutic leads for asthma and allergic rhinitis, representing the first step in a potential longer-term commercial relationship between the parties.

The market for allergy treatments was valued at US\$21 billion in 2020¹³. Microba and IFF have the opportunity to address multiple forms of allergic diseases through novel microbiome treatments, which represents a significant opportunity to impact the lives of patients suffering from allergies globally.



¹⁰ 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>.

¹¹ De Luca, F. and Shoenfeld, Y. The microbiome in autoimmune diseases. *Clin Exp Immunol*. (2019). <https://doi.org/10.1111/cei.13158>.

¹² BCC Research. Autoimmune Disorder Therapies: Global Markets (2020).

¹³ <https://www.researchandmarkets.com/reports/5314022/>

03

Directors'
Report



Microba Life Sciences Limited
Directors' report
30 June 2022

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 2022.

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	Independent Non-Executive Director
Mark Capone (Resigned: 7 October 2021)	Independent Non-Executive Director
Blake Wills (Resigned: 5 July 2021)	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 (Appointed: 1 January 2022)

Results

The loss for the Group after providing for income tax amounted to \$11,470,429 (30 June 2021: \$7,523,752).

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 18 of this Annual Report.

Significant changes in the state of affairs

During the year ended 30 June 2022, the group completed a successful Initial Public Offering (IPO), raising \$30m to list on the Australian Securities Exchange (ASX) on 5 April 2022.

There were no other 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

No matter or circumstance has arisen since 30 June 2022 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, Microba will continue to focus on the creation of value for shareholders through offering its Personal and Research Testing services to its domestic and international customers, as well as the progression of its therapeutic programs.

Further information on the likely developments of the company is set out in the review of operations and activities on pages 6 to 18 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

Name: **Pasquale Rombola**
Title: **Chair & Non-Executive Director**
Experience and expertise: 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).

Other current directorships: Mr Rombola holds a Bachelor of Economics from the University of Western Australia. Audeara Limited (ASX: AUA)
Former directorships: None
Subcommittees: Member - Audit and Risk Committee
Member - Nomination and Remuneration Committee
Interests in shares: 5,100,000 ordinary shares
Interests in options: 300,000 options over ordinary shares

Name: **Ian Frazer**
Title: **Deputy Chair & 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 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.

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.
Other current directorships: None
Former directorships: None
Subcommittees: Chair - Audit and Risk Committee
Interests in shares: 1,226,366 ordinary shares
Interests in options: 300,000 options over ordinary shares

Name: **Gene Tyson**
Title: **Non-Executive Director & Co-Founder**
Experience and expertise: Professor Tyson is a Professor of Microbial Genomics at The Queensland University of Technology and is the Director of the Centre for Microbiome Research.

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.

Professor Tyson holds a Bachelor of Science (Hons) from the University of Queensland and a PhD from the University of California, Berkeley.
Other current directorships: None
Former directorships: None
Subcommittees: Member - Nomination and Remuneration Committee
Interests in shares: 17,100,000 ordinary shares
Interests in options: 200,000 options over ordinary shares

Microba Life Sciences Limited
Directors' report
30 June 2022

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 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).

Other current directorships: None
Former directorships: None
Subcommittees: Member - Audit and Risk Committee
Chair - Nomination and Remuneration Committee
Interests in shares: 31,524,277 ordinary shares
Interests in options: 200,000 options over ordinary shares

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 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.

Other current directorships: None
Former directorships: None
Subcommittees: None
Interests in shares: Dr Hyungtae Kim is a nominee Director of Macrogen, Inc.

Interests in options: Refer to the Shareholder Information included in this report for details of Macrogen Inc.'s shareholding.
200,000 options over ordinary shares

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.

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.

Other current directorships: None
Former directorships: LBT Innovations Limited (ASX: LBT)
Subcommittees: None
Interests in shares: 0 ordinary shares
Interests in options: 1,000,000 options over ordinary shares

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 Chief Executive Officer 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.

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 and two Master's of Science in (Bio)Chemical Engineering and Management from Massachusetts Institute of Technology.

He currently serves as President and Chief Executive Officer of Precision Medicine Advisors, LLC, is a Non-Executive Director of Abcam plc, and a Non-Executive Director and executive advisor for NephroSant.

Other current directorships: None
Former directorships: None
Subcommittees: None
Interests in shares: 500,000 ordinary shares
Interests in options: 500,000 options over ordinary shares

Name: **Blake Wills (Resigned: 5 July 2021)**
Title: **Executive Director & Chief Executive Officer**
Experience and expertise: Mr Wills is an experienced executive with previous roles in the finance, life sciences and education sectors. Mr Wills brings substantial operational, financial markets and governance experience to the Group. 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.

Other current directorships: None
Former directorships: None
Subcommittees: None
Interests in shares: 2,102,161 ordinary shares
Interests in options: 2,650,000 options over ordinary shares

Name: **Luke Reid (Appointed: 15 July 2021)**
Title: **Chief Executive Officer**
Experience and expertise: 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.

Microba Life Sciences Limited
Directors' report
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Name: **James Heath**
Title: **Chief Financial Officer & Company Secretary**
Experience and expertise: Mr Heath is a Chartered Accountant with over 10 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 (Appointed: 1 January 2022)**
Title: **Company Secretary**
Experience and expertise: 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 28 years of ASX listed company secretarial experience.

'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 2022, 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	15	15	3	3	5	5
Ian Frazer	14	15	-	-	5	5
Gene Tyson	15	15	3	3	-	-
Richard Bund	15	15	3	3	5	5
Hyungtae Kim	11	15	-	-	-	-
Caroline Popper	14	15	-	-	-	-
Mark Capone*	4	4	-	-	-	-
Blake Wills**	1	1	-	-	-	-

* Mark Capone resigned 7 October 2021

** Blake Wills resigned 5 July 2021

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

Microba Life Sciences Limited
Directors' report
30 June 2022

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 were as follows:

Name	Position	Options granted
Pasquale Rombola	Non-Executive Director	300,000
Ian Frazer	Non-Executive Director	300,000
Gene Tyson	Non-Executive Director	200,000
Richard Bund	Non-Executive Director	200,000
Hyungtae Kim	Non-Executive Director	200,000
		1,200,000

The options granted during the year, to the Director listed above, were granted as part of the 5 April 2022 IPO options issue as disclosed in the "Shares under option" table below and at note 26 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	Exercise price of options	Expiry date of the options
15/10/2018	6,900,000	\$0.180	15/10/2023
15/02/2019	400,000	\$0.180	15/10/2023
01/03/2019	150,000	\$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	400,000	\$0.300	29/06/2024
01/04/2021	3,650,000	\$0.336	04/04/2026
05/04/2022	1,200,000	\$0.675	05/05/2025
	18,800,000		

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 2022 and up to the date of this report.

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.

Microba Life Sciences Limited
Directors' report
30 June 2022

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* 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, 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.

Microba Life Sciences Limited
Directors' report
30 June 2022

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 Annual General Meeting held on 23 November 2021, where the shareholders approved a maximum annual aggregate remuneration of \$450,000.

