

Microba Life Sciences Limited
Appendix 4E
Preliminary final report

1. Company details

Name of entity:	Microba Life Sciences Limited
ABN:	82 617 096 652
Reporting period:	For the year ended 30 June 2024
Previous period:	For the year ended 30 June 2023

2. Results for announcement to the market

			\$
Revenues from ordinary activities	up	123.1% to	12,090,055
Loss from ordinary activities after tax attributable to the owners of Microba Life Sciences Limited	up	57.2% to	(19,938,485)
Loss for the year attributable to the owners of Microba Life Sciences Limited	up	57.2% to	(19,938,485)

Dividends

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

Comments

The loss for the Group after providing for income tax amounted to \$19,938,485 (30 June 2023: \$12,680,212).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	4.35	10.42

4. Control gained over entities

On 5 December 2023, the Company acquired 100% of the issued share capital in UK registered Invivo Clinical Limited (Invivo) for a purchase price of \$17,536,046. Invivo is a microbiome testing leader for healthcare professionals in the United Kingdom. Invivo has established a base of over 1,700 active customers, and an engaged list of additional 5,800 prospective customers. In addition to its leading position in Gastrointestinal microbiome testing services, Invivo has testing products spanning Vaginal, Oral and Urinary testing, together with a targeted set of evidence-based intervention formulations.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

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

Previous period

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

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements have been audited and an unmodified opinion has been issued.

11. Attachments

Details of attachments (if any):

The Annual Report of Microba Life Sciences Limited for the year ended 30 June 2024 is attached.

12. Signed

Signed  _____

Date: 29 August 2024

Pasquale Rombola
Chair
Brisbane

Authorised for release by the Board.



Annual Report

Financial Report for the year ended 30 June 2024

Microba Life Sciences Limited
and controlled entities

Corporate Directory



Directors

Pasquale Rombola
Ian Frazer
Gene Tyson
Richard Bund
Hyungtae Kim
Jacqueline Fernley

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: <https://ir.microba.com/shareholderinformation>

Table of Contents

MICROBA™

Performance Highlights	06
Chair, Deputy Chair & CEO Letter	07
Financial Review	10
Review of Operations & Activities	13
Diagnostics – Personal Testing	15
Services – Research Testing	17
Therapeutics	18
Material Business Risks	21
Directors' Report	24
Financial Statements	39
ASX Additional Information	86

Performance Highlights

MICROBA™

\$12.09m

MetaXplore™
Powered by MICROBA

MetaPanel™
Powered by MICROBA

invivo®

 **SONIC
HEALTHCARE**



 **GINKGO
BIOWORKS**

iff

\$20.89m

Strong year-on-year growth

- FY24 revenue of \$12.09m delivering 123.1% growth on the prior financial year with Personal Testing & Supplements up 207.8% to \$9.46m and Research Testing up 12% to \$2.63m
- Cash receipts totalling \$12.48m, representing 96.3% growth on the prior year
- Successful acquisition of United Kingdom microbiome company, Invivo Clinical which is delivering results aligned to expectations, generating \$4.29m in sales for H2 FY24
- Gastrointestinal Disorder Test, MetaXplore™ grew strongly during FY24 with test sales growing 385% year-on-year since launch in February 2023
- Gastrointestinal Pathogen Test, MetaPanel™, launched nationwide in Australia with Sonic Healthcare (ASX: SHL) with sales building across all major states of the Australia

Successful completion of Phase 1 clinical trial for MAP 315, preparing for Phase 2

- Completed on schedule, demonstrating MAP 315 is safe and well tolerated at both low and high doses
- Preparation for Phase 2 well advanced

Successful completion of world-first autoimmune therapeutics discovery program with Ginkgo Bioworks

- Generating new therapeutic intellectual property assets with 6 lead strains demonstrating compelling disease relevant activity

Additional achievements

- Animal model data and immunological data confirm anti-tumour activity for leads in Immuno-Oncology therapeutic discovery program, and clinical data and sample set grown to >3,500 patients
- Second Agreement executed with IFF (NYSE: IFF) to develop novel microbiome-based treatments for multiple forms of Allergy

Company is well funded

- \$20.89 million in cash or equivalents at 30 June 2024
- Approximately \$6.0m expected from Microba's FY24 R&D Tax Incentive, expected to be received in H1 FY25

01

Chair, Deputy Chair & CEO Letter

Message from the Chair, Deputy Chair & CEO

MICROBA™

Dear Shareholders,

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

After many years of dedicated effort, we are witnessing the realisation of this vision.

The formative years were focused on delivering immediate value from our world-leading technology through the delivery of non-diagnostic personal and research testing services and early revenues, which enabled us to build the world's most valuable microbiome databank.

After many years of research and development interrogating that databank, Microba has evolved into a medical diagnostics company delivering the clinical value of microbiome testing, and a clinical-stage drug development company at the forefront of microbiome-based therapeutic development.

Microba's work in microbiome diagnostics, now has the company positioned with two novel diagnostic tests assisting patients with unresolved gastrointestinal symptoms, a condition which impacts over 37m people in the US alone with almost 50% of those individuals not having resolution through the current standard of care.

Earlier this year we launched MetaPanel for diagnosing gastrointestinal infections nationwide in Australia together with major shareholder and partner Sonic Healthcare (ASX: SHL). Real world data to date show that we can achieve new answers for 24% of individuals using that test. When a pathogenic cause of a patient's symptoms is ruled out, MetaXplore, which was launched in Australia in late FY23, is designed to identify functional causes for non-pathogenic GI symptoms. Our real-world data show that today we can identify new management opportunities for a further 28% of patients using this test. Together, our advanced microbiome diagnostics are positioned to transform the standard of care for the millions of patients across the globe suffering with unresolved gastrointestinal symptoms.

Our priority international markets for these tests are the United Kingdom and United States. Aligned to this, we strategically accelerated our United Kingdom commercialisation plan this year with the successful acquisition of leading United Kingdom microbiome testing company, Invivo Clinical. Through that acquisition we acquired a strong team and established base of over 1,700 active healthcare professionals, who are delivering revenues aligned to expectation, and we are now preparing to launch our MetaXplore test in the UK.

Microba's work in microbiome therapeutics, leveraging the company's data-driven therapeutic platform, now has the company positioned with a lead candidate preparing to advance into a Phase 2 efficacy trial and a compelling pipeline of pre-clinical leads to address major unmet needs across inflammatory bowel disease, oncology and autoimmune disease.

Following release of the first two FDA approved drugs addressing infectious disease (C.difficile infection), pharma companies and the sector as a whole are watching to see clinical efficacy demonstrated in a chronic disease setting, with the most advanced programs across microbiome drug developers targeting inflammatory bowel disease, immuno-oncology, and Graft Versus Host Disease (GVHD). With successful completion of the Phase 1 clinical trial for lead candidate MAP 315 under Microba's Inflammatory Bowel Disease program, Microba is in a unique position to advance towards a fully powered Phase 2 efficacy

Message from the Chair, Deputy Chair & CEO



study for a live biotherapeutic in a chronic disease setting. This stands to be a critical milestone for the microbiome drug development sector through demonstration of efficacy in Inflammatory Bowel Disease.

In addition, promising intellectual property was generated for Microba's Autoimmune Disease and Immuno-Oncology programs. The drug discovery program with Ginkgo Bioworks was a world first effort, generating over 3 million data points and delivering 6 compelling leads. Our therapeutic advancements continue to validate Microba's unique ability to discover therapeutically active biology from the human microbiome through the company's data-driven Therapeutics Platform. Microba continues to engage with global pharmaceutical and biotechnology companies, and our strategy remains to partner or transact on our therapeutic assets at the appropriate time, to maximise value for shareholders. Through Microba's therapeutic programs and pipeline of assets, we are excited about the impact the company's products can have on individuals suffering from chronic diseases, and the commercial opportunity for shareholders.

Following another year of growth and advancement in FY24, we now look toward FY25, and anticipate a robust year of accelerating growth for Microba's diagnostic testing products and the advancement of our therapeutic programs and assets.

On behalf of the Board of Directors and all stakeholders at Microba, we would like to say thank you for your continuing support. We are proud of the impact Microba is delivering today, and we are excited about the future impact of our products for those suffering from chronic diseases.

We extend our sincere thanks and appreciation to the entire Microba team, our scientists, collaborators, and partners around the world.



Mr. Pasquale Rombola
CHAIR



Prof. Ian Frazer (AC)
DEPUTY CHAIR



Dr. Luke Reid
CHIEF EXECUTIVE OFFICER

02

Financial Review

Financial Review

The financial year ending June 2024 has been a period of significant revenue growth supported by product and geographical expansion. Throughout FY24 the company continued to progress its world leading microbiome diagnostic test portfolio, as well as making positive advancements across its three therapeutic programs. All of these milestones were achieved whilst maintaining disciplined financial management across the Microba group.

Revenue for the financial year totalled \$12.09m, representing 123.1% growth on the prior financial year. Cash receipts for the full financial year totalled \$12.48m. This growth was primarily driven by Revenue from the Company's Testing Services & Supplements business unit which accelerated its year-on-year organic growth in addition to the revenue added from Invivo Clinical. In FY24 revenue for this business unit was up 207.8% to \$9.46m from \$3.07m. The Research Services division of the Testing Services & Supplements business unit delivered \$2.63m in revenue, up 12% on the prior year.

This growth was supported by a growing recognition of the critical role that the microbiome plays in health and disease, coupled with a rising demand for personalised healthcare solutions. Interest has increased within the healthcare practitioner community led by the growing clinical literature, awareness and education, leading to increased test referrals to patients to deliver more informed clinical decisions and better personalised care. Additionally, ongoing research and media coverage have reinforced the importance of microbiome health, further driving patient engagement and the adoption of our diagnostic testing services.

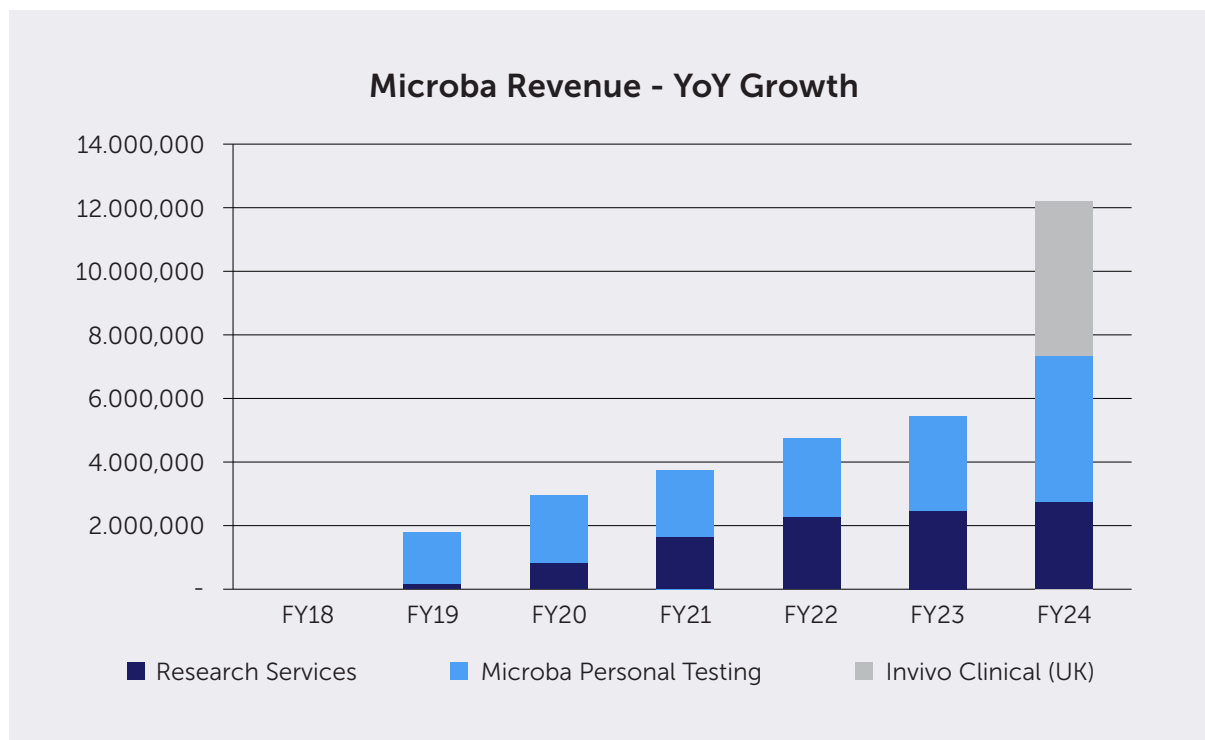
FY24 revenue growth was bolstered by positive market traction for the recently launched healthcare practitioner only MetaXplore™ gastrointestinal disorders test. This growth was reflected in clinician adoption numbers, high customer retention, repeat test referrals, and the onboarding of new ordering clinicians. MetaXplore™ sales grew by 60% in H2 FY24 compared to H1 FY24, with over 700 Australian clinicians having ordered a test by the end of FY24.

Following the acquisition on 5 December 2023, Invivo Clinical generated \$4.85 million in revenue for the partial year ended 30 June 2024. This UK derived revenue was driven by the sale of over 6,600 microbiome tests across gut, vaginal, oral, and urinary testing, as well as more than 125,000 units of Invivo branded and third party licensed nutritional supplements.

The financial year's revenue growth was again weighted to the second half as the company continues to grow, and we anticipate this growth trend to continue into FY25 as the Company continues to grow through the year in its selected markets.

During FY24, the Group sustained a healthy gross margin of 49%, consistent with the previous financial year. This achievement came despite inflationary pressures on key inputs to Cost of Sales, particularly laboratory consumables. The Group successfully maintained margins by enhancing the efficiency of laboratory processes, handling higher sample volumes than the prior year, which unlocked economies of scale, and benefiting from a more favourable revenue mix with higher-margin products. The Group remains focussed on sustaining a positive gross margin in the coming financial year. Our focus will be on further optimising laboratory processes, reducing sequencing costs through a planned upgrade to the industry leading Illumina NovaSeqX Plus DNA sequencing platform, and unlocking additional economies of scale to drive continued margin improvements.

Financial Review



Microba continued to invest in its therapeutics and diagnostic product development. This included over \$13m 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 2024 of \$18.36m compared with a loss of \$12.68m in FY23, noting that FY24 saw a significant increase in activity across the group including the completion of a Phase 1 trial in IBD, completion of the Autoimmune program with Ginkgo Bioworks, the launch of MetaPanel with Sonic Healthcare and the acquisition of UK microbiome leader, Invivo Clinical.

