QBiotics Group Limited

ANNUAL REPORT

30 JUNE 2022

ABN 13 617 596 139

QBiotics Group
Naturally Inspired
Scientifically Defined

QBiotics Group Limited

Contents

Forward looking statements

This report contains forward looking statement which reflect the current beliefs and expectations of QBiotics. Statements may involve a number of known and unknown risks that could cause our future results, performance or achievements to differ significantly from those expressed or implied by such forward-looking statements. While these forward-looking statements reflect QBiotics' expectations at the date of this report, they are not guarantees or predictions of future performance or statements of fact. Many factors could cause QBiotics' actual results, performance or achievements to differ from those expressed in the forward-looking statements including risks relating to our ability to recruit patients for our clinical trials, uncertainty and disruption caused by COVID-19 pandemic and geo-political developments, actions of regulatory bodies and other governmental authorities.

01

Chairman's Overview and CEO's Report

QBiotics Group Limited
Chairman's overview
For the year ended 30 June 2022

Dear Shareholders,

I thought last year was difficult as we dealt with COVID 19 related issues impacting clinical trials, and things would start to return to normal in 2022. I was wrong.

At QBiotics we have continued to focus on all the priorities identified last year, particularly our human trials for tigilanol tiglate, and supporting the growth in revenues for STELFONTA®.

We made disappointing progress in our clinical trials and did not advance as we expected with STELFONTA® sales in Europe.

We did further work to develop the potential in wound healing and that is proceeding as expected.

We are fortunate to have strong cash resources, but they must be managed carefully as we make further efforts to achieve human trial momentum. This is addressed by the CEO, Dr Victoria Gordon, in her comments. In particular, she has worked with the management team to support the clinical trials to achieve increased patient enrolment and obtain the necessary results.

The Board has focused on the human clinical trials but has also reviewed remuneration and incentive structures, reviewed our committee structures, and spent time considering future strategic direction especially relating to the potential for external partnerships and areas of focus for our existing drug.

We tried to stay flexible and consider the various alternatives, but in the end, we believe we are best served by achieving and understanding the results from our human clinical trials.

I am aware that many shareholders would like to see QBiotics undertake a listing and for this to occur sooner than later. We continue to be supportive of a listing provided, in the Board's opinion, it is in our company's and shareholders' best interests.

It is hoped this will be underpinned by positive human clinical results and a strong strategic partnership; occurring at a time the market is again receptive to new listings.

If we achieve the clinical results we hope for, and consistent with the learnings from the successful veterinary trials, then we should see an outcome rewarding us for our patience and effort; but human trials are complex and extensive, and the targeted tumour types are specific, so there are many more factors to consider.

I stay committed to a positive outcome, and to a listing, as soon as it is in our company's and shareholders' best interests.

I thank the Board for their continued hard work, and the management for making enormous efforts in challenging circumstances. We must now perform to make this all worthwhile.

Rick Holliday-Smith
Chairman

FY22 On a Page

Oncology Research and Development

- Melanoma Human Phase II Clinical Trial – Patient recruitment commenced
- Soft Tissue Sarcoma Human Clinical Trial – FDA approval of IND for clinical trial in USA
- Head and Neck cancer dose finding study completed in-life and currently reporting
- International equine sarcoid clinical trial with leading equine veterinary specialists in-life completed
- COVID-19 continued to impact patient recruitment and trial start up

Wound Healing Research and Development

- Scientific advice meeting held with the UK regulator MHRA for first-in-human wound healing clinical trial with EBC-1013

Pharmaceutical Commercialisation

- STELFONTA launched in Australia
- Phase IV clinical trial with Australian Oncologists

Scientific International Communication

- 4 manuscripts published in well-respected scientific journals
- STELFONTA data presented at 9 international veterinary conferences

Positioned for Success

- Ongoing talent acquisition with 11 new additions to the QBiotics team
- $84.2 cash in bank
- $5.4 million R&D tax incentive achieved

QBiotics Group
Naturally Inspired
Scientifically Defined

Dear Shareholders,

The QBiotics Group (QBiotics) continued to mature as a life sciences company during the year.

The USA Food and Drug Administration (FDA) approved our Investigational New Drug (IND) application which allows us to undertake a human Phase II clinical trial in soft tissue sarcomas in the USA. This is an important milestone for QBiotics as it is our first FDA IND and the culmination of a very significant body of work by the team. This trial will be undertaken at a major cancer centre in the USA.

The in-life stage of our human clinical Phase I/IIa trial in India and Australia evaluating the optimal dose of tigilanol tiglate in patients with head and neck squamous cell carcinoma was completed and the data is being analysed. Planning is now well advanced for a second trial (Phase II) in head and neck cancer to be undertaken at major hospitals in the UK and Australia.