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.

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.

The long-term incentives ('LTI') include long service leave and 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 three years 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 2022.

Microba Life Sciences Limited
Directors' report
30 June 2022

Details of remuneration

Amounts of remuneration

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

	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	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
	628,111	216,207	115,000	39,913	11,285	2,000	227,139	1,239,655

* Mark Capone resigned 7 October 2021

** Blake Wills resigned as Executive Director and Chief Executive Officer on 5 July 2021, and ceased as Key Management Personnel on this date

Microba Life Sciences Limited
Directors' report
30 June 2022

2021	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	Options	
	\$	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>								
Pasquale Rombola	29,250	-	-	-	-	-	-	29,250
Ian Frazer	25,500	-	-	-	-	-	-	25,500
Gene Tyson	15,341	45,000	-	-	-	-	-	60,341
Richard Bund	21,750	-	-	-	-	-	-	21,750
Hyungtae Kim	18,000	-	-	-	-	-	-	18,000
Caroline Popper	18,000	88,992	-	-	-	-	13,309	120,301
Mark Capone*	6,667	55,868	-	-	-	-	6,655	69,190
<i>Executive Directors:</i>								
Blake Wills**	219,961	-	-	19,855	2,689	-	85,385	327,890
<i>Other Key Management Personnel:</i>								
Luke Reid	143,795	-	37,500	17,100	1,721	-	67,922	268,038
James Heath	130,422	-	15,000	13,538	1,303	-	66,735	226,998
	628,686	189,860	52,500	50,493	5,713	-	240,006	1,167,258

* Mark Capone resigned 7 October 2021

** Blake Wills resigned as Executive Director and Chief Executive Officer on 5 July 2021, and ceased as Key Management Personnel on this date

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

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2022	2021	2022	2021	2022	2021
<i>Non-Executive Directors:</i>						
Pasquale Rombola	88%	100%	-	-	12%	-
Ian Frazer	87%	100%	-	-	13%	-
Gene Tyson	95%	100%	-	-	5%	-
Richard Bund	89%	100%	-	-	11%	-
Hyungtae Kim	87%	100%	-	-	13%	-
Caroline Popper	67%	89%	-	-	33%	11%
Mark Capone*	70%	90%	-	-	30%	10%
<i>Executive Directors:</i>						
Blake Wills**	100%	74%	-	-	-	26%
<i>Other Key Management Personnel:</i>						
Luke Reid	68%	61%	18%	14%	14%	25%
James Heath	67%	64%	14%	7%	19%	29%

* Mark Capone resigned 7 October 2021

** Blake Wills resigned as Executive Director and Chief Executive Officer on 5 July 2021, and ceased as Key Management Personnel on this date

Microba Life Sciences Limited
Directors' report
30 June 2022

Share-based compensation

Issue of shares

Details of shares issued to Directors and other key management personnel as part of compensation during the year ended 30 June 2022 are set out below:

Name	Date	Shares	Issue price	\$
Luke Reid	11/11/2021	2,500	\$0.400	1,000
James Heath	11/11/2021	2,500	\$0.400	1,000

Options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of Directors and other key management personnel in this financial year or future reporting years are as follows:

Name	Number of options		Vesting date and		Exercise price	Fair value per option at grant date
	granted	Grant date	exercisable date	Expiry date		
Pasquale Rombola	300,000	05/04/2022	05/04/2022 - 05/05/2025	05/05/2025	\$0.675	\$0.229
Ian Frazer	300,000	05/04/2022	05/04/2022 - 05/05/2025	05/05/2025	\$0.675	\$0.229
Gene Tyson	200,000	05/04/2022	05/04/2022 - 05/05/2025	05/05/2025	\$0.675	\$0.229
Richard Bund	200,000	05/04/2022	05/04/2022 - 05/05/2025	05/05/2025	\$0.675	\$0.229
Hyungtae Kim	200,000	05/04/2022	05/04/2022 - 05/05/2025	05/05/2025	\$0.675	\$0.229

Options granted carry no dividend or voting rights.

Options were granted in relation to the Company's successful IPO and will vest at 12, 24 and 36 months, dependent on the Director's continued service to the Company.

Details of options over ordinary shares granted, vested and lapsed for Directors and other key management personnel as part of compensation during the year ended 30 June 2022 are set out below:

Name	Grant date	Vesting date	Number of options granted	Value of options granted \$
Pasquale Rombola	05/04/2022	05/04/2023	100,000	22,900
	05/04/2022	04/04/2024	100,000	22,900
	05/04/2022	05/04/2025	100,000	22,900
Ian Frazer	05/04/2022	05/04/2023	100,000	22,900
	05/04/2022	04/04/2024	100,000	22,900
	05/04/2022	05/04/2025	100,000	22,900
Gene Tyson	05/04/2022	05/04/2023	66,667	15,267
	05/04/2022	04/04/2024	66,667	15,267
	05/04/2022	05/05/2025	66,666	15,266
Richard Bund	05/04/2022	05/04/2023	66,667	15,267
	05/04/2022	04/04/2024	66,667	15,267
	05/04/2022	05/04/2025	66,666	15,266
Hyungtae Kim	05/04/2022	05/04/2023	66,667	15,267
	05/04/2022	04/04/2024	66,667	15,267
	05/04/2022	05/04/2025	66,666	15,266

No options vested or lapsed during the year ended 30 June 2022.

Microba Life Sciences Limited
Directors' report
30 June 2022

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:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
<i>Ordinary shares</i>					
Pasquale Rombola	4,500,000	-	600,000	-	5,100,000
Ian Frazer	934,144	-	292,222	-	1,226,366
Gene Tyson	17,100,000	-	-	-	17,100,000
Richard Bund	30,413,166	-	1,111,111	-	31,524,277
Mark Capone*	500,000	-	-	-	500,000
Blake Wills**	2,077,439	2,500	22,222	-	2,102,161
Luke Reid***	-	2,500	55,555	-	58,055
James Heath	-	2,500	55,555	-	58,055
	55,524,749	7,500	2,136,665	-	57,668,914

* Mark Capone resigned 7 October 2021

** Blake Wills resigned as Executive Director and Chief Executive Officer on 5 July 2021, and ceased as Key Management Personnel on this date. All movement shown in the table above relate to share issued post 5 July 2021.

*** Luke Reid appointed as Chief Executive Officer 15 July 2021

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:

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
<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	-	-	-	1,000,000
Mark Capone*	500,000	-	-	-	500,000
Blake Wills**	2,650,000	-	-	-	2,650,000
Luke Reid***	2,025,000	-	-	-	2,025,000
James Heath	1,950,000	-	-	-	1,950,000
	8,125,000	1,200,000	-	-	9,325,000

* Mark Capone resigned 7 October 2021 and remains engaged with the Group as an advisor. Mr Capone has retained the options issued in this capacity.