As at 30 June 2024, Microba had \$20.89 million in cash or equivalents with minimal debt. This strong liquidity position supports the Group's continued operations and growth initiatives. This cash balance was reinforced by a capital raising completed during the FY24 year whereby the Company raised \$20m to fund the acquisition

of UK microbiome leader, Invivo Clinical. The acquisition was completed on 5 December 2023. Invivo Clinical was acquired for approximately \$13.35m, and there is up to approximately \$8.58 million in earn-out consideration tied to revenue growth hurdles, which is payable in both cash and ordinary Microba shares.

The Company's Net Assets improved by 6.85%, compared with the previous year (up \$2.64m to, \$41.22m, this position was driven by a large increase in the Groups Intangible Assets (\$21.88m, up \$19.03m from \$2.8m in the prior year) related to the Invivo Clinical acquisition. These movements were offset by movements in the Group's liabilities which included a deferred tax liability (\$1.56m) and contingent consideration (\$2.32m current liability and \$1.83m non-current liability) associated with the Invivo Clinical acquisition. Contract liabilities, relating to deferred revenue increased \$0.88m from \$1.30m to \$2.18m as a result of a higher volume of customer sales during the year.

03

Review of Operations & Activities

Review of Operations & Activities

MICROBA™

MiCROBA™

World leading microbiome analysis technology

Proprietary databank

Advanced AI and biostatistics powering a diagnostics and therapeutics platform

Testing Business

Next generation gastrointestinal diagnostics

2 clinical tests.

**GASTROINTESTINAL
PATHOGEN TEST**

MetaPanel™
Powered by MICROBA

**GASTROINTESTINAL
DISORDERS TEST**

MetaXplore™
Powered by MICROBA

2 channels to market.

**PATHOLOGY PARTNER
CHANNEL**



PRIMARY TARGET CLINICIANS

Gastroenterologists
General Practitioners
Other Specialists

**DIRECT TO PRACTITIONER
CHANNEL**



PRIMARY TARGET CLINICIANS

Integrative General Practitioners
Integrative Specialists
Dieticians
Nutritionists
Naturopathic practitioners

Therapeutics Business

Precision microbiome therapeutics

Data driven therapeutic development platform.

**ADVANCED AI/
ML APPROACH
UNDERPINNED BY
WORLD LEADING
TECHNOLOGY**

**NOVEL PIPELINE
OF MICROBIOME
THERAPIES - POTENT,
ORAL DELIVERY, SAFE
& MANUFACTURABLE**

3 therapeutic programs.

**INFLAMMATORY
BOWEL DISEASE
PROGRAM**

**CLINICAL
INDICATION**

Mild-moderate
Ulcerative Colitis

**DEVELOPMENT
STAGE**

Phase 1 Complete
Phase 2 Readiness



**IMMUNO-
ONCOLOGY
PROGRAM**

**CLINICAL
INDICATION**

Multiple cancers to
enhance check-
point inhibitor
treatment response

**DEVELOPMENT
STAGE**

Pre-clinical. Lead
candidate selection



**AUTOIMMUNE
DISEASE
PROGRAM**

**CLINICAL
INDICATION**

Lupus, psoriatic
arthritis &
autoimmune liver
disease

**DEVELOPMENT
STAGE**

Pre-clinical



Review of Operations & Activities

DIAGNOSTICS

MICROBA™

Personal Testing

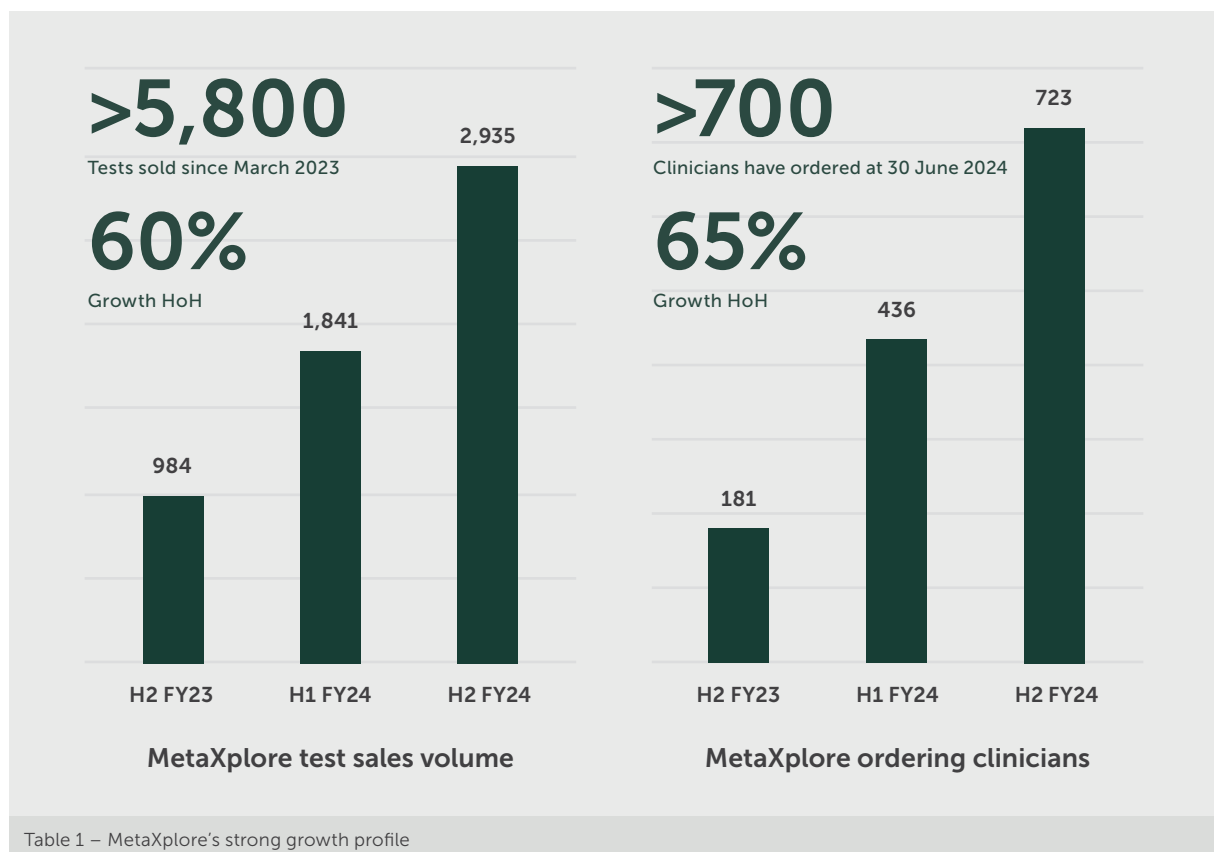
Diagnostic testing products advancing the management of gastrointestinal disease

MetaXplore – Gastrointestinal Disorder Test

MetaXplore™
Powered by MICROBA

In February 2023, Microba launched the MetaXplore™ test to healthcare practitioners, which offers the most comprehensive gastrointestinal testing solution for identifying functional causes of non-pathogenic GI symptoms.

Since launch over 700 clinicians have now ordered the test across Australia, generating over 5,800 test sales with strong half on half growth in both MetaXplore™ test sales volume and MetaXplore™ ordering clinicians.



MetaXplore™ is the most comprehensive test available to support diagnosis and management of functional gastrointestinal disorders. Over 30% of the population suffer from a functional gastrointestinal disorder, also known as a disorder of gut-brain interaction (DGBI) related to the bowel¹. Real world data demonstrates that 28% of patients tested with MetaXplore get new information and direction what would have previously gone unidentified². It is estimated that total addressable market for the MetaXplore test in the United States alone is over US \$9.5B³.

Review of Operations & Activities

DIAGNOSTICS

MICROBA™

During the financial year, Microba dedicated substantial effort and focus into enhancing and refining the MetaXplore™ test to maximise clinical utility and outcomes for clinicians and patients. This involved the rollout of several new features as part of a product roadmap designed to lead the clinical utility and rapidly interpretability of microbiome testing.

MetaPanel – Gastrointestinal Pathogen Test

MetaPanel™
Powered by MICROBA

In March 2024, Microba launched the MetaPanel™ test to healthcare professionals, which delivers the most comprehensive gastrointestinal testing solution for detecting pathogens that cause GI symptoms. Microba launched the test nationwide in Australia together with the Group's largest shareholder and partner Sonic Healthcare (ASX: SHL). Successful launch education events have been held together with Sonic Healthcare across New South Wales, Victoria, Queensland, South Australia, Australian Capital Territory and Tasmania. Doctor referrals and sales continue to grow monthly across the country, focused around the major east coast states New South Wales, Victoria and Queensland. The sales strategy is focused on engaging gastroenterology specialists and general practitioners (GPs).

MetaPanel™ is a world-first NATA accredited test for diagnosing gastrointestinal pathogens. It is the most comprehensive gastrointestinal pathogen test available, detecting both common and difficult-to-identify pathogens capable of causing serious infection. Real world data demonstrates that 24% of patients tested with MetaPanel™ get a diagnosis that would have been undiagnosed or experienced delayed time to diagnosis and resolution⁴. It is estimated that total global addressable market for the MetaPanel test is over US \$9B⁵.

International expansion into the United Kingdom with strategic acquisition

invivo®

Microba acquired 100% of the issued share capital in UK registered company, Invivo Clinical Limited (Invivo) on December 5, 2023. Financial and corporate integration has been completed with the first full half of Invivo sales and revenue as part of the Microba group delivering in line with expectations, generating \$4.85m for the half year of ownership. To unlock the first phase of growth over the coming financial year, Microba has invested selectively to unlock latent growth potential within the existing Invivo business by bolstering Invivo's sales and marketing team resourcing. For the second stage of growth targeting the core growth synergy, the Company is preparing to launch Microba's MetaXplore™ testing in FY25 to Invivo's over 7,000 clinician customer base.

The UK is a key market in the next phase of Microba's international growth strategy. Invivo is a pioneer in microbiome testing for healthcare professionals in the United Kingdom. Acquiring a market leading position, customer and geographical base in the UK through Invivo Clinical, together with Microba's Sonic Healthcare partnership, provides deep access to the entire UK healthcare market spanning private practice and the public NHS environment.

Review of Operations & Activities

SERVICES



Research Testing

Advancing global microbiome research

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

Microba delivered over \$2.6m in research projects across the year and is extremely proud of the impact it is making through working with a diverse array of customers and partners to advance the global knowledge base using Microba's precision tools.

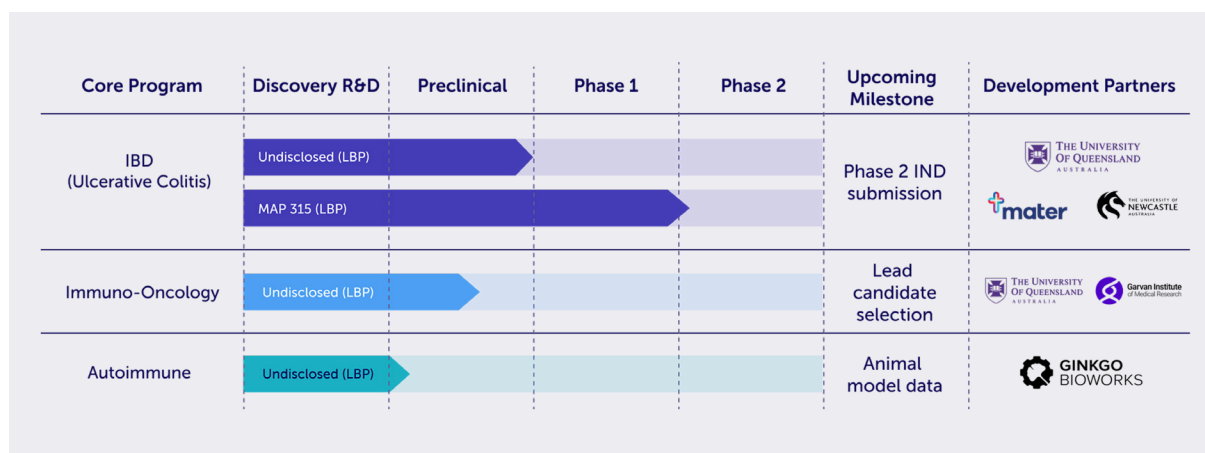
During the year Microba signed a further research agreement with International Flavors and Fragrances IFF (NYSE: IFF) as part of an ongoing

multistage research program between the parties to develop novel microbiome-based treatments for multiple forms of allergy. The Research Agreement marks the second agreement between Microba and IFF, which is a follow up to the initial research services agreement executed on 9 November 2021. Under the Initial Agreement, for Stage 1, Microba completed the identification of lead species from which IFF was entitled to select strains under the Initial Agreement. The Stage 2 project is to complete the successful isolation of strains selected from Stage 1 and characterisation of those strains. Microba continues to grow this long-term commercial relationship between the parties, to develop novel allergy treatments.

Review of Operations & Activities

THERAPEUTICS

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



Inflammatory Bowel Disease Program – Successful Phase 1 trial, preparing for Phase 2

In December 2023, the Phase 1 clinical trial of lead drug candidate MAP 315 was completed on schedule, the trial demonstrated that MAP 315 is safe and well tolerated at both low and high doses.

Pre-clinical characterisation data, supports the core mechanisms of action for MAP 315 stimulating mucosal healing (modulation of WNT signalling pathway, restoration of gut barrier integrity) and immune homeostasis (induction of regulatory T cells), both central to the aetiology and pathophysiology of Ulcerative Colitis (UC). The pre-clinical data together with the Phase 1 clinical study results provide strong positive support for continuing to advance the clinical development of MAP 315 for the treatment of Ulcerative Colitis.

The preparation for a Phase 2 trial is well advanced, including regulatory and manufacturing (CMC). The Microba Therapeutics team are continuing to bolster the CMC package in support of at scale GMP manufacturing, finalisation of the regulatory documentation and achieving readiness for an investigational new drug (IND) submission.

MAP 315 is being developed for the treatment of UC, a debilitating form of Inflammatory Bowel Disease (IBD) with more than 50% of patients unable to achieve sustained remission with current standard of care. The market for UC treatment was valued at US\$7.5b in 2020 and is forecast to grow to US\$10.8b by 2030⁶.