Patient recruitment for our two melanoma clinical trials continued to be affected by COVID-19 knock-on effects. Nonetheless, progress has been made in these trials including successful escalation to the next dose cohort in our clinical trial combining tigilanol tiglate with the immune checkpoint inhibitor (ICI) drug pembrolizumab (Keytruda®), and commencement of patient recruitment for our Phase II monotherapy trial.

The development of EBC-1013 as a wound healing pharmaceutical progressed during the year. Drug manufacture and formal toxicology studies are now almost complete to support a move to human clinical development. Our plans for a first-in-human clinical trial with EBC-1013 were well received by the UK Medicines and Healthcare Products Regulatory Agency (MHRA).

Our veterinary anticancer pharmaceutical STELFONTA® was launched into the Australian market late 2021 with positive feedback from both veterinary practitioners and pet owners. Internationally, market uptake of STELFONTA® has been slower than expected because the drug represents a paradigm shift in the treatment of cancer in dogs. QBiotics and our marketing partner Virbac continue to direct resources to promote STELFONTA® as research supports our earlier assessment of the market potential for this drug.

As in past years, we continued to showcase our research internationally with presentations at nine major veterinary conferences, and four manuscripts published in well-respected scientific journals.

QBiotics remains in a sound financial position with $84.2 million cash (as at 30 June 2022), enabling us to continue to implement plans for product development and build company value.

1. Progress for Human Oncology Programme

QBiotics made further progress during the year towards demonstrating the ability of tigilanol tiglate to treat a range of different types of solid tumours including melanoma, head and neck cancer and soft tissue sarcoma (STS). Clinical trials are structured to examine both local (tumours directly injected with tigilanol tiglate) and systemic or abscopal (tumours not injected with tigilanol tiglate) effects of the drug as a monotherapy (tigilanol tiglate alone) as well as in combination with other drugs (e.g. Keytruda®).

Unfortunately, the knock-on effect of COVID-19, including staff shortages at hospitals, continued to negatively impact patient recruitment and study start up throughout the industry including our four current trials. To address this, we have increased the number of sites for our trials and continue to work closely with investigating clinicians and hospital teams to support them wherever possible.

Following is a summary of tigilanol tiglate human clinical development progress during the year.

(a) Tigilanol tiglate treating melanoma

Tigilanol tiglate is being combined with ICI drug Keytruda® in a clinical Phase I/IIa (QB46C-H06) trial treating patients with melanoma Stage IIIB – IV M1c. The trial is primarily to assess the safety aspects of combining these two drugs, and as such is a dose escalation trial. The safety of the combination has been initially demonstrated in the first dose cohort which has been completed and we are now actively recruiting patients for the second dose cohort. In addition to safety, the trial has also been structured to assess whether the combination of tigilanol tiglate and Keytruda® produce additive anti-tumour immune responses and improved outcomes for patients.

Patient recruitment has commenced in our second clinical study in melanoma, a Phase II monotherapy trial (QB46C-H04) with tigilanol tiglate treating melanoma in-transit Stage IIIB-IIID - IV M1b. The focus of this study is on assessing the ability of the drug to not only elicit a response in the injected target tumours, but also non-injected tumours (i.e. examining for an abscopal effect).

Patient recruitment for both these trials has been disappointingly slow. To date, there have only been three patients recruited on QB46C-H06 and one patient recruited on QB46C-H04. To increase the rate of patient recruitment, we will be opening additional clinical sites in Australia for both these trials in the coming months.

Melanoma is a serious disease globally. There were 325,000 new melanoma cases reported globally in 2020, and 50,000 deaths. The incidence of new cases of melanoma is estimated to increase by 50%, and deaths from the disease by 68%, by 2040. [1]

The oncology market is currently dominated by ICI drugs, such as Keytruda® which had sales of US$17.2 billion in 2021. [2] Although the ICI drugs are achieving a reasonable level of treatment success, there remains significant opportunities for improvement in their efficacy and safety. Consequently, the ICI drugs are being trialled in combination with a range of other products. [3]

(b) Tigilanol tiglate treating head & neck cancer

Patient recruitment has been finalised for our Phase I/IIa human clinical trial evaluating the optimal dose of tigilanol tiglate in patients with head and neck squamous cell carcinoma (QBC46-H03). While this trial is currently in close-out and reporting phase, we are well advanced in planning to initiate a Phase II trial in head and neck cancer (QB46C-H08) at major hospitals in the UK and Australia later this year.

Head and neck cancer is the 7th most common cancer globally, with 1.46 million new cases reported in 2018, and 962,000 deaths. [4] Tobacco use and alcohol consumption are still important risk factors for head & neck cancer in developing countries. The incidence of this disease in advanced countries such as the USA and Europe is increasing due to human papilloma virus infection. [5]

(c) Tigilanol tiglate treating soft tissue sarcoma

Preparation for a human clinical Phase II trial (QB46C-H07) treating advanced or metastatic soft tissue sarcoma (STS) is currently underway. In late July 2022 we received approval from the USA Food and Drug Administration (FDA) of our Investigational New Drug (IND) application for this trial. This is an important milestone for QBiotics as it is our first FDA IND and the culmination of a very significant body of work by the team. We are now working closely with our selected contract research organisation (CRO) and hospital clinicians at a high-profile cancer centre in the USA to open this trial and commence patient recruitment.