** Blake Wills resigned as Executive Director and Chief Executive Officer on 5 July 2021, and ceased as Key Management Personnel on this date. Mr Wills remains employed by the Company and has retained the options issued to him.

*** Luke Reid appointed Chief Executive Officer 15 July 2021 and the above balances reflect the options issued to Mr Reid prior to his commencement as CEO.

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

Additional information

The earnings of the Group since listing are summarised below:

	2022
	\$
Sales revenue	4,688,645
Loss after income tax	(11,470,429)

Microba Life Sciences Limited
Directors' report
30 June 2022

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

	2022
Share price at financial year end (\$)	0.20
Basic earnings per share (cents per share)	(5.14)
Diluted earnings per share (cents per share)	(5.14)

Service agreements

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

Name: Dr Luke Reid
Title: Chief Executive Officer
Agreement commenced: 5 April 2022
Term of agreement: Ongoing
Details: Base Salary: \$260,000 per annum
Performance Based Incentive: \$50,000 per annum
Superannuation: 10.0%, increasing to 10.5% on 1 July 2022
Termination Notice: 12 weeks

Name: James Heath
Title: Chief Financial Officer & Company Secretary
Agreement commenced: 5 April 2022
Term of agreement: Ongoing
Details: Base Salary: \$200,000 per annum
Performance Based Incentive: \$40,000 per annum
Superannuation: 10.0%, increasing to 10.5% on 1 July 2022
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.

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

25 August 2022
Brisbane

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 2022, 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

Mason
CHERYL MASON
Partner

Brisbane, Queensland
25 August 2022

Brisbane Sydney Newcastle Melbourne Adelaide Perth

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FELICITY CRIMSTON
CHERYL MASON
KIERAN WALLIS

MURRAY GRAHAM
ANDREW ROBIN
KAREN LEVINE

04

Financial
Statements



Microba Life Sciences Limited

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Microba Life Sciences Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2022

	Note	2022 \$	2021 \$
Revenue			
Revenue from contracts with customers	4	4,688,645	3,732,443
Cost of sales		<u>(2,322,930)</u>	<u>(1,694,314)</u>
Gross profit		2,365,715	2,038,129
Grant and subsidies income	5	4,324,096	1,968,360
Interest income		49,551	101,711
Expenses			
Employee benefits and other related costs	7	(8,572,940)	(6,150,650)
Research and development expense		(5,383,823)	(2,095,556)
Depreciation and amortisation expense	8	(1,542,862)	(1,218,079)
Consulting fees		(666,718)	(662,436)
Marketing and advertising expense		(540,713)	(338,222)
Legal and intellectual property advisory fees		(491,763)	(159,542)
Finance costs	9	(55,289)	(23,456)
Foreign currency gain/(loss)		492,507	(49,213)
Other expenses		<u>(1,438,960)</u>	<u>(934,798)</u>
Total expenses		<u>(18,200,561)</u>	<u>(11,631,952)</u>
Loss before income tax expense		(11,461,199)	(7,523,752)
Income tax expense	6	<u>(9,230)</u>	<u>-</u>
Loss after income tax expense for the year attributable to the owners of Microba Life Sciences Limited		(11,470,429)	(7,523,752)
Other comprehensive income/(loss)			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		<u>83,908</u>	<u>(506)</u>
Other comprehensive income/(loss) for the year, net of tax		<u>83,908</u>	<u>(506)</u>
Total comprehensive loss for the year attributable to the owners of Microba Life Sciences Limited		<u>(11,386,521)</u>	<u>(7,524,258)</u>
		Cents	Cents
Basic earnings per share	34	(5.14)	(4.10)
Diluted earnings per share	34	(5.14)	(4.10)

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 2022

	Note	2022 \$	2021 \$
Assets			
Current assets			
Cash and cash equivalents	10	30,580,673	12,978,604
Receivables	11	3,422,518	1,649,918
Inventories	12	360,033	513,281
Financial assets	13	204,436	50,302
Other assets	14	1,249,266	1,028,340
Total current assets		<u>35,816,926</u>	<u>16,220,445</u>
Non-current assets			
Property, plant and equipment	15	2,013,052	1,062,952
Right-of-use assets	16	795,305	133,257
Intangible assets	17	853,934	1,071,056
Total non-current assets		<u>3,662,291</u>	<u>2,267,265</u>
Total assets		<u>39,479,217</u>	<u>18,487,710</u>
Liabilities			
Current liabilities			
Payables	18	2,879,112	1,596,603
Borrowings	19	364,063	108,888
Lease liabilities	20	477,301	93,367
Employee benefits	21	486,467	356,281
Other liabilities	22	177,336	85,112
Contract liabilities	23	880,132	1,113,328
Total current liabilities		<u>5,264,411</u>	<u>3,353,579</u>
Non-current liabilities			
Lease liabilities	20	483,766	66,763
Employee benefits	21	99,496	43,673
Other liabilities	22	95,340	87,593
Total non-current liabilities		<u>678,602</u>	<u>198,029</u>
Total liabilities		<u>5,943,013</u>	<u>3,551,608</u>
Net assets		<u>33,536,204</u>	<u>14,936,102</u>
Equity			
Issued capital	24	62,884,010	33,482,960
Reserves	25	1,854,677	1,185,196
Accumulated losses		(31,202,483)	(19,732,054)
Total equity		<u>33,536,204</u>	<u>14,936,102</u>

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 2022

	Issued capital \$	Share-based payment reserve \$	Foreign currency translation reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2020	19,289,292	628,147	(5,235)	(12,208,302)	7,703,902
Loss after income tax expense for the year	-	-	-	(7,523,752)	(7,523,752)
Other comprehensive loss for the year, net of tax	-	-	(506)	-	(506)
Total comprehensive loss for the year	-	-	(506)	(7,523,752)	(7,524,258)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 24)	14,193,668	-	-	-	14,193,668
Share-based payments (options) (note 26)	-	562,790	-	-	562,790
Balance at 30 June 2021	33,482,960	1,190,937	(5,741)	(19,732,054)	14,936,102
	Issued capital \$	Share-based payment reserve \$	Foreign currency translation reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2021	33,482,960	1,190,937	(5,741)	(19,732,054)	14,936,102
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
Total comprehensive income/(loss) for the year	-	-	83,908	(11,470,429)	(11,386,521)
<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
Balance at 30 June 2022	62,884,010	1,776,510	78,167	(31,202,483)	33,536,204