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

Review of Operations & Activities

THERAPEUTICS

MICROBA™

Immuno-Oncology Program – Confirmed anti-tumour activity, clinical data and sample set grown to over 3,500 patients

Microba completed multiple pre-clinical animal model experiments for its therapeutic leads confirming their anti-tumour activity, and demonstrating induction of a specific and targeted immune response. This included a refractory mouse model of melanoma, an ICI responsive colon adenocarcinoma MC38 syngeneic mouse model, and a B16-F10 mouse tumour model.

Microba's clinical data and sample set for this program was grown to over 3,500 patients. Firstly, through the national Precision Oncology Screening Platform Enabling Clinical Trials (PrOSPeCT) study⁷ where Microba is capturing a large and diverse bank of patient specimens for cancer patients receiving treatment and enrolled in clinical trials. This has quickly grown to over 2,500 patient samples and is expected to be one of the largest clinical specimen resources with respect to the microbiome and cancer treatment. Secondly, through more than 1,000 patient samples Microba has analysed from internally recruited and published studies. These additional clinical insights are expected to support the lead candidate selection decision processes and the pre-clinical package.

This program is targeting the development of a therapeutic to improve response rates in cancer patients receiving immune checkpoint inhibitor (ICI) therapy. Global ICI sales continue to grow, with Merck announcing sales of the market-leading drug Keytruda of US\$25b for calendar year 2023⁸.

There is an increasing body of literature supporting a key role for the microbiome in cancer⁹. Cancer immunotherapy, and more specifically ICIs have become standard of care for a range of tumour types. However, despite their impact on cancer treatment, up to 70% of patients do not respond to these drugs^{10, 11} leaving a large, underserved patient population.

Differences in the microbiomes of responders and non-responders to ICI treatment have been observed in international studies, and treatment of the microbiome using faecal microbiome transplants has demonstrated the ability to turn ICI non-responders into responders^{12, 13}.

Using the Company's data-driven Therapeutic Platform, this has enabled the Company to identify organisms that are commonly observed in ICI responders, but consistently deficient in ICI non-responders. Subsequent pre-clinical investigation of these leads through both in vitro models and in vivo animal models has demonstrated that these organisms induce specific and targeted immune responses, and are able to significantly reduce tumour burden. A microbiome-based adjuvant therapy that increases response to these drugs has the potential to become standard of care across a range of cancers, and therefore represents a substantial commercial opportunity for Microba.

Autoimmune Disease Program – Successful completion of world-first discovery program

In June 2024, the autoimmune disease discovery program with partner Ginkgo Bioworks (NYSE: DNA) was successfully completed on time and on budget with primary and secondary activity screening data received for all lead bacterial strains.

The world-first discovery program delivered compelling biological activity enabling selection of 6 lead strains which demonstrate significant disease relevant activity, generating new therapeutic intellectual property assets for the Company. Overall the program generated more than 3 million data points, and the high activity hit-rate has further validated Microba's data driven therapeutic platform and valuation of the Microba Therapeutic business.

The data generated through the discovery program provides strong biological validation for further investment in these assets to move into the next stage of development.

Review of Operations & Activities

THERAPEUTICS



The goal of this program is to discover and develop novel treatments for autoimmune diseases such as lupus, psoriatic arthritis and certain autoimmune liver diseases. Microba's Autoimmune Disease program was established in partnership with Ginkgo Bioworks (NYSE: DNA) in FY22 following Ginkgo Biowork's strategic investment into Microba's ASX IPO. Both parties in collaboration, committed to a two-year drug discovery program principally targeting autoimmune disorders. The partnership brought together Microba's unique ability to identify and isolate human gut bacteria associated with health together with the high-throughput microbial screening capabilities of Ginkgo Bioworks, creating a powerful drug discovery workflow.

Functional changes in the microbiome have been unequivocally linked to a broad range of autoimmune disease^{14, 15}. Autoimmune diseases are a family of more than 80 chronic and often life-threatening illnesses, which occur when the body's own immune system attacks the body's healthy cells, tissues and organs. Autoimmune conditions now impact around 5% of the population and their prevalence is rising¹⁶. The global market for autoimmune disease treatments was estimated to be US\$198b in 2023 and forecast to grow to US\$288b by 2028¹⁷. This program represents a compelling opportunity to identify a next generation of autoimmune therapeutics from the human microbiome.

Biobank

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

Initial work during FY24 has generated more than 10,000 isolates comprising over 500 species of which more than 200 are previously uncultured. In addition, a dedicated facility was officially opened on the 19 June 2024 at the Translational Research Institute (the same facility as Microba's laboratories) enabling Australia's first atmosphere-controlled, high-throughput cultivation platform, integrating novel methods in spectral flow cytometry and metagenomics. This innovative approach is being applied to a diverse range of microbial communities throughout the human body, including the gut, skin, vaginal and oral microbiome, resulting in the world's most comprehensive biobank of its kind.

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

Review of Operations & Activities

MATERIAL BUSINESS RISKS



The Company actively manages a range of risks and uncertainties with the potential to have a material impact on the Company and its ability to achieve its strategic and business objectives. A number of material risks specific to the operations and objectives of the Company have been identified below, each of which is subject to active and ongoing risk management across the Group. The identified risks are common and prevalent to companies across the healthcare, pathology, and drug development sectors.

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

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

Review of Operations & Activities

MATERIAL BUSINESS RISKS



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

References

- ¹ Prevalence of specific Disorders of the Gut-Brain Interaction across 26 countries (Av prevalence of 32.8% DOI: [10.1111/nmo.14594](https://doi.org/10.1111/nmo.14594))
- ² Study of first 16 months of MetaXplore test results in clinical practice in Australia.
- ³ Assessment of Medicare claims analysis for specific ICD codes related to people with Pain, Bloating or diagnosed with Irritable Bowel Syndrome in the absence of diarrhea in the United States. Estimated Private and Medicaid numbers extrapolated from Medicare claims analysis. Test pricing assumes minimum of US \$416.78 (aligned to CPT code 57507) for the US, however it is expected that higher pricing opportunity may be available with strong clinical utility data.
- ⁴ Study of first 4 months of MetaPanel test results in clinical practice in Australia.
- ⁵ Assessment of Medicare claims analysis for specific ICD codes related to people with Diarrhea of Unknown Etiology who receive molecular testing for gastrointestinal pathogens in the United States (US). Estimated US private and Medicaid patient numbers extrapolated from Medicare claims analysis. Estimated Australia (AU), United Kingdom (UK), Germany (DE), Italy (IT), Spain (ES) and France (FR) numbers extrapolated from the US data based on published prevalence and regional pathogen panel testing information. Test pricing assumes minimum of US \$416.78 (aligned to CPT code 57507) for the US, and pricing for other countries based on Gastrointestinal panel pricing predicates in each country. This is viewed to be the minimum with the top pricing predicate at US \$2126.20.
- ⁶ <https://www.nature.com/articles/d41573-021-00194-5>, <https://www.alliedmarketresearch.com/ulcerative-colitis-market>
- ⁷ <https://www.omico.com.au/prospect/>
- ⁸ <https://www.merck.com/news/merck-announces-fourth-quarter-and-full-year-2023-financial-results/>
- ⁹ Sepich-Poore et al. (2021). *The microbiome and human cancer*. DOI: 10.1126/science.abc4552.
- ¹⁰ Leonardi et al. (2020). *International Journal of Oncology*. DOI: 10.3892/ijo.2020.5088.
- ¹¹ Wolchok et al. (2017). *New England Journal of Medicine*. DOI: 10.1056/NEJMoa1709684.
- ¹² Baruch et al. (2020). *Science*. DOI: 10.1126/science.abb5920.
- ¹³ Davar et al. (2021). *Science*. DOI: 10.1126/science.abf3363.
- ¹⁴ Miyauchi, Eiji, et al. "The impact of the gut microbiome on extra-intestinal autoimmune diseases." *Nature Reviews Immunology* 23.1 (2023): 9-23.
- ¹⁵ De Luca, F. and Shoenfeld, Y. The microbiome in autoimmune diseases. *Clin Exp Immunol*. (2019). <https://doi.org/10.1111/cei.13158>.
- ¹⁶ 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>.
- ¹⁷ <https://www.prnewswire.com/news-releases/global-autoimmune-treatment-market-soars-to-288-32-billion-by-2028--driven-by-a-7-72-cagr-from-2023--301909189.html>

04

Directors' Report

Microba Life Sciences Limited
Directors' report
30 June 2024

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 2024.

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
Jacqueline Fernley	Independent Non-Executive Director

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

James Heath
Peter Webse

Results

The loss for the Group after providing for income tax amounted to \$19,938,485 (30 June 2023: \$12,680,212).

Review of operations

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

Significant changes in the state of affairs

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

Principal activities

The principal activity of the Group during the year was providing world class microbiome testing, supplements 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 2024 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's primary focus will be on globally expanding its world leading diagnostic microbiome testing products, supplements and services. This expansion will occur both directly and in collaboration with our world leading distribution partners. With our successful transition into clinical stage of therapeutic development, Microba is continuing to advance its lead candidates through pre-clinical and clinical development activities.

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

Environmental regulation

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

Information on Directors, Chief Executive Officer and Company Secretaries

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 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) and Non-Executive Director of Audeara Limited, a leading hearing health company (ASX: AUA).
Other current directorships:	Mr Rombola holds a Bachelor of Economics from the University of Western Australia. None
Former directorships:	Audeara Limited (ASX:AUA) - resigned 28 August 2023
Subcommittees:	Member - Audit and Risk Committee Member - Nomination and Remuneration Committee
Interests in shares:	5,770,000 ordinary shares
Interests in options:	300,000 options over ordinary shares
Name:	Ian Frazer
Title:	Deputy Chair & Non-Executive Director
Experience and expertise:	Emeritus Professor Frazer is a clinician scientist, trained as a clinical immunologist. He is an Emeritus Professor at the University of Queensland and is the current Chair of the Australian Medical research Advisory Board (AMRAB) which advises the Minister for Health and Aged Care 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.
Other current directorships:	Emeritus 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. None
Former directorships:	None
Subcommittees:	Chair - Audit and Risk Committee
Interests in shares:	1,634,902 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.
Other current directorships:	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.
Former directorships:	Professor Tyson holds a Bachelor of Science (Hons) from the University of Queensland and a PhD from the University of California, Berkeley. 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 2024

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:	33,480,799 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 the CEO of Hunomics and Director of the Gongwu Genome Information Foundation (GGIF). Dr Kim holds a PhD in Molecular Biology from The George Washington University.
Other current directorships:	None
Former directorships:	None
Subcommittees:	None
Interests in shares:	Dr Hyungtae Kim is a nominee Director of Macrogen, Inc.
	Refer to the Shareholder Information included in this report for details of Macrogen Inc.'s shareholding.
Interests in options:	200,000 options over ordinary shares
Name:	Jacqueline Fernley
Title:	Non-Executive Director
Experience and expertise:	Mrs Fernley currently serves as the Chief Investment Officer (CIO) of Mason Stevens where she leads the asset management division of the firm. Prior to joining Mason Stevens, Mrs Fernley held roles as Head of Equities at J B Were Limited, Head of Research at Wilson HTM and Australian Equity Portfolio Manager at Colonial First State Global Asset Management. Mrs Fernley has a Bachelor's Degree in Commerce/Law, is a holder of the Chartered Financial Analyst (CFA) designation, is a member of Chief Executive Women (CEW), and is a graduate of the Australian Institute of Company Directors (GAICD).
	Mrs Fernley is also intimately involved in mentoring and supporting women in the financial services industry and ESG, regularly presenting to investment committees, boards, and management on the topics. She currently sits on the diversity committee of the NSW CFA Society.
Other current directorships:	None
Former directorships:	None
Subcommittees:	Member - Nomination and Remuneration Committee
Interests in shares:	0 ordinary shares
Interests in options:	200,000 options over ordinary shares

Name: Luke Reid
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.

Name: James Heath
Title: Chief Financial Officer & Joint Company Secretary
Experience and expertise: Mr Heath is a Chartered Accountant with over 12 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
Title: Joint 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) and has a Bachelor of Business (Accounting and Finance) from Edith Cowan University.

Mr Webse has over 30 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 2024, 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	9	9	3	3	1	1
Ian Frazer	8	9	-	-	1	1
Gene Tyson	8	9	3	3	-	-
Richard Bund	8	9	3	3	1	1
Hyungtae Kim	9	9	-	-	-	-
Jacqueline Fernley	9	9	1	1	-	-

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 2024

Options

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

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
25/11/2019	4,300,000	\$0.288	24/11/2024
13/01/2020	400,000	\$0.243	24/11/2024
31/01/2020	200,000	\$0.288	24/11/2024
30/06/2020	266,666	\$0.288	29/06/2024
01/04/2021	3,233,332	\$0.324	04/04/2026
05/04/2022	1,200,000	\$0.675	05/05/2025
28/07/2023	6,145,000	\$0.453	28/07/2027
28/07/2023	4,000,000	\$0.638	28/07/2027
28/12/2023	200,000	\$0.271	28/01/2027
	19,944,998		

Included in these options were options granted as remuneration to the directors and the five most highly remunerated officers during the year. Details of options granted to key management personnel are disclosed on pages 10 and 11 as part of the remuneration report. In addition, the following options were granted to officers who are among the five highest remunerated officers of the Group, but are not key management persons and hence not disclosed in the remuneration report:

Name of officer	Date options granted	Issue Price	Number of options granted
Trent Munro	28/07/2023	\$0.453	2,000,000
Trent Munro	28/07/2023	\$0.638	2,000,000

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

The following ordinary shares of Microba Life Sciences Limited were issued during the year ended 30 June 2024 and up to the date of this report on the exercise of options granted:

Date options exercised	Exercise price	Number of shares issued
19 October 2023 (cash)	\$0.180	2,000,000
19 October 2023 (net-settled)	\$0.180	1,631,675
		3,631,675

Indemnification of Directors, officers and key management personnel

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

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

Indemnification of auditors

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

Proceedings on behalf of the Group

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

Non-audit services

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

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

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

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

Officers of the Company who are former Partners of Pitcher Partners

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

Rounding of amounts

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

Remuneration report (audited)

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

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

The Group's KMP for the financial year ended 30 June 2024 are listed in the table below:

Name	Title	Term	KMP Status
<i>Non-Executive Directors:</i>			
Pasquale Rombola	Chair & Non-Executive Director	Full Year	Current
Ian Frazer	Deputy Chair & Non-Executive Director	Full Year	Current
Gene Tyson	Non-Executive Director & Co-Founder	Full Year	Current
Richard Bund	Non-Executive Director	Full Year	Current
Hyungtae Kim	Non-Executive Director	Full Year	Current
Jacqueline Fernley	Non-Executive Director	Full Year	Current
<i>Other Key Management Personnel:</i>			
Luke Reid	Chief Executive Officer	Full Year	Current
James Heath	Chief Financial Officer & Joint Company Secretary	Full Year	Current

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

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

Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

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

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

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

- focusing on sustained growth in shareholder value, delivering increasing asset value and including focus 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.