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 2022

	Note	2022 \$	2021 \$
Cash flows from operating activities			
Receipts from customers		4,610,809	3,091,067
Payments to suppliers and employees		<u>(17,841,600)</u>	<u>(11,408,707)</u>
		(13,230,791)	(8,317,640)
Interest received		49,551	135,081
Subsidies and grants received		2,796,947	1,024,431
Interest and other finance costs paid		(55,289)	(23,456)
Income taxes paid		<u>(9,230)</u>	<u>-</u>
Net cash used in operating activities	28	<u>(10,448,812)</u>	<u>(7,181,584)</u>
Cash flows from investing activities			
Payments for property, plant and equipment	15	(1,636,061)	(247,320)
Payments for intangible assets	17	(236,703)	(425,135)
Payments for security deposits		(154,134)	(50,302)
Proceeds from disposal of property, plant and equipment		8,750	-
Subsidies and grants received		<u>285,794</u>	<u>149,972</u>
Net cash used in investing activities		<u>(1,732,354)</u>	<u>(572,785)</u>
Cash flows from financing activities			
Proceeds from issue of shares	24	31,250,005	15,144,977
Repayment of bank loans		(223,758)	(141,333)
Principal portion of lease payments		(330,835)	(216,671)
Proceeds from bank loans		425,349	-
Share issue transaction costs		<u>(1,904,955)</u>	<u>(951,309)</u>
Net cash from financing activities		<u>29,215,806</u>	<u>13,835,664</u>
Net increase in cash and cash equivalents		17,034,640	6,081,295
Cash and cash equivalents at the beginning of the financial year		12,978,604	6,897,309
Effects of exchange rate changes on cash and cash equivalents		<u>567,429</u>	<u>-</u>
Cash and cash equivalents at the end of the financial year	10	<u>30,580,673</u>	<u>12,978,604</u>

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 2022

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 25 August 2022. 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 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 2022 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, 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 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, 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 2022

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 \$11,470,429 during the year ended 30 June 2022 (2021: loss of \$7,523,752) and has a net cash outflow from operating activities of \$10,448,812 (2021 : \$7,181,584). The Group held cash and cash equivalents of \$30,580,673 at 30 June 2022 (2021: \$12,978,604).

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 have regard to the circumstances which the Directors consider will occur and those which 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

Revenue from contracts with customers is recognised in accordance with *AASB 15 – 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.

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*:

Note 2. Significant accounting policies (continued)

- 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).

Sale of goods

Revenue from the sale of goods is recognised at a point in time when the customer obtains control of the goods, which is generally at the time the goods are dispatched from Microba's facilities.

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.

Microba Life Sciences Limited
Notes to the consolidated financial statements
30 June 2022

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.

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 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 2022, the group recognised an amount of grant income relating to R&D Tax Incentives of \$4,227,762 (2021: \$1,510,860).

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.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

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)

Investments

Investments includes non-derivative financial assets with fixed or determinable payments and fixed maturities where the Group has the positive intention and ability to hold the financial asset to maturity. This category excludes financial assets that are held for an undefined period. Investments are carried at amortised cost using the effective interest rate method adjusted for any principal repayments. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

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.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

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.

Note 2. Significant accounting policies (continued)

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 proprietary 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.

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 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.

Note 2. Significant accounting policies (continued)

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.

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 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.

Note 2. Significant accounting policies (continued)

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.

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 intellectual property and system development costs

Intellectual property and system 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 cost 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. However, because it may be difficult to distinguish between research and development projects, it is impacted 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.

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

Revenue from contracts with customers

The Group recognises revenue from contracts with customers in accordance with *AASB 15 – Revenue from Contracts with Customers*, and the five step process outlined in the accounting standard.

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.

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 incorporate a number of key estimates and assumptions.

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.

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.

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Note 4. Revenue from contracts with customers

The Group derives its revenue from the transfer of goods and services over time and at a point in time in line with AASB 15 - *Revenue from contracts with customers* as follows:

	2022	2021
	\$	\$
Personal Testing - revenue recognised at a point in time	1,570,576	1,504,328
Personal Testing - revenue recognised over time	918,979	681,002
Research Testing - revenue recognised over time	2,199,090	1,541,977
Sale of goods - revenue recognised at a point in time	-	5,136
	<u>4,688,645</u>	<u>3,732,443</u>

Note 5. Grant and subsidies income

	2022	2021
	\$	\$
Research and Development Tax Incentive	4,227,762	1,510,860
Other grant and subsidies income	96,334	457,500
	<u>4,324,096</u>	<u>1,968,360</u>

Note 6. Income tax

Components of tax expense

	2022	2021
	\$	\$
Current tax expense	9,230	-
Deferred tax expense	-	-
	<u>9,230</u>	<u>-</u>

Income tax reconciliation

	2022	2021
	\$	\$
Prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows:		
Prima facie income tax on loss before tax at 25.00% (2021: 26.00%)	(2,865,301)	(1,956,176)
Add tax effect of:		
Share based payments	160,393	146,325
Accounting expense subject to R&D Tax Incentive	1,489,660	647,706
R&D Tax Incentive revenue	(1,056,941)	(392,824)
Other	73,664	(5,202)
Tax losses and other deferred taxes not recognised	2,207,755	1,560,171
	<u>2,874,531</u>	<u>1,956,176</u>
Income tax expense	<u>9,230</u>	<u>-</u>

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Note 6. Income tax (continued)

Deferred tax

	2022	2021
	\$	\$
The balance comprises:		
Deferred tax assets:		
Employee benefits	116,805	113,030
Accruals and other liabilities	277,123	144,415
Lease liabilities	236,853	213,766
Capital raising costs	495,689	82,419
Doubtful debts	-	62,781
Unrealised foreign currency	143,265	-
	1,269,735	616,411
Deferred tax liabilities:		
Intangible assets	(113,901)	(180,691)
Right of use assets	(198,826)	(206,779)
Property, plant and equipment	(109)	(1,114)
Prepayments	(309,597)	(267,340)
	(622,433)	(655,924)
Deferred tax asset/(liability)	647,302	(39,513)
Derecognition of deferred tax asset/liability	(647,302)	39,513
Net deferred tax asset/(liability)	-	-

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 \$3,701,909.

Changes in applicable tax rates

During the year ended 30 June 2022 the income tax rate was reduced from 26.00% to 25.00%

Note 7. Employee benefits and other related costs

	2022	2021
	\$	\$
Short term benefits	6,807,061	4,764,207
Share based payments	641,573	562,790
Superannuation guarantee contributions	566,173	405,289
Other employee benefits and related costs	558,133	418,364
	8,572,940	6,150,650

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Note 8. Depreciation and amortisation expense

	2022	2021
	\$	\$
Depreciation expense - property, plant and equipment	651,112	529,250
Depreciation expense - right of use assets	437,925	264,590
Amortisation expense - intangible assets	453,825	424,239
	<u>1,542,862</u>	<u>1,218,079</u>

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

	2022	2021
	\$	\$
Interest expense	8,307	10,246
Interest expense on lease liability	46,982	13,210
	<u>55,289</u>	<u>23,456</u>

Note 10. Cash and cash equivalents

	2022	2021
	\$	\$
Cash at bank	26,229,530	12,978,604
Restricted cash	4,351,143	-
	<u>30,580,673</u>	<u>12,978,604</u>

The restricted cash balance held at 30 June 2022 represents USD3,000,000 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 12 months is to be held in an escrow bank account until the development activity payments become due.

Note 11. Receivables

	2022	2021
	\$	\$
<i>Current assets</i>		
Receivables from contracts with customers	589,084	264,751
Contract assets from contracts with customers	50,518	111,545
Research and development tax incentive receivable	2,592,009	1,083,662
Other receivables	190,907	189,960
	<u>3,422,518</u>	<u>1,649,918</u>

The Group's exposure to credit and currency risk and expected credit losses related to receivables held are disclosed in note 27.

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Note 12. Inventories

	2022	2021
	\$	\$
<i>Current assets</i>		
Raw materials and consumables - at cost	360,033	513,281

Note 13. Financial assets

	2022	2021
	\$	\$
<i>Current assets</i>		
Cash on deposit	204,436	50,302

Financial assets of the Group are held at amortised cost.

Note 14. Other assets

	2022	2021
	\$	\$
<i>Current assets</i>		
Prepayments	1,249,266	1,028,231
Other current assets	-	109
	1,249,266	1,028,340

Note 15. Property, plant and equipment

	2022	2021
	\$	\$
<i>Non-current assets</i>		
Laboratory equipment at cost	4,067,281	2,526,840
Accumulated depreciation	(2,175,296)	(1,568,727)
	1,891,985	958,113
Furniture, fixtures and fittings at cost	51,807	69,483
Accumulated depreciation	(14,593)	(21,032)
	37,214	48,451
Computer equipment at cost	267,476	194,481
Accumulated depreciation	(183,623)	(138,093)
	83,853	56,388
Total property, plant and equipment	2,013,052	1,062,952

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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:

	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
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)
Balance at 30 June 2022	1,891,985	37,214	83,853	2,013,052

Property, plant and equipment pledged as security

Refer to note 19 for further information on property, plant and equipment previously secured under an equipment loan.

Note 16. Right-of-use assets

	2022 \$	2021 \$
<i>Non-current assets</i>		
Right-of-use assets	1,651,390	832,839
Less: Accumulated depreciation	(856,085)	(699,582)
Total carrying amount of lease assets	795,305	133,257

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 2021	133,257
Additions	1,131,772
Disposals	(31,799)
Depreciation expense	(437,925)
Balance at 30 June 2022	795,305

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.

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Note 17. Intangible assets

	2022	2021
	\$	\$
<i>Non-current assets</i>		
Capitalised system development at cost	1,847,350	1,637,933
Accumulated amortisation	(1,202,984)	(813,169)
	644,366	824,764
Intellectual property at cost	414,841	387,556
Accumulated amortisation	(205,273)	(141,264)
	209,568	246,292
Total intangible assets	853,934	1,071,056

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous 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
Additions	209,418	27,285	236,703
Amortisation expense	(389,816)	(64,009)	(453,825)
Balance at 30 June 2022	644,366	209,568	853,934

Note 18. Payables

	2022	2021
	\$	\$
<i>Current liabilities</i>		
Trade creditors	813,188	353,525
Employee payables and accruals	931,649	797,424
Sundry creditors and accruals	1,134,275	445,654
	2,879,112	1,596,603

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

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Note 19. Borrowings

	2022	2021
	\$	\$
<i>Current liabilities</i>		
Equipment loan - secured	-	135,886
Credit card liability - unsecured	26,586	(26,998)
Insurance premium funding - unsecured	337,477	-
	<u>364,063</u>	<u>108,888</u>

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

Equipment loan

The equipment loan liability relates to a goods mortgage on laboratory equipment, which was fully repaid during the year ended 30 June 2022. At balance date, no amount is owed by the Group in relation to this loan and the lender's rights to the underlying asset have been released.

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

	2022	2021
	\$	\$
<i>Current liabilities</i>		
Lease liability	477,301	93,367
<i>Non-current liabilities</i>		
Lease liability	483,766	66,763
	<u>961,067</u>	<u>160,130</u>
	2022	2021
	\$	\$
Interest expense on lease liabilities	46,982	13,210
Cash outflow in relation to leases	377,817	229,978

Note 21. Employee benefits

	2022	2021
	\$	\$
<i>Current liabilities</i>		
Employee benefits	486,467	356,281
<i>Non-current liabilities</i>		
Employee benefits	99,496	43,673
	<u>585,963</u>	<u>399,954</u>

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Note 22. Other liabilities

	2022	2021
	\$	\$
<i>Current liabilities</i>		
Deferred Government Grants - R&D Tax Incentive	86,813	85,112
Deferred Grant Income - Other	90,523	-
	177,336	85,112
<i>Non-current liabilities</i>		
Deferred Government Grants - R&D Tax Incentive	95,340	87,593
	272,676	172,705

Note 23. Contract liabilities

	2022	2021
	\$	\$
<i>Current liabilities</i>		
Contracts with customers where services are transferred at a point in time	359,148	335,428
Contracts with customers where services are transferred over time	520,984	777,900
	880,132	1,113,328

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 as 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

	2022	2021	2022	2021
	Shares	Shares	\$	\$
Ordinary shares - fully paid	274,357,998	204,426,332	62,884,010	33,482,960

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Note 24. Issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	\$
Balance	1 July 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
Ordinary shares issued 13 July 2021 - \$0.40		2,500,000	1,000,000
Ordinary shares issued 13 October 2021 - \$0.40		625,000	250,005
Ordinary shares issued 11 November 2021 - \$0.40		140,000	56,000
Ordinary shares issued 5 April 2022 - \$0.45		66,666,666	30,000,000
Transaction costs relating to shares issued		-	(1,904,955)
Balance	30 June 2022	274,357,998	62,884,010

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.

Share buy-back

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

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 look to raise 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. The Group is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses.

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Note 25. Reserves

	2022 \$	2021 \$
Foreign currency translation reserve	78,167	(5,741)
Share-based payments reserve	1,776,510	1,190,937
	1,854,677	1,185,196

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 are provided below:

2022							
Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted during the period	Forfeited during the period	Expired during the period	Balance at the end of the year
15/10/2018	15/10/2023	\$0.180	6,900,000	-	-	-	6,900,000
15/02/2019	15/10/2023	\$0.180	400,000	-	-	-	400,000
01/03/2019	15/10/2023	\$0.180	150,000	-	-	-	150,000
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	-	-	-	400,000
01/04/2021	04/04/2026	\$0.336	3,650,000	-	-	-	3,650,000
05/04/2022	05/05/2025	\$0.675	-	1,200,000	-	-	1,200,000
			17,600,000	1,200,000	-	-	18,800,000

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.

At 30 June 2022, there are no exercisable options as all option holders have entered into a voluntary escrow agreement.

For the options granted during the current financial year, the Black-Scholes valuation model inputs used to determine the fair value at the grant date, are as follows:

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

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

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Note 26. Share-based payments (continued)

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:

	2022	2021
	\$	\$
Options issued under ESOP	585,573	562,790
Shares issued under ESOP	56,000	-
Total expenses recognised from share-based payment transactions	641,573	562,790

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.