ASX listing rules require the aggregate non-executive Directors' remuneration be determined periodically by a general meeting. The most recent determination was at the General Meeting held on 1 February 2023, where the shareholders approved a maximum annual aggregate remuneration of \$600,000. We do not currently propose an increase to this limit.

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 objectives and key results ('OKR's') being achieved. OKR's include the achievement of milestones for the business units, shareholder value creation, customer satisfaction and leadership contribution. During the year, the Nomination and Remuneration Committee specifically reviewed the STI program OKR's for each executive and allocated a weighting to those identified STI OKR's. Only if the specific STI OKR is met does it trigger that relevant proportion of the STI being unlocked for the Executive. STI's are adjusted for when business is acquired (e.g. Invivo Clinical) such that STI's are only payable on comparable baseline data. The long-term incentives ('LTI') include share-based payments.

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

Securities are awarded to staff and executives over a minimum period of one year based on long-term incentive measures. These include increase in shareholders' value relative to the Group's direct peers. The Nomination and Remuneration Committee undertook a thorough review of the Microba LTI program during the year ended 30 June 2023. The Nomination and Remuneration Committee's primary objective with the LTI scheme is to align the interests of our executives with those of our shareholders. The design focus of the LTI scheme has been on incentivising the attainment of strategic goals, consequently creating shareholder value. The LTI scheme has been constructed based on share price targets, compound annual growth rates (CAGR) in group revenue (which as aforementioned, includes organic growth and not acquired growth), and the successful achievement of significant milestones within our therapeutic programs (Tx progress).

Details of remuneration

Amounts of remuneration

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

Microba Life Sciences Limited
Directors' report
30 June 2024

	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 \$	
2024								
<i>Non-Executive Directors:</i>								
Pasquale Rombola	85,833	-	-	-	-	-	24,024	109,857
Ian Frazer	80,417	-	-	-	-	-	24,024	104,441
Gene Tyson	55,417	48,000	-	-	-	-	16,016	119,433
Richard Bund	60,833	-	-	-	-	-	16,016	76,849
Hyungtae Kim	50,000	-	-	-	-	-	16,016	66,016
Jacqueline Fernley	51,801	-	-	-	-	-	6,827	58,628
<i>Other Key Management Personnel:</i>								
Luke Reid	309,649	-	30,250	27,500	7,046	-	192,250	566,695
James Heath	235,680	-	24,800	27,067	6,631	-	36,230	330,408
	929,630	48,000	55,050	54,567	13,677	-	331,403	1,432,327

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

* Caroline Popper resigned effective 14 June 2023

Microba Life Sciences Limited
Directors' report
30 June 2024

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

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2024	2023	2024	2023	2024	2023
<i>Non-Executive Directors:</i>						
Pasquale Rombola	78%	76%	-	-	22%	24%
Ian Frazer	77%	75%	-	-	23%	25%
Gene Tyson	87%	85%	-	-	13%	15%
Richard Bund	79%	77%	-	-	21%	23%
Hyungtae Kim	76%	74%	-	-	24%	26%
Caroline Popper*	-	59%	-	-	-	41%
Jacqueline Fernley	88%	100%	-	-	12%	-
<i>Other Key Management Personnel:</i>						
Luke Reid	62%	81%	4%	11%	34%	8%
James Heath	84%	79%	5%	12%	11%	9%

* Caroline Popper resigned effective 14 June 2023

The proportion of the STI paid/payable or forfeited is as follows:

Name	STI paid/payable		STI forfeited	
	2024	2023	2024	2023
<i>Other Key Management Personnel:</i>				
Luke Reid	60%	82%	40%	18%
James Heath	62%	84%	38%	16%

Share-based compensation

Issue of shares

There were no shares issued to Directors and other key management personnel as part of compensation during the year ended 30 June 2024.

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 granted	Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
Luke Reid	2,000,000	28/07/2023	28/07/2026 - 28/07/2026	28/07/2027	\$0.453	\$0.160
James Heath	485,000	28/07/2023	28/07/2026 - 28/07/2026	28/07/2027	\$0.453	\$0.160
Luke Reid	2,000,000	28/07/2023	28/07/2026 - 28/07/2026	28/07/2027	\$0.628	\$0.135
Jacqueline Fernley	67,000	28/12/2023	28/01/2024 - 28/01/2024	28/01/2027	\$0.271	\$0.059
Jacqueline Fernley	67,000	28/12/2023	28/01/2025 - 28/01/2025	28/01/2027	\$0.271	\$0.060
Jacqueline Fernley	66,000	28/12/2023	28/01/2026 - 28/01/2026	28/01/2027	\$0.271	\$0.062

Options granted carry no dividend or voting rights.

The performance conditions and their relative weighting attached to vesting of options granted to KMP as in the table above are detailed as below:

KMP	Share Price %	Revenue Growth %	TX Progress %
Luke Reid	50%	25%	25%
James Heath	50%	25%	25%
Jacqueline Fernley*	-	-	-

*The only performance condition attributed to the options granted to Jacqueline Fernley is tenure.

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	5,200,000	-	570,000	-	5,770,000
Ian Frazer	1,326,366	-	308,536	-	1,634,902
Gene Tyson	17,100,000	-	-	-	17,100,000
Richard Bund	31,524,277	-	1,956,522	-	33,480,799
Luke Reid*	275,923	-	235,294	-	511,217
James Heath*	275,923	-	251,590	-	527,513
	55,702,489	-	3,321,942	-	59,024,431

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

Option holding

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

	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**	666,666	-	-	-	666,666
Jacqueline Fernley	-	200,000	-	-	200,000
Luke Reid*	1,525,000	4,000,000	(500,000)	-	5,025,000
James Heath*	1,450,000	485,000	(500,000)	-	1,435,000
	4,841,666	4,685,000	(1,000,000)	-	8,526,666

* Options exercised during the period were exercised using a cashless facility at an exercise price of \$0.18.

** Caroline Popper resigned effective 14 June 2023

The number of shares vested and exercisable, vested and not exercisable and the balance of all vested options at the end of the year for all KMP are disclosed as below:

Microba Life Sciences Limited
Directors' report
30 June 2024

	Vested and exercisable	Vested and unexercisable	Balance at the end of the year
<i>Options over ordinary shares</i>			
Pasquale Rombola	200,000	-	200,000
Ian Frazer	200,000	-	200,000
Gene Tyson	133,332	-	133,332
Richard Bund	133,332	-	133,332
Hyungtae Kim	133,332	-	133,332
Caroline Popper*	666,666	-	666,666
Jacqueline Fernley	-	-	-
Luke Reid	950,000	-	950,000
James Heath	900,000	-	900,000
	<u>3,316,662</u>	<u>-</u>	<u>3,316,662</u>

* Caroline Popper resigned effective 14 June 2023

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

Additional information

The earnings of the Group for the three years to 30 June 2024 are summarised below:

	2024	2023	2022
	\$	\$	\$
Sales revenue	12,090,055	5,420,136	4,688,645
Loss after income tax	(19,938,485)	(12,680,212)	(11,470,429)

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

	2024	2023	2022
Share price at financial year end (\$)	0.16	0.30	0.20
Basic earnings per share (cents per share)	(4.86)	(4.03)	(5.14)
Diluted earnings per share (cents per share)	(4.86)	(4.03)	(5.14)

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

Service agreements

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

Name: Dr Luke Reid
Title: Chief Executive Officer
Agreement commenced: 5 April 2022
Term of agreement: Ongoing
Details: Base Salary: \$300,000 per annum
Performance Based Incentive: \$50,000 per annum
Superannuation: 11%, increasing to 11.5% on 1 July 2024
Termination Notice: 12 weeks

Name: James Heath
Title: Chief Financial Officer & Joint Company Secretary
Agreement commenced: 5 April 2022
Term of agreement: Ongoing
Details: Base Salary: \$240,000 per annum
Performance Based Incentive: \$40,000 per annum
Superannuation: 11%, increasing to 11.5% on 1 July 2024
Termination Notice: 12 weeks

Microba Life Sciences Limited
Directors' report
30 June 2024

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

29 August 2024
Brisbane

Level 38, 345 Queen Street
Brisbane, QLD 4000

Postal address
GPO Box 1144
Brisbane, QLD 4001

+61 7 3222 8444

pitcher.com.au

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

Auditor's Independence Declaration

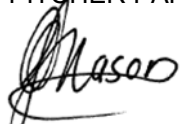
In relation to the independent audit for the year ended 30 June 2024, to the best of my knowledge and belief there have been:

- (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



CHERYL MASON
Partner

Brisbane, Queensland
29 August 2024

Brisbane Sydney Newcastle Melbourne Adelaide Perth

Pitcher Partners is an association of independent firms.

An Independent Queensland Partnership ABN 84 797 724 539. Liability limited by a scheme approved under Professional Standards Legislation.

Pitcher Partners is a member of the global network of Baker Tilly International Limited, the members of which are separate and independent legal entities.

 **bakertilly**
NETWORK MEMBER

pitcher.com.au

NIGEL FISCHER
MARK NICHOLSON
PETER CAMENZULI

JASON EVANS
KYLIE LAMPRECHT
NORMAN THURECHT

BRETT HEADRICK
WARWICK FACE
COLE WILKINSON

SIMON CHUN
JEREMY JONES
TOM SPLATT

JAMES FIELD
DANIEL COLWELL
ROBYN COOPER

FELICITY CRIMSTON
CHERYL MASON
KIERAN WALLIS

MURRAY GRAHAM
ANDREW ROBIN
KAREN LEVINE

EDWARD FLETCHER
ROBERT HUGHES

05

Financial Statements

Microba Life Sciences Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2024

	Note	2024 \$	2023 \$
Revenue			
Revenue from contracts with customers	4	12,090,055	5,420,136
Cost of sales		<u>(6,184,628)</u>	<u>(2,741,873)</u>
Gross profit		5,905,427	2,678,263
Grant and subsidies income	5	5,766,208	6,367,288
Interest income		1,004,728	878,049
Other income		51,543	3,083
Foreign currency gain		99,864	367,547
Expenses			
Employee benefits and other related costs	7	(11,617,355)	(7,809,365)
Research and development expense		(10,836,162)	(9,337,113)
Depreciation and amortisation expense	8	(2,870,274)	(1,641,831)
Consulting fees		(2,253,722)	(989,844)
Marketing and advertising expense		(786,345)	(692,707)
Travel expenses		(561,363)	(545,459)
Legal and intellectual property advisory fees		(733,090)	(145,784)
Finance costs	9	(69,221)	(60,412)
Other expenses		<u>(3,090,027)</u>	<u>(1,746,284)</u>
Total expenses		(32,817,559)	(22,968,799)
Loss before income tax (expense)/benefit		(19,989,789)	(12,674,569)
Income tax (expense)/benefit	6	<u>51,304</u>	<u>(5,643)</u>
Loss after income tax (expense)/benefit for the year attributable to the owners of Microba Life Sciences Limited		(19,938,485)	(12,680,212)
Other comprehensive income/(loss)			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		<u>(100,481)</u>	<u>59,208</u>
Other comprehensive income/(loss) for the year, net of tax		(100,481)	59,208
Total comprehensive loss for the year attributable to the owners of Microba Life Sciences Limited		<u>(20,038,966)</u>	<u>(12,621,004)</u>
		Cents	Cents
Basic earnings per share	35	(4.86)	(4.03)
Diluted earnings per share	35	(4.86)	(4.03)

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 2024

	Note	2024 \$	2023 \$
Assets			
Current assets			
Cash and cash equivalents	10	20,889,451	32,043,874
Receivables	11	8,102,722	7,236,200
Inventories	12	2,243,560	644,427
Financial assets	13	204,436	204,436
Other assets	14	809,722	1,396,124
Total current assets		32,249,891	41,525,061
Non-current assets			
Property, plant and equipment	15	2,878,281	1,927,555
Right-of-use assets	16	1,032,237	653,327
Intangible assets	17	21,879,898	2,847,090
Total non-current assets		25,790,416	5,427,972
Total assets		58,040,307	46,953,033
Liabilities			
Current liabilities			
Payables	18	5,877,959	4,985,348
Borrowings	19	395,387	358,726
Lease liabilities	20	810,134	543,002
Employee benefits	21	641,172	582,586
Contract liabilities	23	2,182,071	1,303,806
Income tax payable		5,886	5,419
Other liabilities	22	2,454,290	45,546
Total current liabilities		12,366,899	7,824,433
Non-current liabilities			
Lease liabilities	20	373,084	234,064
Deferred tax	6	1,564,933	-
Employee benefits	21	225,649	170,004
Other liabilities	22	2,293,740	150,696
Total non-current liabilities		4,457,406	554,764
Total liabilities		16,824,305	8,379,197
Net assets		41,216,002	38,573,836
Equity			
Issued capital	24	102,881,628	80,373,986
Reserves	25	2,155,554	2,082,545
Accumulated losses		(63,821,180)	(43,882,695)
Total equity		41,216,002	38,573,836

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 2024

	Issued capital \$	Share-based payment reserve \$	Foreign currency translation reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2022	62,884,010	1,776,510	78,167	(31,202,483)	33,536,204
Loss after income tax expense for the year	-	-	-	(12,680,212)	(12,680,212)
Other comprehensive income for the year, net of tax	-	-	59,208	-	59,208
Total comprehensive income/(loss) for the year	-	-	59,208	(12,680,212)	(12,621,004)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 24)	17,237,644	-	-	-	17,237,644
Share-based payments (options) (note 26)	-	420,992	-	-	420,992
Shares issued upon exercise of options (note 24)	252,332	(252,332)	-	-	-
Balance at 30 June 2023	80,373,986	1,945,170	137,375	(43,882,695)	38,573,836
	Issued capital \$	Share-based payment reserve \$	Foreign currency translation reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2023	80,373,986	1,945,170	137,375	(43,882,695)	38,573,836
Loss after income tax benefit for the year	-	-	-	(19,938,485)	(19,938,485)
Other comprehensive loss for the year, net of tax	-	-	(100,481)	-	(100,481)
Total comprehensive loss for the year	-	-	(100,481)	(19,938,485)	(20,038,966)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 24)	18,739,374	-	-	-	18,739,374
Share-based payments (options) (note 26)	-	690,611	-	-	690,611
Shares issued upon exercise of options (note 24)	877,121	(517,121)	-	-	360,000
Shares issued for acquisition of subsidiaries (note 34)	2,891,147	-	-	-	2,891,147
Balance at 30 June 2024	102,881,628	2,118,660	36,894	(63,821,180)	41,216,002

Microba Life Sciences Limited
Consolidated statement of cash flows
For the year ended 30 June 2024

	Note	2024 \$	2023 \$
Cash flows from operating activities			
Receipts from customers		12,477,741	6,358,032
Payments to suppliers and employees		(35,299,444)	(22,223,959)
		(22,821,703)	(15,865,927)
Other income		51,543	3,083
Interest received		1,004,728	799,578
Subsidies and grants received		6,299,048	2,730,074
Interest and other finance costs paid	9	(69,221)	(60,412)
Income taxes paid		(31,331)	(224)
Net cash used in operating activities	28	(15,566,936)	(12,393,828)
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	34	(9,570,127)	-
Payments for property, plant and equipment	15	(1,487,327)	(550,462)
Payments for intangible assets	17	(2,891,726)	(2,486,428)
Subsidies and grants received		-	38,087
Net cash used in investing activities		(13,949,180)	(2,998,803)
Cash flows from financing activities			
Proceeds from issue of shares	24	20,356,718	17,833,270
Repayment of borrowings		(434,335)	(484,607)
Principal portion of lease payments		(765,091)	(547,837)
Proceeds from borrowings		494,233	479,270
Share issue transaction costs	24	(1,257,344)	(595,626)
Net cash from financing activities		18,394,181	16,684,470
Net increase/(decrease) in cash and cash equivalents		(11,121,935)	1,291,839
Cash and cash equivalents at the beginning of the financial year		32,043,874	30,580,673
Effects of exchange rate changes on cash and cash equivalents		(32,488)	171,362
Cash and cash equivalents at the end of the financial year	10	20,889,451	32,043,874

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 2024

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 29 August 2024. The Directors have the power to amend and reissue the financial statements.