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:

	Assets		Liabilities	
	2022	2021	2022	2021
	\$	\$	\$	\$
US dollars	4,234,333	124,930	58,195	38,359
Swiss francs	791,638	-	-	-
Euros	208,916	69,822	6,200	8,750
Canadian dollars	-	-	11,366	-
Pound Sterling	-	-	4,000	11,500
	5,234,887	194,752	79,761	58,609

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 \$777,683 (2021: \$19,102) and a corresponding increase/decrease in equity of the same amount.

Microba Life Sciences Limited
Notes to the consolidated financial statements
30 June 2022

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

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:

	2022		2021	
	Weighted average interest rate	Balance	Weighted average interest rate	Balance
	%	\$	%	\$
Cash and cash equivalents - non-interest bearing	-	3,608,509	-	1,159,364
Cash and cash equivalents - interest bearing	0.41%	22,621,020	1.01%	11,819,240
Cash on deposit	0.13%	204,436	0.59%	50,302
Restricted cash	-	4,351,143	-	-
Exposure to interest rate risk on cash deposits		<u>30,785,108</u>		<u>13,028,906</u>

Additional interest rate risk for the Group arises from an insurance premium funding facility, which attracts a fixed interest rate applicable for the term of the insurance policy and the associated funding arrangement. The premium funding facility held by the Group at 30 June 2022 incurs interest of 3.09%.

There was no premium funding facility agreement in place at 30 June 2021, however the Group previously held an equipment loan which was paid out during the current period, which attracted a fixed interest rate of 4.99%.

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 \$49,551 (2021: \$101,711) and interest expense was \$55,289 (2021: \$23,456).

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 expected credit loss for the Group, and as such, no loss has been recognised for the year ended 30 June 2022, or any previous period.

Microba Life Sciences Limited
Notes to the consolidated financial statements
30 June 2022

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

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

	2022 \$	2021 \$
Not overdue	3,388,746	1,450,357
0 to 3 months overdue	33,772	199,561
	<u>3,422,518</u>	<u>1,649,918</u>

Historically, the Group has not recognised any bad or doubtful debts in relation to receivables from contracts with customers.

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.

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 undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
2022					
Non-derivatives					
<i>Non-interest bearing</i>					
Trade and other payables	2,879,112	-	-	-	2,879,112
<i>Interest-bearing - fixed rate</i>					
Borrowings	364,063	-	-	-	364,063
Lease liability	477,301	281,331	202,435	-	961,067
Total non-derivatives	<u>3,720,476</u>	<u>281,331</u>	<u>202,435</u>	<u>-</u>	<u>4,204,242</u>
	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
2021					
Non-derivatives					
<i>Non-interest bearing</i>					
Trade and other payables	1,596,603	-	-	-	1,596,603
<i>Interest-bearing - fixed rate</i>					
Borrowings	108,888	-	-	-	108,888
Lease liability	93,367	66,763	-	-	160,130
Total non-derivatives	<u>1,798,858</u>	<u>66,763</u>	<u>-</u>	<u>-</u>	<u>1,865,621</u>

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

Microba Life Sciences Limited
Notes to the consolidated financial statements
30 June 2022

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

Fair value of financial instruments

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

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

	2022	2021
	\$	\$
Loss after income tax expense for the year	(11,470,429)	(7,523,752)
Adjustments for:		
Depreciation and amortisation (non-cash)	1,542,862	1,218,079
Share-based payments (non-cash)	641,573	562,790
Write back of bad debts	(170,522)	-
Loss on disposal of property, plant and equipment (non-cash)	20,311	-
Unwinding of capital portion of grants and subsidies received (investing cash flow)	(276,346)	(149,972)
Foreign currency exchange differences	(483,521)	(506)
	1,274,357	1,630,391
Change in operating assets and liabilities:		
Movement in receivables	(1,772,600)	(1,027,131)
Movement in inventories	153,248	(172,472)
Movement in other assets	(220,926)	(799,969)
Movement in payables	1,373,681	454,557
Movement in employee benefits	186,009	203,060
Movement in contract liabilities	(233,197)	31,380
Movement in other liabilities	261,045	22,352
	(252,740)	(1,288,223)
Net cash used in operating activities	(10,448,812)	(7,181,584)

Note 29. Non-cash investing and financing activities

	2022	2021
	\$	\$
Additions to the right-of-use assets	1,131,772	141,128
Shares issued under employee share plan	56,000	-
	1,187,772	141,128

Microba Life Sciences Limited
Notes to the consolidated financial statements
30 June 2022

Note 30. Changes in liabilities arising from financing activities

	Equipment Loan \$	Insurance Premium Funding \$	Lease Liability \$	Total \$
Balance at 1 July 2020	277,219	-	282,459	559,678
Net cash used in financing activities	(141,333)	-	(216,671)	(358,004)
Acquisition of plant and equipment by means of leases	-	-	141,128	141,128
Interest on leases	-	-	13,209	13,209
Other changes	-	-	(59,995)	(59,995)
Balance at 30 June 2021	135,886	-	160,130	296,016
Net cash used in financing activities	(135,886)	(87,872)	(330,835)	(554,593)
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 on leases	-	-	46,982	46,982
Other changes	-	-	(15,183)	(15,183)
Balance at 30 June 2022	-	337,477	961,067	1,298,544

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:

	2022 \$	2021 \$
Short-term employee benefits	959,318	871,046
Post-employment benefits	39,913	50,493
Long-term benefits	11,285	5,713
Share-based payments	229,139	240,006
	1,239,655	1,167,258

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 2022

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:

	2022	2021
	\$	\$
<i>Audit services - Pitcher Partners</i>		
Audit or review of the financial statements	74,196	50,000
<i>Other services - Pitcher Partners</i>		
Taxation advice and tax return preparation	60,420	39,310
Consulting fees relating to Microba's IPO	47,200	-
Other fees	4,519	2,880
	112,139	42,190
	186,335	92,190
<i>Other services - Pitcher Partners network firms</i>		
Taxation advice and tax return preparation	5,352	-
	5,352	-

Note 34. Earnings per share

	2022	2021
	\$	\$
Loss after income tax attributable to the owners of Microba Life Sciences Limited	(11,470,429)	(7,523,752)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	223,078,862	183,440,805
Weighted average number of ordinary shares used in calculating diluted earnings per share	223,078,862	183,440,805
	Cents	Cents
Basic earnings per share	(5.14)	(4.10)
Diluted earnings per share	(5.14)	(4.10)

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 2022

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 2022 approximately 10% (2021: 18%) and 7% (2021: 10%) of the Group's external revenue was derived from sales to Psomagen, Inc. and Société des Produits Nestlé S.A, respectively.