Note 2. Material accounting policy information

The accounting policies that are material to the Group are set out below. The accounting policies adopted are consistent with those of the previous financial year, 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 2024 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.

Rounding of amounts

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

New or amended Accounting Standards and Interpretations not yet mandatory

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2023 that have a material impact on the amounts recognised in prior periods or will affect the current or future periods.

New standards, amendments to standards and/or interpretations effective for reporting periods beginning on or after 1 July 2024 have not been early adopted in preparing these financial statements. None would have had a material effect on the consolidated financial statements.

Note 2. Material accounting policy information (continued)

Going concern

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

The consolidated entity incurred a loss from ordinary activities of \$19,938,485 during the year ended 30 June 2024 (2023: loss of \$12,680,212) and has a net cash outflow from operating activities of \$15,566,936 (2023 : \$12,393,828). The Group held cash and cash equivalents of \$20,889,451 at 30 June 2024 (2023: \$32,043,874).

In considering the ability of the consolidated entity to continue as a going concern, the Directors considered the following matters:

- the consolidated entity has the ability to raise additional capital through the issue of equity and is well supported by its major, and high-quality shareholders;
- the consolidated entity has a successful history of revenue growth within its testing and supplements business, whilst strategically collaborating with high quality peers within the industry, opening up opportunities and demonstrating success not only locally, but internationally;
- the consolidated entity has a successful history of progressing its drug therapeutic development programs and has been successful in receiving R&D tax incentives under the R&D tax incentive scheme; and
- the consolidated entity has the ability to reduce expenditure levels should this be required in the foreseeable future.

Having assessed the future cash flows for the 12 month period subsequent to this report, the Directors believe that the consolidated entity will continue to operate as a going concern for at least one year from the date of this report. Therefore, the Directors consider it is appropriate to prepare the financial statements on a going concern basis.

Foreign currency translation

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

Foreign currency transactions and balances

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

Foreign operations

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

Revenue recognition

The Group recognises revenue as follows:

Revenue from contracts with customers

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

Microba recognises revenue from contracts with customers as follows:

Note 2. Material accounting policy information (continued)

Personal Testing & Supplements

Transferred at a point in time

Revenue from Personal Testing and Supplements which is recognised at a point in time is recognised when Microba's performance obligation, being the delivery of a microbiome testing report or relevant supplements ordered are delivered 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.

Personal Testing

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

Recognised over time

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

The stand-alone selling price for each distinct (service) component of a relevant contract is determined and revenue is recognised to the extent of the performance obligation discharged.

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 Income

Interest

Interest income is recognised as interest accrues using the effective interest method.

Government grants

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

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

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

Note 2. Material accounting policy information (continued)

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 and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for when the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits.

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.

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.

Inventories

Raw materials 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. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

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.

Note 2. Material accounting policy information (continued)

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.

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Brand

Brand acquired in a business combination is amortised on a straight-line basis over the period of its expected benefit, being its finite life of 15 years.

Customer relationships

Customer relationships acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 15 years.

Technology

Technology acquired in a business combination is amortised on a straight-line basis over the period of its expected benefit as follows:

Technology (Testing Kits) - 5 years
Technology (Supplements) - 15 years

System development costs, product development costs and intellectual property

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

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

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

Note 2. Material accounting policy information (continued)

All carrying values of intangible assets are assessed for impairment annually, or more frequently if events or changes in circumstances indicate that the assets may be impaired.

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

Research and development expenditure

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

Impairment of non-financial assets

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

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

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

Fair value measurement

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

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

Issued capital

Ordinary shares are classified as equity.

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.

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss.

The difference between the acquisition-date fair value of assets acquired and liabilities assumed in the acquiree and the fair value of the consideration transferred is recognised as goodwill.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Capitalisation of system and product development costs and intellectual property

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

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

Share-based payment transactions

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

Revenue from contracts with customers

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.

Fair value measurement hierarchy

The Group is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

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 goodwill

The Group tests whether goodwill has been impaired on an annual basis. Management judgement is applied to identify the relevant cash generating unit (CGU). The recoverable amount of a CGU is determined based on value-in-use calculations, which require the use of assumptions and discounting of future cash flows. These assumptions are based on best estimates at the time of performing the valuation. Cash flow projections do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. Goodwill is monitored by management at the level of operating segments identified in note 36.

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

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The Group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets 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 and the corresponding recognition in the balance sheet of the receivable and grant income in the profit or loss, requires a level of judgement and the maintenance of appropriate records to support amounts claimed.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax assets have been reversed due to the loss making position of the Group. At present, there are no deferred tax assets recognised owing to the ongoing losses incurred to date and uncertainty around the expectation of profits going forward.

Business combinations

The Group applies provisional accounting for any business combination. Any reassessment of the balances during the earlier of the finalisation of the provisional accounting or 12 months from acquisition-date are adjusted for retrospectively as part of the provisional accounting rules in accordance with AASB 3 'Business Combinations'. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the Group taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported. At 30 June 2024, the business combination accounting for the acquisition of Invivo Clinical Limited is still provisional (note 34).

Contingent consideration

The contingent consideration liability is the difference between the total purchase consideration, usually on an acquisition of a business combination, and the amounts paid or settled up to the reporting date, discounted to net present value. The calculation of the fair value of the liability is subject to certain key judgements around the probability of the achievement of mandated performance targets, discount rates and assumptions surrounding tenure. At each reporting date, the contingent consideration liability is reassessed against revised estimates and any increase or decrease in the net present value of the liability will result in a corresponding gain or loss to profit or loss.

Impairment of goodwill

The Group tests whether goodwill has been impaired on an annual basis. Management judgement is applied to identify the relevant cash generating unit (CGU). The recoverable amount of a CGU is determined based on value-in-use calculations, which require the use of assumptions and discounting of future cash flows. These assumptions are based on best estimates at the time of performing the valuation. Cash flow projections do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. Goodwill is monitored by management at the level of operating segments identified in note 36.

Note 4. Revenue from contracts with customers

	2024	2023
	\$	\$
Personal testing and supplements - revenue recognised at a point in time	8,346,305	2,091,928
Personal testing - revenue recognised over time	1,115,512	981,752
Research testing - revenue recognised over time	2,628,238	2,346,456
	<u>12,090,055</u>	<u>5,420,136</u>

Microba Life Sciences Limited
Notes to the consolidated financial statements
30 June 2024

Note 5. Grant and subsidies income

	2024 \$	2023 \$
Research and Development Tax Incentive	5,758,649	6,094,543
Other grant and subsidies income	7,559	272,745
Grant and subsidies income	<u>5,766,208</u>	<u>6,367,288</u>

Note 6. Income tax

Components of tax expense

	2024 \$	2023 \$
Current tax expense	5,886	5,643
Deferred tax expense	(57,190)	-
Income tax (benefit)/expense	<u>(51,304)</u>	<u>5,643</u>

Income tax reconciliation

	2024 \$	2023 \$
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% (2023: 25.00%)	(4,997,447)	(3,168,642)
Add tax effect of:		
Share-based payments	172,653	105,248
Accounting expense subject to R&D Tax Incentive	3,444,420	3,489,653
R&D Tax Incentive revenue	(1,402,212)	(1,523,636)
Other	9,992	8,342
Tax losses and other deferred taxes not recognised	2,721,290	1,094,678
	<u>4,946,143</u>	<u>3,174,285</u>
Income tax expense	<u>(51,304)</u>	<u>5,643</u>

Deferred tax

	2024 \$	2023 \$
The balance comprises:		
Deferred tax assets:		
Employee benefits	216,705	185,361
Accruals and other liabilities	380,195	175,376
Lease liabilities	270,589	190,853
Capital raising costs	11,187	348,248
Provision for impairment loss	4,482	-
Section 40-880 blackhole expenditure	693,885	22,401
	<u>1,577,043</u>	<u>922,239</u>

Microba Life Sciences Limited
Notes to the consolidated financial statements
30 June 2024

Note 6. Income tax (continued)

Deferred tax liabilities:

Intangible assets	(1,558,487)	(83,363)
Right of use assets	(254,823)	(163,332)
Property, plant and equipment	(108,415)	(123,118)
Prepayments	(189,263)	(148,497)
Unrealised foreign currency	(13,143)	(46,243)
	(2,124,131)	(564,553)

Deferred tax asset/(liability)

Derecognition of deferred tax asset*	(547,088)	357,686
	(1,017,845)	(357,686)

Net deferred tax asset/(liability)

(1,564,933)	-
--------------------	----------

**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 \$8,322,289 (2023: \$4,301,537).

Changes in applicable tax rates

There have been no changes to the applicable tax rates during the year ended 30 June 2024.

Note 7. Employee benefits and other related costs

	2024	2023
	\$	\$
Short term benefits	9,302,691	6,234,102
Share-based payments	690,611	420,992
Superannuation guarantee contributions	821,705	573,092
Other employee benefits and related costs	802,348	581,179
	11,617,355	7,809,365

Note 8. Depreciation and amortisation expense

	2024	2023
	\$	\$
Depreciation expense - property, plant and equipment	728,030	659,008
Depreciation expense - right of use assets	705,310	505,814
Amortisation expense - intangible assets	1,436,934	477,009
	2,870,274	1,641,831

Note 9. Finance costs

	2024	2023
	\$	\$
Interest expense - premium funding	15,705	15,289
Interest expense on lease liability	50,622	44,003
Other interest expense	2,894	1,120
	69,221	60,412

Microba Life Sciences Limited
Notes to the consolidated financial statements
30 June 2024

Note 10. Cash and cash equivalents

	2024	2023
	\$	\$
Cash at bank	16,674,451	18,681,587
Cash on deposit	4,215,000	12,220,668
Restricted cash	-	1,141,619
	<u>20,889,451</u>	<u>32,043,874</u>

The restricted cash balance held at 30 June 2023 represents USD758,394 cash held in escrow to meet the Group's payment obligations under the Technical Development Agreement (TDA) between the Group and Ginkgo Bioworks, Inc. Under the TDA, cash sufficient to pay for development activities over the next 6 months is to be held in an escrow bank account until the development activity payments become due. There is no restricted cash balance at 30 June 2024 as all obligations under the agreement have been discharged accordingly.

Note 11. Receivables

	2024	2023
	\$	\$
<i>Current assets</i>		
Receivables from contracts with customers	1,549,003	602,310
Contract assets from contracts with customers	105,202	122,333
Research and development tax incentive receivable	5,993,291	6,071,997
Other receivables	473,155	439,560
Less: Allowance for expected credit losses	(17,929)	-
	<u>8,102,722</u>	<u>7,236,200</u>

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

Note 12. Inventories

	2024	2023
	\$	\$
<i>Current assets</i>		
Raw materials and consumables - at cost	1,290,758	644,427
Stock on hand - at cost	952,802	-
	<u>2,243,560</u>	<u>644,427</u>

Note 13. Financial assets

	2024	2023
	\$	\$
<i>Current assets</i>		
Cash on deposit	<u>204,436</u>	<u>204,436</u>

Microba Life Sciences Limited
Notes to the consolidated financial statements
30 June 2024

Note 14. Other assets

	2024	2023
	\$	\$
<i>Current assets</i>		
Prepayments	802,770	1,396,124
Other current assets (credit cards)	6,952	-
	809,722	1,396,124

Note 15. Property, plant and equipment

	2024	2023
	\$	\$
<i>Non-current assets</i>		
Laboratory equipment at cost	6,127,249	4,519,873
Accumulated depreciation	(3,473,671)	(2,710,024)
	2,653,578	1,809,849
Furniture, fixtures and fittings at cost	147,561	55,256
Accumulated depreciation	(87,637)	(18,323)
	59,924	36,933
Computer equipment at cost	487,638	250,248
Accumulated depreciation	(322,859)	(169,475)
	164,779	80,773
Total property, plant and equipment	2,878,281	1,927,555

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 2022	1,891,985	37,214	83,853	2,013,052
Additions	488,503	11,400	50,559	550,462
Disposals	(11,835)	(3,576)	(5,663)	(21,074)
Exchange differences	44,123	-	-	44,123
Depreciation expense	(602,927)	(8,105)	(47,976)	(659,008)
Balance at 30 June 2023	1,809,849	36,933	80,773	1,927,555
Additions	1,371,129	6,783	109,415	1,487,327
Additions through business combinations (note 34)	127,735	27,155	38,522	193,412
Disposals	(2,852)	-	-	(2,852)
Exchange differences	1,597	(162)	(566)	869
Depreciation expense	(653,880)	(10,785)	(63,365)	(728,030)
Balance at 30 June 2024	2,653,578	59,924	164,779	2,878,281

Microba Life Sciences Limited
Notes to the consolidated financial statements
30 June 2024

Note 16. Right-of-use assets

	2024	2023
	\$	\$
<i>Non-current assets</i>		
Buildings - right-of-use	2,882,817	1,942,481
Less: Accumulated depreciation	<u>(1,905,278)</u>	<u>(1,354,244)</u>
	977,539	588,237
Laboratory equipment - right-of-use	72,744	72,744
Less: Accumulated depreciation	<u>(18,046)</u>	<u>(7,654)</u>
	54,698	65,090
Total carrying amount of lease assets	<u>1,032,237</u>	<u>653,327</u>

Reconciliations

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

	Buildings	Laboratory	Total
	\$	Equipment	\$
		\$	
Balance at 1 July 2022	795,305	-	795,305
Additions	291,092	72,744	363,836
Depreciation expense	<u>(498,160)</u>	<u>(7,654)</u>	(505,814)
Balance at 30 June 2023	588,237	65,090	653,327
Additions	381,863	-	381,863
Additions through business combinations (note 34)	704,641	-	704,641
Exchange differences	(2,284)	-	(2,284)
Depreciation expense	<u>(694,918)</u>	<u>(10,392)</u>	(705,310)
Balance at 30 June 2024	<u>977,539</u>	<u>54,698</u>	<u>1,032,237</u>

The Group leases office and laboratory spaces under separate lease agreements. These leases have a term of between 1 and 6 years, with CPI increases to be applied each year. On renewal, the terms of the relevant leases are renegotiated by the Group.

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

Microba Life Sciences Limited
Notes to the consolidated financial statements
30 June 2024

Note 17. Intangible assets

	2024	2023
	\$	\$
<i>Non-current assets</i>		
Goodwill	8,450,080	-
Capitalised system development at cost	5,048,577	2,755,512
Accumulated amortisation	(2,011,230)	(1,541,032)
	3,037,347	1,214,480
Intellectual property at cost	617,768	417,595
Accumulated amortisation	(290,744)	(231,747)
	327,024	185,848
Customer relationships at fair value	2,078,719	-
Accumulated amortisation	(78,976)	-
	1,999,743	-
Technology at fair value	2,576,567	-
Accumulated amortisation	(188,836)	-
	2,387,731	-
Capitalised product development at cost	1,962,586	1,528,613
Accumulated amortisation	(544,601)	(81,851)
	1,417,985	1,446,762
Brand at fair value	4,428,229	-
Accumulated amortisation	(168,241)	-
	4,259,988	-
Total intangible assets	21,879,898	2,847,090

Microba Life Sciences Limited
Notes to the consolidated financial statements
30 June 2024

Note 17. Intangible assets (continued)

Reconciliations

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

	Goodwill \$	Capitalised system development \$	Intellectual property \$	Customer relationshi ps \$	Technolog y \$	Capitalised product development \$	Brand \$	Total \$
Balance at 1 July 2022	-	644,366	209,568	-	-	-	-	853,934
Additions	-	908,322	49,493	-	-	1,528,613	-	2,486,428
Disposals	-	(148)	(16,115)	-	-	-	-	(16,263)
Amortisation expense	-	(338,060)	(57,098)	-	-	(81,851)	-	(477,009)
Balance at 30 June 2023	-	1,214,480	185,848	-	-	1,446,762	-	2,847,090
Additions	-	2,257,580	200,173	-	-	433,973	-	2,891,726
Additions through business combinations (note 34)	8,496,766	40,517	-	2,090,203	2,590,803	-	4,452,695	17,670,984
Exchange differences	(46,686)	(170)	-	(10,747)	(12,471)	-	(22,894)	(92,968)
Amortisation expense	-	(475,060)	(58,997)	(79,713)	(190,601)	(462,750)	(169,813)	(1,436,934)
Balance at 30 June 2024	8,450,080	3,037,347	327,024	1,999,743	2,387,731	1,417,985	4,259,988	21,879,898

Impairment test for goodwill

Goodwill is tested annually for impairment. At 30 June 2024, the Directors used a Value in Use (VIU) approach to assess the carrying value of goodwill. No impairment was recognised by the Group.

For impairment testing, the Group considers its previous business combination of Invivo Clinical, which resulted in goodwill upon acquisition, to be a synergistic opportunity for its testing and supplements operating segment. Therefore, the Group has allocated this goodwill upon acquisition entirely to the testing and supplements cash generating unit (CGU), which is also an operating and reportable segment.

The recoverable amount of the testing and supplements CGU has been determined based on a calculation using cash flow projections over a five-year period. Cash flows beyond the five-year forecast period are extrapolated using the estimated terminal growth rate.

Key assumptions used for value-in-use calculations

Note 17. Intangible assets (continued)

The key assumptions for the testing and supplements CGU supporting the disclosed recoverable value are as follows (classified as level 3 inputs in the fair value hierarchy):

- Earnings before interest, tax, depreciation and amortisation (EBITDA) for year 1 is based on financial budgets approved by the board of directors;
- beyond the first year, EBITDA is expected to grow at a compound annual growth rate (CAGR) of 6.8% over the five year forecast;
- a post tax discount rate of 13.6%; and
- terminal growth rate of 2% at the end of the forecast period.

Both the EBITDA growth rate beyond FY24 and the terminal growth rate ranges are derived from management's best estimate of revenue and operating expenditure growth, taking into account changes in industry, customer market prospects, future product developments and technological innovation. Profit before income tax expense is then adjusted for amounts related to tax.

The discount rate represents the current market assessment of the risks specific to the CGU, taking into consideration the time value of money coupled with other risk factors. It is based on the Group's weighted average cost of capital.

Results of impairment testing and sensitivity to changes in assumptions

The VIU calculation indicates that the recoverable amount of the testing and supplements CGU is adequately greater than the carrying value of the CGU, and therefore no impairment was recognised by the Group.

The following table sets out key parameters that need to change for there to be no headroom available when comparing the calculation of the estimated recoverable amount of the CGU against the carrying value of the CGU at 30 June 2024:

	2024 %
Change required for carrying amount to equal recoverable amount	
Discount rate increase	5.5%
Budgeted EBITDA growth rate decline	(19.0%)

The Directors and management have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause the carrying amount of testing and supplements CGU to exceed its recoverable amount.

Note 18. Payables

	2024 \$	2023 \$
<i>Current liabilities</i>		
Trade creditors	3,697,373	2,981,648
Employee payables and accruals	1,224,552	1,132,592
Sundry creditors and accruals	956,034	871,108
	<u>5,877,959</u>	<u>4,985,348</u>

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

Microba Life Sciences Limited
Notes to the consolidated financial statements
30 June 2024

Note 19. Borrowings

	2024	2023
	\$	\$
<i>Current liabilities</i>		
Credit card liability - unsecured	-	23,237
Insurance premium funding - unsecured	395,387	335,489
	<u>395,387</u>	<u>358,726</u>

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

Insurance premium funding

Insurance premium funding is utilised by the Group to evenly distribute annual insurance premiums owed over a 10 (2023: 11) month period.

Note 20. Lease liabilities

	2024	2023
	\$	\$
<i>Current liabilities</i>		
Lease liability	810,134	543,002
<i>Non-current liabilities</i>		
Lease liability	373,084	234,064
	<u>1,183,218</u>	<u>777,066</u>

	2024	2023
	\$	\$
Cash outflow in relation to leases	815,713	591,840

Note 21. Employee benefits

	2024	2023
	\$	\$
<i>Current liabilities</i>		
Employee benefits	641,172	582,586
<i>Non-current liabilities</i>		
Employee benefits	225,649	170,004
	<u>866,821</u>	<u>752,590</u>

Microba Life Sciences Limited
Notes to the consolidated financial statements
30 June 2024

Note 22. Other liabilities

	2024	2023
	\$	\$
<i>Current liabilities</i>		
Deferred Government Grants - R&D Tax Incentive	127,160	43,230
Novated lease liability	2,792	2,316
Contingent consideration payable	2,324,338	-
	2,454,290	45,546
<i>Non-current liabilities</i>		
Contingent consideration payable	1,834,754	-
Deferred Government Grants - R&D Tax Incentive	458,986	150,696
	2,293,740	150,696
	4,748,030	196,242

The contingent consideration payable is a pre-determined fixed sum that will be disbursed to the previous shareholders of Invivo Clinical Limited, comprising both cash and shares. This payment is contingent upon the attainment of specific revenue targets in both Year 1 and Year 2 of the company's operation post acquisition. Management has assessed the fair value of the contingent consideration by calculating the present value of anticipated future cash flows, factoring in the likelihood of meeting the specified revenue targets. Refer to note 34 for further details.

The contingent consideration payable has been valued using a discounted cash flow model that utilises certain unobservable level 3 inputs. These key assumptions include a risk adjusted post tax discount rate of 9.1% and expected probabilities of achieving sales targets for the two periods.

Unobservable input	Methodology	Sensitivity
Risk adjusted post-tax discount rate	The post-tax discount rate used in the valuation has been determined based on required rate of returns of listed companies in the biotechnology industry (having regards to their stage of development, size and risk adjustments).	A 0.5% increase in the post-tax discount rate would decrease the contingent consideration by 0.7% and a 0.5% decrease in the post-tax discount rate would increase the contingent consideration by 0.7%.
Expected revenue probability	This is determined using actual sales volumes for FY24 and forecasting sales volumes for FY25 and FY26.	A 10% increase in the expectation of achieving revenue targets would increase the contingent consideration by 5.95% and a 10% decrease in the expectation of achieving revenue targets would decrease the contingent consideration by 5.95%.

Note 23. Contract liabilities

	2024	2023
	\$	\$
<i>Current liabilities</i>		
Contracts with customers where services are transferred at a point in time	1,140,013	446,836
Contracts with customers where services are transferred over time	1,042,058	856,970
	2,182,071	1,303,806

Performance obligations related to the consideration received in advance are expected to be fulfilled within 12 months.

Microba Life Sciences Limited
Notes to the consolidated financial statements
30 June 2024

Note 23. Contract liabilities (continued)

	2024 \$	2023 \$
Reconciliation of contract liabilities:		
Opening balance	1,303,806	880,132
Acquisition via business combination	403,625	-
Revenue recognised during the year	(7,657,269)	(4,036,890)
Advance payments received	8,162,660	4,460,564
FX movement	(30,751)	-
Closing balance	<u>2,182,071</u>	<u>1,303,806</u>

Note 24. Issued capital

	2024 Shares	2023 Shares	2024 \$	2023 \$
Ordinary shares - fully paid	<u>447,851,977</u>	<u>344,136,473</u>	<u>102,881,628</u>	<u>80,373,986</u>

Movements in ordinary share capital

Details	Date	Shares		\$
Balance	1 July 2022	274,357,998		62,884,010
Ordinary shares issued	1 December 2022	68,589,498	\$0.260	17,833,270
Capital raising costs	1 December 2022	-	\$0.000	(595,626)
Exercise of options (net-settled)	5 April 2023	719,653	\$0.000	-
Transfer from share based payments expense to equity for options exercised	5 April 2023	-	\$0.000	147,048
Exercise of options (net-settled)	26 April 2023	435,736	\$0.000	-
Transfer from share based payments expense to equity for options exercised	26 April 2023	-	\$0.000	98,032
Exercise of options (net-settled)	19 May 2023	33,588	\$0.000	-
Transfer from share based payments expense to equity for options exercised	19 May 2023	-	\$0.000	7,252
Balance	30 June 2023	344,136,473		80,373,986
Exercise of options (cash)	19 October 2023	2,000,000	\$0.180	360,000
Exercise of options (net-settled)	19 October 2023	1,631,675	\$0.000	-
Transfer from share based payments expense to equity for options exercised	19 October 2023	-	\$0.000	517,121
Ordinary shares issued	30 October 2023	53,361,959	\$0.230	12,273,251
Ordinary shares issued	23 November 2023	33,580,292	\$0.230	7,723,467
Capital raising costs	23 November 2023	-	\$0.000	(1,257,344)
Shares issued for acquisition of subsidiaries (note 34)	6 December 2023	13,141,578	\$0.220	2,891,147
Balance	30 June 2024	<u>447,851,977</u>		<u>102,881,628</u>

Microba Life Sciences Limited
Notes to the consolidated financial statements
30 June 2024

Note 24. Issued capital (continued)

Exercise of options during the year

During the year in accordance with their terms 5,275,000 (2023: 2,575,000) fully vested options under the Employee Share and Option Plan were exercised. Of these, 2,000,000 (2023: Nil) options were exercised at an option price of \$0.18 and the remaining 3,275,000 (2023: 2,575,000) were net settled. As a result, a total of 3,631,675 (2023: 1,188,977) new shares were issued on exercise and net settlement. This results in a lower dilution of the issued capital of the Group on conversion. The volume weighted average share prices at the respective dates of exercise for the financial year ended 30 June 2024 and 30 June 2023 are noted below:

Shares issued - 5 April 2023 - \$0.35
 Shares issued - 26 April 2023 - \$0.32
 Shares issued - 19 May 2023 - \$0.33
 Shares issued - 19 October 2023 - \$0.31

Rights of each share type

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

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

Share buy-back

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

Shares reserved for issue under option

During the year ended 30 June 2023, the Group issued 22,863,168 options over ordinary shares to A.C.N 002 889 545 Pty Ltd, a subsidiary of Sonic Healthcare Limited, at an exercise price of \$0.33. These options have vested and have expired, subsequently being cancelled on 2 June 2024.