Operating segment information

Segment profit and loss

	Testing Services	Research & Development	Unallocated	Total
	\$	\$	\$	\$
2022				
Research from contracts with external customers	4,688,645	-	-	4,688,645
Cost of sales	<u>(2,322,930)</u>	<u>-</u>	<u>-</u>	<u>(2,322,930)</u>
Gross profit	<u>2,365,715</u>	<u>-</u>	<u>-</u>	<u>2,365,715</u>
Subsidies and grant income	-	4,227,762	96,334	4,324,096
Interest income	-	-	49,551	49,551
	<u>-</u>	<u>4,227,762</u>	<u>145,885</u>	<u>4,373,647</u>
Expenses				
Employee benefits and other related costs	(2,158,888)	(1,619,623)	(4,794,429)	(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)
Foreign currency gain/(loss)	-	-	492,507	492,507
Other expenses	-	-	(1,438,960)	(1,438,960)
Total expenses	<u>(2,689,901)</u>	<u>(7,121,276)</u>	<u>(8,389,384)</u>	<u>(18,200,561)</u>
Profit/(loss) before income tax benefit	<u>(324,186)</u>	<u>(2,893,514)</u>	<u>(8,243,499)</u>	<u>(11,461,199)</u>
Income tax expense	<u>-</u>	<u>-</u>	<u>(9,230)</u>	<u>(9,230)</u>
Profit/(loss) after income tax expense	<u>(324,186)</u>	<u>(2,893,514)</u>	<u>(8,252,729)</u>	<u>(11,470,429)</u>

Microba Life Sciences Limited
Notes to the consolidated financial statements
30 June 2022

Note 35. Operating segments (continued)

2021	Testing Services \$	Research & Development \$	Unallocated \$	Total \$
Revenue from contracts with external customers	3,732,443	-	-	3,732,443
Cost of sales	(1,694,314)	-	-	(1,694,314)
Gross profit	2,038,129	-	-	2,038,129
Subsidies and grant income	-	1,510,860	457,500	1,968,360
Interest income	-	-	101,711	101,711
	-	1,510,860	559,211	2,070,071
Expenses				
Employee benefits and other related costs	(1,391,325)	(1,374,855)	(3,384,470)	(6,150,650)
Research and development expense	-	(2,095,556)	-	(2,095,556)
Depreciation and amortisation expense	-	-	(1,218,079)	(1,218,079)
Consulting fees	(48,537)	(174,610)	(439,289)	(662,436)
Marketing and advertising expense	(166,952)	-	(171,270)	(338,222)
Legal and intellectual property advisory fees	(24,274)	(41,350)	(93,918)	(159,542)
Finance costs	-	-	(23,456)	(23,456)
Foreign currency gain/(loss)	-	-	(49,213)	(49,213)
Other expenses	-	-	(934,798)	(934,798)
Total expenses	(1,631,088)	(3,686,371)	(6,314,493)	(11,631,952)
Profit/(loss) before income tax	407,041	(2,175,511)	(5,755,282)	(7,523,752)
Income tax expense	-	-	-	-
Profit/(loss) after income tax	407,041	(2,175,511)	(5,755,282)	(7,523,752)

Segment assets and liabilities

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 2022 are 3,662,291 (2021: 2,267,265).

Geographical information

	Revenue from external customers		Geographical non-current assets	
	2022 \$	2021 \$	2022 \$	2021 \$
Australia	2,621,730	2,011,124	2,350,824	2,267,265
Europe	774,732	413,794	-	-
New Zealand	259,468	252,689	-	-
United Arab Emirates	266,652	-	-	-
United Kingdom	691	83,616	-	-
United States	765,372	971,220	1,311,467	-
	4,688,645	3,732,443	3,662,291	2,267,265

Microba Life Sciences Limited
Notes to the consolidated financial statements
30 June 2022

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	
	2022	2021
	\$	\$
Loss after income tax	(10,817,148)	(7,051,067)
Other comprehensive income for the year, net of tax	-	-
Total comprehensive loss	(10,817,148)	(7,051,067)

Statement of financial position

	Parent	
	2022	2021
	\$	\$
Total current assets	34,150,779	15,034,026
Total non-current assets	-	84,357
Total assets	34,150,779	15,118,383
Total current liabilities	507,153	94,688
Total non-current liabilities	107,422	87,593
Total liabilities	614,575	182,281
Net assets	33,536,204	14,936,102
Equity		
Issued capital	62,883,886	33,482,836
Share-based payments reserve	1,776,510	1,190,937
Accumulated losses	(31,124,192)	(19,737,671)
Total equity	33,536,204	14,936,102

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 2022 and 30 June 2021.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2022 and 30 June 2021.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2022 and 30 June 2021.

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 2022

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:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2022 %	2021 %
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

No matter or circumstance has arisen since 30 June 2022 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.

Microba Life Sciences Limited
Directors' declaration
30 June 2022

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 2022 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

25 August 2022
Brisbane

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 2022, 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 2022 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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ANDREW ROBIN
KAREN LEVINE

Key Audit Matter	How our audit addressed the key audit matter
<p>Research and development tax incentive (Refer to Note 5 and Note 11)</p> <p>At 30 June 2022 the Group's consolidated statement of financial position includes a Research and Development (R&D) Tax Incentive receivable of \$2,592,009 and R&D Tax Incentive revenue of \$4,227,762.</p> <p>The Group receives refundable R&D tax incentives from the Australian government which represents 43.5 cents in each dollar of eligible annual R&D expenditure, if its turnover is less than \$20 million per annum.</p> <p>Registration of the Group's R&D activity application is filed with AusIndustry.</p> <p>Management performed a detailed assessment of the Group's total R&D expenditure to estimate the refundable R&D tax incentive receivable under the R&D tax incentive legislation.</p> <p>We focused on this area as a key audit matter due to the size of the receivable and revenue recognised and the degree of judgment and interpretation of the R&D tax legislation required by management to assess the eligibility of the R&D expenditure under the scheme.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> • Obtaining an understanding of, and evaluating the relevant controls associated with management's assessment of eligible R&D expenditure under the scheme; • Relying on our internal tax expert to; <ul style="list-style-type: none"> ○ Review the expenditure methodology employed by management for consistency with the R&D tax legislation; and ○ Consider the nature of the expenses against the eligibility criteria of the R&D tax incentive scheme to form a view about whether the expenses included in the estimate were likely to meet the eligibility criteria; • Testing a sample of expenditure upon which the claim is based, to underlying documentation, such as invoices and payroll records; • Inspecting copies of relevant correspondence with AusIndustry and the ATO related to the claims; and • Assessing the appropriateness of the accounting entries and classification of the R&D tax incentive and financial statement disclosures, based on Australian Accounting Standards.

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 2022, 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.

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

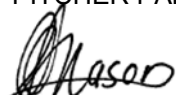
We have audited the Remuneration Report included in pages 26 to 32 of the directors' report for the year ended 30 June 2022. In our opinion, the Remuneration Report of Microba Life Sciences Limited, for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

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



CHERYL MASON
Partner

Brisbane, Queensland
25 August 2022

05

ASX Additional Information



Microba Life Sciences Limited
Shareholder information
30 June 2022

The shareholder information set out below was applicable as at 23 August 2022, unless otherwise stated.