Capital risk management

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

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

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

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

Note 25. Reserves

	2024	2023
	\$	\$
Foreign currency translation reserve	36,894	137,375
Share-based payments reserve	2,118,660	1,945,170
	<u>2,155,554</u>	<u>2,082,545</u>

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

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

Note 26. Share-based payments

Equity-settled share-based payments

Employee option plan

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

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

2024

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted during the period	Exercised during the period	Forfeited during the period	Balance at the end of the year
15/10/2018	15/10/2023	\$0.180	4,400,000	-	(4,400,000)	-	-
15/02/2019	15/10/2023	\$0.180	400,000	-	(400,000)	-	-
01/03/2019	15/10/2023	\$0.180	75,000	-	(75,000)	-	-
05/04/2019	15/10/2023	\$0.180	400,000	-	(400,000)	-	-
25/11/2019	24/11/2024	\$0.288	5,100,000	-	-	(800,000)	4,300,000
13/01/2020	24/11/2024	\$0.243	400,000	-	-	-	400,000
31/01/2020	24/11/2024	\$0.288	200,000	-	-	-	200,000
30/06/2020	29/06/2024	\$0.288	266,666	-	-	-	266,666
01/04/2021	04/04/2026	\$0.324	3,316,666	-	-	(83,334)	3,233,332
05/04/2022	05/05/2025	\$0.675	1,200,000	-	-	-	1,200,000
28/07/2023	28/07/2027	\$0.453	-	6,605,000	-	(460,000)	6,145,000
28/07/2023	28/07/2027	\$0.638	-	4,000,000	-	-	4,000,000
28/12/2023	28/01/2027	\$0.271	-	200,000	-	-	200,000
			15,758,332	10,805,000	(5,275,000)	(1,343,334)	19,944,998

Options granted to Directors and Employees under the ESOP are dependent upon the achievement of share price targets, CAGR in group revenue, and the successful achievement of significant milestones within therapeutic programs coupled with continuous service to the Company, and are to equity-settled once exercisable. The average remaining contractual life of options outstanding at period end is 1.17 years (2023: 1.35 years).

	Number of options 2024	Weighted average exercise price 2024	Number of options 2023	Weighted average exercise price 2023
Outstanding at the beginning of the financial year	15,758,332	\$0.295	18,800,000	\$0.280
Granted	10,805,000	\$0.518	-	\$0.000
Forfeited	(1,343,334)	\$0.346	(466,668)	\$0.326
Exercised	(5,275,000)	\$0.180	(2,575,000)	\$0.180
Outstanding at the end of the financial year	19,944,998	\$0.437	15,758,332	\$0.295
Exercisable at the end of the financial year	8,399,986	\$0.389	5,275,000	\$0.180

At 30 June 2024, there are 8,399,986 (2023: 5,275,000) exercisable options, and Nil (2023: 10,483,332) options that are escrowed under voluntary escrow agreements.

Note 26. Share-based payments (continued)

There were no options granted during the year ended 30 June 2023. 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
28/07/2023	28/07/2027	\$0.325	\$0.453	75.00%	-	3.87%	\$0.160
28/07/2023	28/07/2027	\$0.325	\$0.638	75.00%	-	3.87%	\$0.135
28/12/2023	28/01/2027	\$0.180	\$0.271	65.00%	-	3.58%	\$0.060

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:

	2024 \$	2023 \$
Options issued under ESOP	690,611	420,992
Total expenses recognised from share-based payment transactions	690,611	420,992

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, trade payables, borrowings, lease liabilities, and contingent consideration payable 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 market risk (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.

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

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

	Assets		Liabilities	
	2024	2023	2024	2023
	\$	\$	\$	\$
US dollars	726,584	2,286,425	54,396	772,225
Swiss francs	14,888	14,874	-	343,946
Euros	643,000	527,536	19,358	450
Canadian dollars	-	-	6,706	6,475
Pound Sterling	651,741	-	2,917	-
	2,036,213	2,828,835	83,377	1,123,096

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 \$325,827 (2023: \$258,482) and a corresponding increase/decrease in equity of the same amount.

Interest rate risk

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

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

	2024		2023	
	Weighted average interest rate %	Balance \$	Weighted average interest rate %	Balance \$
Cash and cash equivalents - non-interest bearing	-	2,790,559	-	3,295,360
Cash and cash equivalents - interest bearing	4.75%	13,883,892	3.05%	15,386,227
Cash on deposit	4.72%	4,215,000	4.30%	12,220,668
Restricted cash	-	-	-	1,141,619
Exposure to interest rate risk on cash deposits		20,889,451		32,043,874

The premium funding facility held and drawn down by the Group is at a fixed interest rate of 2.69% (2023: 3.89%) for a term of one year. Owing to the nature and duration of the borrowing, the Group does not consider the interest rate risk arising from the arrangement to be material. The drawn amounts are expected to be repaid within the term and re-draw is subject to managements discretion at the point of the renewal of insurance policies.

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 \$1,004,728 (2023: \$878,049) and interest expense was \$69,221 (2023: \$60,412).

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.

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

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 a minimal expected credit loss amount that was taken up during the financial year of \$17,929 (2023: Nil).

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

	2024	2023
	\$	\$
Not overdue	7,525,371	7,067,225
0 to 3 months overdue	559,422	168,975
	<u>8,084,793</u>	<u>7,236,200</u>

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

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.

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

Remaining contractual maturities

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

	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
2024					
Non-derivatives					
<i>Non-interest bearing</i>					
Trade and other payables	5,877,959	-	-	-	5,877,959
Contingent consideration payable	2,324,338	1,834,754	-	-	4,159,092
<i>Interest-bearing - fixed rate</i>					
Borrowings	395,387	-	-	-	395,387
Lease liability	810,134	158,816	214,268	-	1,183,218
Total non-derivatives	9,407,818	1,993,570	214,268	-	11,615,656
	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
2023					
Non-derivatives					
<i>Non-interest bearing</i>					
Trade and other payables	4,985,348	-	-	-	4,985,348
<i>Interest-bearing - fixed rate</i>					
Hire purchase	358,726	-	-	-	358,726
Lease liability	543,002	227,583	6,481	-	777,066
Total non-derivatives	5,887,076	227,583	6,481	-	6,121,140

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

Fair value of financial instruments

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

Microba Life Sciences Limited
Notes to the consolidated financial statements
30 June 2024

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

	2024	2023
	\$	\$
Loss after income tax (expense)/benefit for the year	<u>(19,938,485)</u>	<u>(12,680,212)</u>
Adjustments for:		
Depreciation and amortisation (non-cash)	2,870,274	1,641,831
Share-based payments (non-cash)	690,611	420,992
Loss on disposal of property, plant & equipment (non-cash)	2,852	21,074
Unwinding of capital portion of grants and subsidies received (non-cash)	(84,416)	(38,087)
Foreign currency differences (non-cash)	(99,864)	(140,014)
	<u>3,379,457</u>	<u>1,905,796</u>
Increase in receivables	(10,200)	(3,813,682)
Increase in inventories	(310,569)	(284,394)
Decrease/(increase) in prepayments	679,750	(146,858)
Increase in payables	208,531	2,106,236
Increase in contract liabilities	474,640	423,674
Increase in income tax payable	467	5,419
Increase in employee benefits	48,860	166,627
Decrease in deferred taxes	(83,102)	-
Decrease in other operating liabilities	(16,285)	(76,433)
	<u>992,092</u>	<u>(1,619,411)</u>
	<u><u>(15,566,936)</u></u>	<u><u>(12,393,827)</u></u>

Note 29. Non-cash investing and financing activities

	2024	2023
	\$	\$
Additions to the right-of-use assets	381,863	-
Shares issued in relation to business combinations	2,891,147	-
Shares issued on the exercise of options under ESOP	517,121	252,332
	<u><u>3,790,131</u></u>	<u><u>252,332</u></u>

Microba Life Sciences Limited
Notes to the consolidated financial statements
30 June 2024

Note 30. Changes in liabilities arising from financing activities

	Insurance Premium Funding \$	Lease Liability \$	Total \$
Balance at 1 July 2022	337,477	961,067	1,298,544
Net cash used in financing activities	(497,355)	(591,840)	(1,089,195)
Loans received	479,270	-	479,270
Acquisition of plant and equipment by means of leases	-	363,836	363,836
Interest expense	16,097	44,003	60,100
Balance at 30 June 2023	335,489	777,066	1,112,555
Net cash used in financing activities	(450,041)	(815,713)	(1,265,754)
Loans received	494,234	-	494,234
Acquisition of plant and equipment by means of leases	-	381,863	381,863
Acquisition of plant and equipment by means of business combinations (note 34)	-	792,330	792,330
Interest expense	15,705	50,622	66,327
Exchange differences	-	(2,950)	(2,950)
Balance at 30 June 2024	395,387	1,183,218	1,578,605

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:

	2024 \$	2023 \$
Short-term employee benefits	1,032,680	1,015,250
Post-employment benefits	54,567	51,242
Long-term benefits	13,677	10,778
Share-based payments	331,403	196,454
	1,432,327	1,273,724

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 38.

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 2024

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:

	2024	2023
	\$	\$
<i>Audit services - Pitcher Partners</i>		
Audit or review of the financial statements	131,314	91,000
<i>Other services - Pitcher Partners</i>		
Taxation services	31,680	55,680
Other fees	2,381	12,569
	34,061	68,249
	165,375	159,249
<i>Other services - network firms</i>		
Taxation services	36,751	21,508
Audit Fees	135,852	-
Consulting fees - due diligence services	163,132	-
	335,735	21,508
	335,735	21,508

Note 34. Business combinations

On 5 December 2023, the Company acquired 100% of the issued share capital in UK registered Invivo Clinical Limited (Invivo) for a purchase price of \$17,536,046. Invivo is a microbiome testing leader for healthcare professionals in the United Kingdom. Invivo has established a base of over 1,700 active customers, and an engaged list of additional 5,800 prospective customers. In addition to its leading position in Gastrointestinal microbiome testing services, Invivo has testing products spanning Vaginal, Oral and Urinary testing, together with a targeted set of evidence-based intervention formulations.

The acquisition of Invivo aligns to Microba's core testing services growth strategy in expanding internationally into high value markets in a capital efficient manner. The United Kingdom is a key market in the next phase of Microba's international testing services growth strategy. Acquiring a market leading position, customer and geographical base in the United Kingdom, together with Sonic Healthcare provides deep access to the entire UK healthcare market spanning private practice and the public NHS environment.

The acquisition also includes contingent consideration of \$8,576,002 subject to meeting key revenue targets for the first and second year of operation under the ownership of the Company. Consequently, this amount has been assessed as purchase consideration and has been included in the acquisition-date fair value of the total consideration transferred after discounting and adjusting for managements' estimates of the revenue targets being achieved.

Microba Life Sciences Limited
Notes to the consolidated financial statements
30 June 2024

Note 34. Business combinations (continued)

The acquired business contributed revenue of \$4,853,962 and a net loss after tax (NPAT) of \$403,159 to the Group for the period since acquisition on 5 December 2023 to 30 June 2024. If the acquisition had occurred on 1 July 2023, the contributed revenue for the 12 months to 30 June 2024 would have been \$8,528,018 and net loss after tax of \$402,243.

There has been \$1,005,740 of acquisition related costs incurred to date and expensed in Legal and intellectual property advisory fees (\$489,926), Consulting fees (\$350,015) and Accounting fees included within Other expenses (\$165,799).

As at 30 June 2024, the accounting for this business combination is provisional.

Details of the acquisition are as follows:

	Fair value \$
Cash and cash equivalents	892,702
Trade receivables	240,978
Other receivables	168,162
Inventories	1,288,564
Prepayments	93,348
Furniture & Fittings	27,155
Computer Equipment	38,522
Laboratory Equipment	127,735
Right-of-use assets	704,641
Website	40,517
Deferred tax liability	(35,750)
Trade Payables	(444,428)
Accrued expenses	(339,516)
Deferred revenue	(403,625)
Lease liability	(704,641)
Employee Benefits	(65,371)
Lease make good provision	(87,689)
Net assets acquired	1,541,304
Goodwill	8,496,766
Customer Relationships	2,090,203
Brand	4,452,695
Technology	2,590,803
Deferred Tax Liability on customer relationships and brand	(1,635,725)
Acquisition-date fair value of the total consideration transferred	<u>17,536,046</u>
Representing:	
Cash paid or payable to vendor	10,462,829
Microba Life Sciences Limited shares issued to vendor	2,891,147
Contingent consideration	4,182,070
	<u>17,536,046</u>
Acquisition costs expensed to profit or loss	<u>1,005,740</u>
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	17,536,046
Less: cash and cash equivalents	(892,702)
Less: contingent consideration	(4,182,070)
Less: shares issued by Company as part of consideration	(2,891,147)
Net cash used	<u>9,570,127</u>

Microba Life Sciences Limited
Notes to the consolidated financial statements
30 June 2024

Note 34. Business combinations (continued)

No Contingent liabilities or guarantees existed at the acquisition date.

The fair value, and the gross amount, of the Trade receivables is \$259,006 and it is expected that the full contractual amounts will be collected apart from one debt that is considered doubtful with a value of \$18,028.

The results of this operation form part of the testing services & supplements segment and are classified therein.

The total goodwill arising on acquisition is \$8,496,766 which relates predominantly to the acquisition of key management, specialised know-how of the workforce, key stakeholder relationships, competitive position and product & service offerings that do not meet the recognition criteria as an intangible asset at the date of acquisition.

Note 35. Earnings per share

	2024	2023
	\$	\$
Loss after income tax attributable to the owners of Microba Life Sciences Limited	<u>(19,938,485)</u>	<u>(12,680,212)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>409,858,784</u>	<u>314,259,389</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>409,858,784</u>	<u>314,259,389</u>
	Cents	Cents
Basic earnings per share	(4.86)	(4.03)
Diluted earnings per share	(4.86)	(4.03)

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.

Note 36. Operating segments

Identification of reportable operating segments

The Group is organised into two (2) operating segments: Testing Services and Supplements, 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 2024 there were no significant customers from which 10% or more of the Group's external revenue was derived.

Microba Life Sciences Limited
Notes to the consolidated financial statements
30 June 2024

Note 36. Operating segments (continued)

Operating segment information

Segment profit and loss

2024	Testing Services & Supplements \$	Research & Development \$	Unallocated \$	Total \$
Revenue from contracts with external customers	12,090,055	-	-	12,090,055
Cost of sales	(6,184,628)	-	-	(6,184,628)
Gross profit	5,905,427	-	-	5,905,427
Subsidies and grant income	7,500	5,758,708	-	5,766,208
Interest income	-	-	1,004,728	1,004,728
Other income	-	-	51,543	51,543
Foreign currency income	-	-	99,864	99,864
	7,500	5,758,708	1,156,135	6,922,343
Expenses				
Employee benefits and other related costs	(4,145,429)	(1,711,054)	(5,760,872)	(11,617,355)
Research and development expense	-	(10,836,162)	-	(10,836,162)
Depreciation and amortisation expense	(2,411,627)	(242,089)	(216,558)	(2,870,274)
Travel Expenses	(283,441)	(56,379)	(221,543)	(561,363)
Consulting fees	(906,798)	(51,876)	(1,295,048)	(2,253,722)
Marketing and advertising expense	(545,395)	(24,970)	(215,980)	(786,345)
Legal and intellectual property advisory fees	(31,994)	(8,024)	(693,072)	(733,090)
Finance costs	-	-	(69,221)	(69,221)
Other expenses	(916,985)	(162,157)	(2,010,885)	(3,090,027)
Total expenses	(9,241,669)	(13,092,711)	(10,483,179)	(32,817,559)
Loss before income tax benefit	(3,328,742)	(7,334,003)	(9,327,044)	(19,989,789)
Income tax benefit	-	-	51,304	51,304
Loss after income tax	(3,328,742)	(7,334,003)	(9,275,740)	(19,938,485)

Microba Life Sciences Limited
Notes to the consolidated financial statements
30 June 2024

Note 36. Operating segments (continued)

	Testing Services & Supplements \$	Research & Development \$	Unallocated \$	Total \$
2023				
Revenue from contracts with external customers	5,420,136	-	-	5,420,136
Cost of sales	(2,741,873)	-	-	(2,741,873)
Gross profit	2,678,263	-	-	2,678,263
Subsidies and grant income	91,700	6,275,588	-	6,367,288
Interest income	-	-	881,132	881,132
Foreign currency gain	-	-	367,547	367,547
	91,700	6,275,588	1,248,679	7,615,967
Expenses				
Employee benefits and other related costs	(2,186,442)	(1,664,336)	(3,958,587)	(7,809,365)
Research and development expense	-	(9,337,113)	-	(9,337,113)
Depreciation and amortisation expense	(1,233,804)	(217,901)	(190,126)	(1,641,831)
Consulting fees	(209,526)	(193,394)	(586,924)	(989,844)
Marketing and advertising expense	(389,925)	(23,324)	(279,458)	(692,707)
Legal and intellectual property advisory fees	(25,479)	(20,559)	(99,746)	(145,784)
Finance costs	-	-	(60,412)	(60,412)
Other expenses	(379,361)	(292,465)	(1,619,917)	(2,291,743)
Total expenses	(4,424,537)	(11,749,092)	(6,795,170)	(22,968,799)
Loss before income tax	(1,654,574)	(5,473,504)	(5,546,491)	(12,674,569)
Income tax expense	-	-	(5,643)	(5,643)
Loss after income tax expense	(1,654,574)	(5,473,504)	(5,552,134)	(12,680,212)

Segment assets and liabilities

	Testing Services & Supplements \$	Research & Development \$	Unallocated \$	Total \$
2024				
Total assets	29,752,307	6,149,642	22,138,358	58,040,307
Total liabilities	8,280,756	1,617,110	6,926,439	16,824,305
Additions to non-current assets	4,093,947	350,598	316,371	4,760,916
Additions to non-current assets via business combination	18,474,530	-	94,507	18,569,037
	Testing Services & Supplements \$	Research & Development \$	Unallocated \$	Total \$
2023				
Total assets	6,541,413	7,256,862	33,154,758	46,953,033
Total liabilities	2,930,270	3,173,078	2,275,849	8,379,197
Additions to non-current assets	3,118,808	170,468	111,451	3,400,727

Microba Life Sciences Limited
Notes to the consolidated financial statements
30 June 2024

Note 36. Operating segments (continued)

Geographical information

	Revenue from external customers		Geographical non-current assets	
	2024	2023	2024	2023
	\$	\$	\$	\$
Australia	4,204,298	3,161,571	7,227,470	4,372,153
Europe	1,771,263	1,082,185	-	-
New Zealand	127,032	163,569	-	-
United Arab Emirates	662,344	456,708	-	-
United Kingdom	4,531,355	1,236	17,911,278	-
United States	602,860	554,460	651,669	1,055,819
Asia	22,050	407	-	-
Ireland	168,853	-	-	-
	12,090,055	5,420,136	25,790,417	5,427,972

Note 37. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2024	2023
	\$	\$
Loss after income tax	(20,932,791)	(12,621,128)
Other comprehensive income for the year, net of tax	-	-
Total comprehensive loss	(20,932,791)	(12,621,128)

Microba Life Sciences Limited
Notes to the consolidated financial statements
30 June 2024

Note 37. Parent entity information (continued)

Statement of financial position

	Parent	
	2024	2023
	\$	\$
Total current assets	42,816,874	39,196,645
Total non-current assets	-	-
Total assets	42,816,874	39,196,645
Total current liabilities	2,035,710	472,113
Total non-current liabilities	458,986	150,696
Total liabilities	2,494,696	622,809
Net assets	40,322,178	38,573,836
Equity		
Issued capital	102,881,628	80,373,986
Share-based payments reserve	2,118,660	1,945,170
Accumulated losses	(64,678,110)	(43,745,320)
Total equity	40,322,178	38,573,836

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 2024 and 30 June 2023.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2024 and 30 June 2023.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2024 and 30 June 2023.

Loans to subsidiaries

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

Material accounting policy information

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 2024

Note 38. Interests in subsidiaries

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	
		2024 %	2023 %
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%
Microba UK Holdings Limited Incorporated 16 October 2023	United Kingdom	100%	-
Invivo Clinical Limited Incorporated 27 March 2007	United Kingdom	100%	-
Invivo Healthcare Limited Incorporated 20 May 2019	United Kingdom	100%	-

Note 39. Contingent liabilities

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

Note 40. Events after the reporting period

No matter or circumstance has arisen since 30 June 2024 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
Consolidated entity disclosure statement
As at 30 June 2024

Microba Life Sciences Limited is required by Australian Accounting Standards to prepare consolidated financial statements in relation to the company and its controlled entities (the consolidated entity).

In accordance with subsection 295(3A) of the Corporations Act 2001, this consolidated entity disclosure statement provides information about each entity that was part of the consolidated entity at the end of the financial year.

Entity name	Entity type	Place formed / Country of incorporation	Ownership interest %	Tax residency
Microba Life Sciences Limited	Body Corporate	Australia	-	Australia
Microba Pty Ltd	Body Corporate	Australia	100.00%	Australia
Microba Services Pty Ltd	Body Corporate	Australia	100.00%	Australia
Microba IP Pty Ltd	Body Corporate	Australia	100.00%	Australia
Microba US Inc	Body Corporate	United States of America	100.00%	United States of America
Microba UK Holdings Limited	Body Corporate	United Kingdom	100.00%	United Kingdom
Invivo Clinical Limited	Body Corporate	United Kingdom	100.00%	United Kingdom
Invivo Healthcare Limited	Body Corporate	United Kingdom	100.00%	United Kingdom

At the end of the financial year, no entity within the consolidated entity was a trustee of a trust within the consolidated entity, a partner in a partnership within the consolidated entity, or a participant in a joint venture within the consolidated entity

Microba Life Sciences Limited
Directors' declaration
30 June 2024

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 2024 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- the consolidated entity disclosure statements required by subsection 295(3A) of the *Corporations Act 2001* is true and correct.

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

29 August 2024
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 2024, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements including material accounting policy information, the consolidated entity disclosure statement 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 2024 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

 **bakertilly**
NETWORK MEMBER

Pitcher Partners is an association of independent firms.

An Independent Queensland Partnership ABN 84 797 724 539. Liability limited by a scheme approved under Professional Standards Legislation.

Pitcher Partners is a member of the global network of Baker Tilly International Limited, the members of which are separate and independent legal entities.

pitcher.com.au

NIGEL FISCHER
MARK NICHOLSON
PETER CAMENZULI

JASON EVANS
KYLIE LAMPRECHT
NORMAN THURECHT

BRETT HEADRICK
WARWICK FACE
COLE WILKINSON

SIMON CHUN
JEREMY JONES
TOM SPLATT

JAMES FIELD
DANIEL COLWELL
ROBYN COOPER

FELICITY CRIMSTON
CHERYL MASON
KIERAN WALLIS

MURRAY GRAHAM
ANDREW ROBIN
KAREN LEVINE

EDWARD FLETCHER
ROBERT HUGHES

Key Audit Matter	How our audit addressed the key audit matter
<p>Acquisition of Invivo Clinical Limited and its controlled entity Refer to note 34</p> <p>During the year, the Group acquired UK incorporated entity Invivo Clinical Limited (“Invivo”) and its controlled entity, for gross purchase consideration of \$17,536,046. This acquisition has been accounted for as a business combination.</p> <p>Accounting for the purchase of Invivo is a key audit matter due to the size of the acquisition.</p> <p>In addition to the size of the acquisition, estimation and judgement is required in order to determine:</p> <ul style="list-style-type: none"> the fair values of acquired assets and liabilities, the allocation of purchase consideration to goodwill and separately identifiable intangible assets such as customer relationships, brand name and technology; and estimated contingent consideration. 	<p>Our procedures included:</p> <ul style="list-style-type: none"> Understanding and evaluating the design and implementation of management’s processes and controls over the acquisition; Reviewing the purchase agreement to understand key terms and conditions; Evaluating the methodology used for the acquisition accounting and allocation of purchase consideration to goodwill and identifiable intangible assets against accounting standard requirements; Working with our valuation specialists, evaluating the fair values of acquired assets, liabilities and allocation of purchase consideration to goodwill and separately identifiable intangible assets determined by management’s expert by reviewing the valuation models and comparing the inputs and discount rate assumptions to market data, historic and current company records and our knowledge of the group and industry; Evaluating and challenging the Group’s assumptions of forecast future performance and probability factors applied in determining estimated contingent consideration; and Assessing the adequacy of the Group’s disclosures in respect of business acquisitions.
<p>Impairment of goodwill Refer to note 17</p> <p>The consolidated statement of financial position as at 30 June 2024 includes goodwill valued at \$8,450,080 which relates to the acquisition of Invivo during the financial year.</p> <p>The carrying amount of goodwill is supported by management’s value-in-use calculation which is based on board approved budgeted future cash flows and key estimates such as the annual growth rates, discount rate and terminal value growth rate.</p> <p>This is a key audit matter as the value of goodwill material and the evaluation of the recoverable amount requires significant judgement in determining the key estimates to support the value-in-use calculations.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> Understanding and evaluating the design and implementation of management’s processes and controls over the assessment of impairment of goodwill; Assessing management’s determination of the Group’s cash generating units (‘CGUs’) based on our understanding of the nature of the Group’s business and the identifiable groups of cash generating assets; Comparing the cashflow forecasts used in the value-in-use calculations to Board approved budgets and the Group’s historical performance; Assessing the significant judgements and key estimates used for the impairment assessment, in particular, the annual growth rates, discount rate and terminal value growth rate; Checking the mathematical accuracy of the impairment model and agreeing relevant data to supporting documentation; Performing a sensitivity analysis of management’s value-in-use calculation; and Assessing the adequacy of the Group’s disclosures.

Research and Development Tax Incentive

Refer to notes 5 and 11

At 30 June 2024 the Group's consolidated statement of financial position includes a Research and Development (R&D) Tax Incentive receivable of \$5,993,291 and R&D Tax Incentive revenue of \$5,758,649.

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.

The Group has had multiple Overseas Advanced Findings successfully approved by AusIndustry relating to its immuno-oncology and IBD therapeutic programs.

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

This was considered a key audit matter due to the size of the receivable and revenue recognised as well as the degree of judgement and interpretation of the R&D tax legislation required to assess the eligibility of the R&D expenditure under the scheme.

Our procedures included:

- Obtaining an understanding of, and evaluating the design and implementation of the controls associated with management's assessment of eligible R&D expenditure under the tax incentive scheme;
- Engaging our internal tax expert to:
 - 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 2024, 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:

- (a) the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*; and
- (b) the consolidated entity disclosure statement that is true and correct in accordance with the *Corporations Act 2001*; and
- (c) for such internal control as the directors determine is necessary to enable the preparation of:
 - (i) the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
 - (ii) the consolidated entity disclosure statement that is true and correct and is free of 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 have 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, actions taken to eliminate threats or safeguards applied.

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 the directors' report, pages 31 to 36 of the financial report for the year ended 30 June 2024. In our opinion, the Remuneration Report of Microba Life Sciences Limited, for the year ended 30 June 2024, 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
29 August 2024

06

ASX Additional Information

Microba Life Sciences Limited
Shareholder information
30 June 2024

The shareholder information set out below was applicable as at 1 August 2024, unless otherwise stated.

Distribution of equitable securities

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

	Ordinary shares	
	Number of holders	% of total shares issued
1 to 1,000	25	0.01
1,001 to 5,000	381	0.24
5,001 to 10,000	173	0.30
10,001 to 100,000	533	4.74
100,001 and over	243	94.71
	1,355	100.00
Holding less than a marketable parcel	302	-

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
ACN 002 889 545 PTY LTD	85,736,872	19.14
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	53,132,410	11.86
SA MICROBA HOLDINGS PTY LTD	33,480,799	7.48
UBS NOMINEES PTY LTD	28,731,988	6.42
MACROGEN INC	17,828,431	3.98
BOYSENHOLTZ PTY LTD	17,178,431	3.84
GENENIKA PTY LTD	17,100,000	3.82
CITICORP NOMINEES PTY LIMITED	16,770,637	3.74
BELGRAVIA STRATEGIC EQUITIES PTY LTD	13,432,342	3.00
MR DON MAREE	11,545,742	2.58
GINKGO BIOWORKS INC	10,886,385	2.43
ROMBOLA FAMILY PTY LTD	5,600,000	1.25
AUSTRALIAN DIRECT INVESTMENTS PTY LIMITED	3,838,412	0.86
UNIQUEST PTY LTD	3,424,643	0.76
RPMT INVESTMENTS PTY LTD	3,150,000	0.70
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	3,091,944	0.69
DERP ENTERPRISES PTY LTD	2,902,500	0.65
ADAM SKARSHEWSKI	2,900,000	0.65
ALENA RINKE & CHRISTIAN RINKE	2,900,000	0.65
TERRAFORD PTY LTD	2,536,411	0.57
	336,167,947	75.07

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	19,944,998	29

Microba Life Sciences Limited
Shareholder information
30 June 2024

Substantial holders

Substantial holders in the Company are set out below:

	Ordinary shares % of total shares issued
Number held	
Sonic Healthcare Limited	85,736,872 19.14
Perennial Value Management	64,140,168 14.32
SA Microba Holdings Pty Ltd	33,480,799 7.48
Thorney Investment Group	29,962,423 6.69

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	11 November 2024	85,000
Ordinary Shares	6 December 2025	13,141,578
		<u>13,226,578</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.

The Microba logo is displayed in a bold, white, sans-serif font. The letter 'i' in 'Microba' is lowercase and features a dot, while the rest of the letters are uppercase. A small trademark symbol (TM) is positioned at the top right of the letter 'A'.

MiCROBA™

microba.com

1300 974 621 • info@microba.com

<https://ir.microba.com/link/GyV84r>