Distribution of equitable securities

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

	Ordinary shares	
	Number	% of total
	of holders	shares
		issued
1 to 1,000	14	-
1,001 to 5,000	265	0.27
5,001 to 10,000	101	0.30
10,001 to 100,000	351	4.65
100,001 and over	171	94.78
	902	100.00
Holding less than a marketable parcel	107	0.06

Equity security holders

Twenty largest quoted equity security holders

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

	Ordinary shares	
	Number held	% of total
		shares
		issued
SA Microba Holdings Pty Ltd	31,524,277	11.49
Macrogen, Inc.	17,828,431	6.50
Boysenholtz Pty Ltd	17,178,431	6.26
Genenika Pty Ltd <The Tyson A/C>	17,100,000	6.23
Dempsey Capital Pty Ltd <The Alium Alpha Fund>	14,985,993	5.46
UBS Nominees Pty Ltd	12,767,718	4.65
BNP Paribas Nominees Pty Ltd <DRP A/C>	12,482,493	4.55
National Nominees Limited	12,294,080	4.48
Ginkgo Bioworks, Inc.	10,886,385	3.97
Mainstream Fund Services Pty Ltd <Peren Prvt to Pub OP/F A/C>	6,992,297	2.55
Mainstream Fund Services Pty Ltd <Perennial Priv OF No 3 A/C>	6,375,000	2.32
Mainstream Fund Services Pty Ltd <Perennial Priv Fnd 2 A/C>	5,357,142	1.95
Rombola Family Pty Ltd <Rombola Family A/C>	4,500,000	1.64
HSBC Custody Nominees (Australia) Limited	3,728,310	1.36
UniQuest Pty Ltd	3,424,643	1.25
Mr Vernon Alan Wills <The Wills Family A/C>	3,192,493	1.16
Australian Direct Investments Pty Ltd <Super Fund A/C>	3,070,729	1.12
Derp Enterprises Pty Ltd <The Angel Barnett Family A/C>	2,902,500	1.06
Wyeast Pty Ltd <The Rinke Family A/C>	2,900,000	1.06
Adam Skarshewski	2,900,000	1.06
	192,390,922	70.12

Microba Life Sciences Limited
Shareholder information
30 June 2022

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	18,800,000	26

No holders have unlisted options representing more than 20% of these securities.

Substantial holders

Substantial holders in the Company are set out below:

	Number held	Ordinary shares % of total shares issued
Microba Life Sciences Limited	160,374,750	58.45
Perennial Value Management Limited	40,898,790	14.91
SA Microba Holdings Pty Ltd	31,524,277	11.49
Macrogen, Inc.	17,828,431	6.50
Boysenholtz Pty Ltd	17,178,431	6.26
Genenika Pty Ltd	17,100,000	6.23
Alium Alpha Fund	14,985,993	5.46

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

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

Shares subject to voluntary escrow

Class	Expiry date	Number of shares
Ordinary Shares	5 October 2022	57,690,639
Ordinary Shares	27 January 2024	54,500,297
		<u>112,190,936</u>

Microba Life Sciences Limited
Shareholder information
30 June 2022

Options subject to voluntary escrow

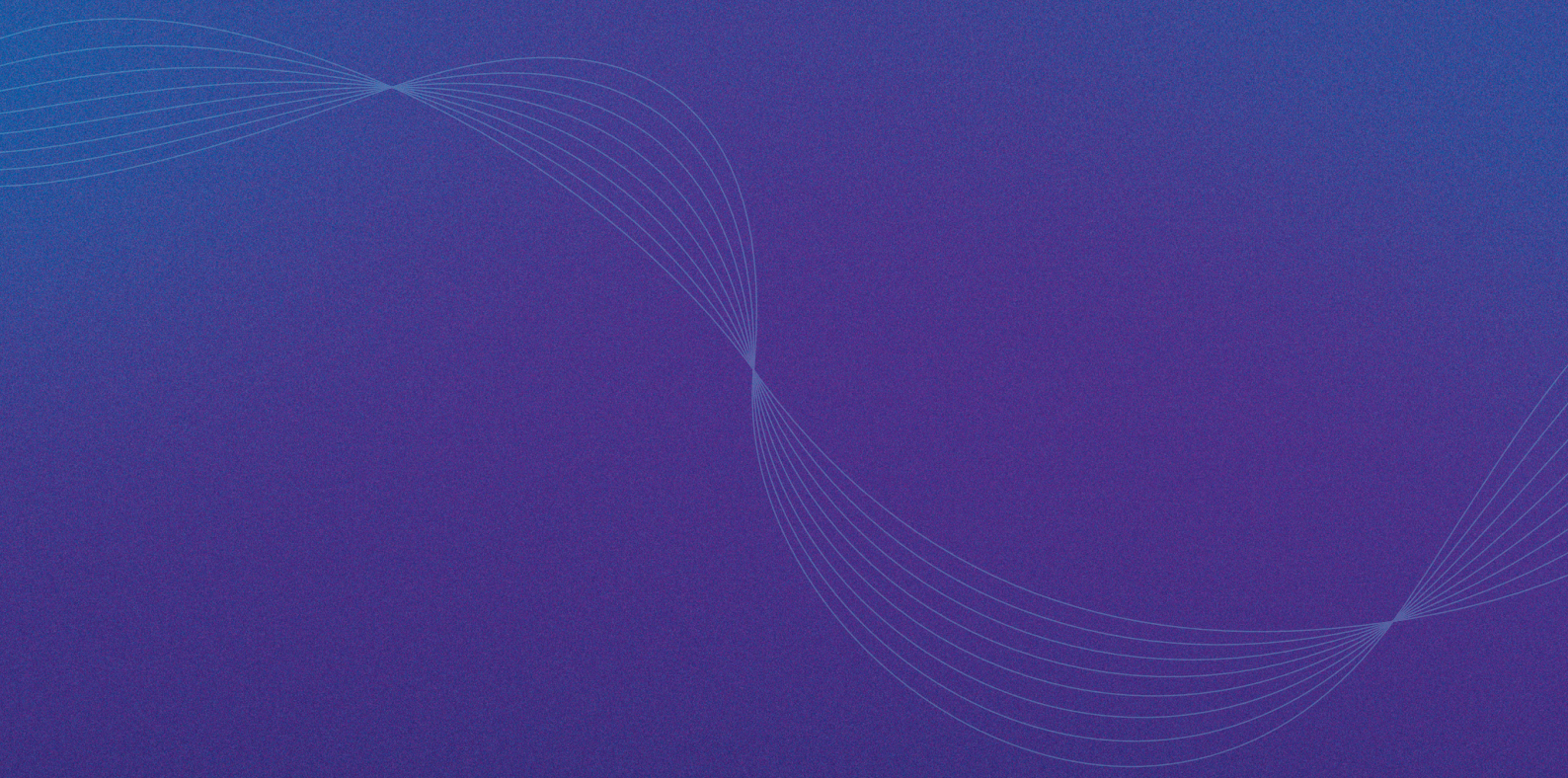
Class	Expiry date	Number of options
Options over ordinary shares	5 April 2023	7,850,000
Options over ordinary shares	27 January 2024	8,250,000
Options over ordinary shares	5 April 2024	<u>2,700,000</u>
		<u>18,800,000</u>

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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