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[1] Arnold *et al.* 2022. Global burden of cutaneous melanoma in 2020 and projections to 2040. *JAMA Dermatol.* 2022;158(5):495-503. doi:10.1001/jamadermatol.2022.0160

[2] Statista.https://www.statista.com/statistics/1269401/revenues-of-keytruda/#:~:text=Keytruda%20is%20not%20only%20Merck,dollars%20in%20revenue%20during%202021.

[3] Marabelle *et al* (2018). Starting the fight in the tumor: expert recommendations for the development of human intratumoral immunotherapy (HIT-IT). *Annals of Oncology.* 29: 2163-2174.

[4] Globocan 2018. Estimated age-standardized incidence rates (World) in 2018, lip, oral cavity, salivary glands, oropharynx, nasopharynx, hypopharynx, both sexes, all ages. Includes oesophagus and larynx. https://gco.iarc.fr/today/data/factsheets/populations/900-world-fact-sheets.pdf;

[5] Kawakita *et* a. 2022. Trends in the incidence of head and neck cancer by subsite between 1993 and 2015 in Japan. *Cancer Med.* 2022 Mar; 11(6): 1553–1560. doi: 10.1002/cam4.4539

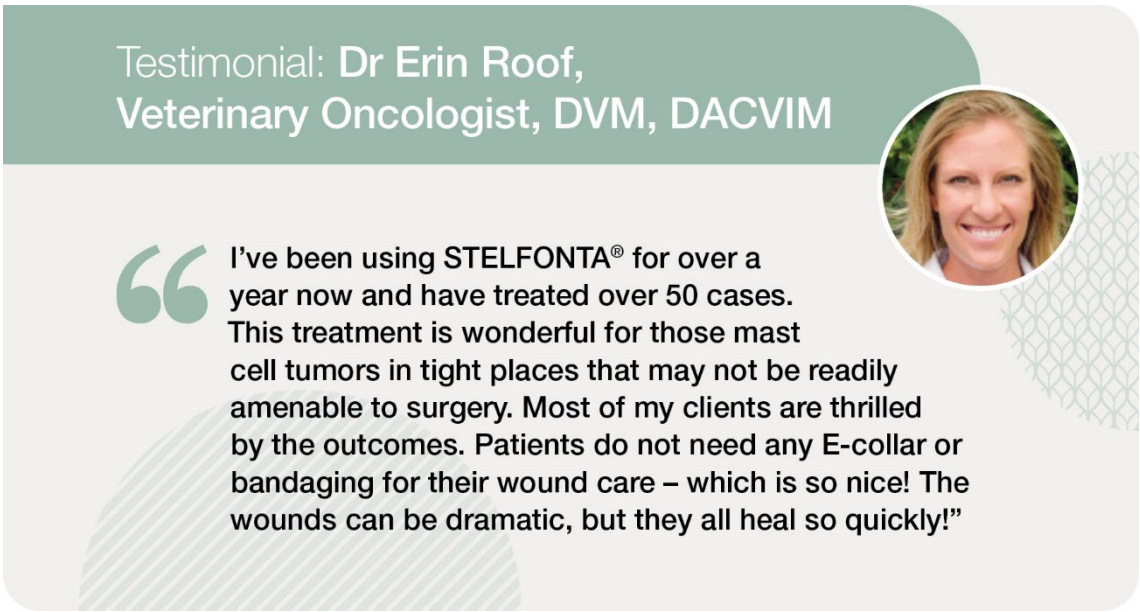
STS are a group of rare solid tumours that occur in the soft tissues of the body, such as muscles and nerves.[6] The disease represents a broad category of tumour types with more than 50 histological subtypes whose clinical and pathological features are diverse.[6] Due to the complexity of this disease, treatment is challenging and prognosis for most patients is currently poor. The standard of care remains surgery with clean margins difficult to obtain and debilitating surgery common.[7]

2. Veterinary Oncology Programme Continues to Expand

(a) STELFONTA®

QBiotics and Virbac continued to progress the global reach for our veterinary anticancer pharmaceutical STELFONTA® with the launch of the drug in Australia in late 2021. As with our earlier marketing authorisations in the USA, UK and 28 European countries, STELFONTA® is registered in Australia for the treatment of mast cell tumours (MCT) in dogs. Having STELFONTA® available to Australian veterinarians, many of whom participated in the clinical development of the drug, is another important milestone for QBiotics as an Australian company.

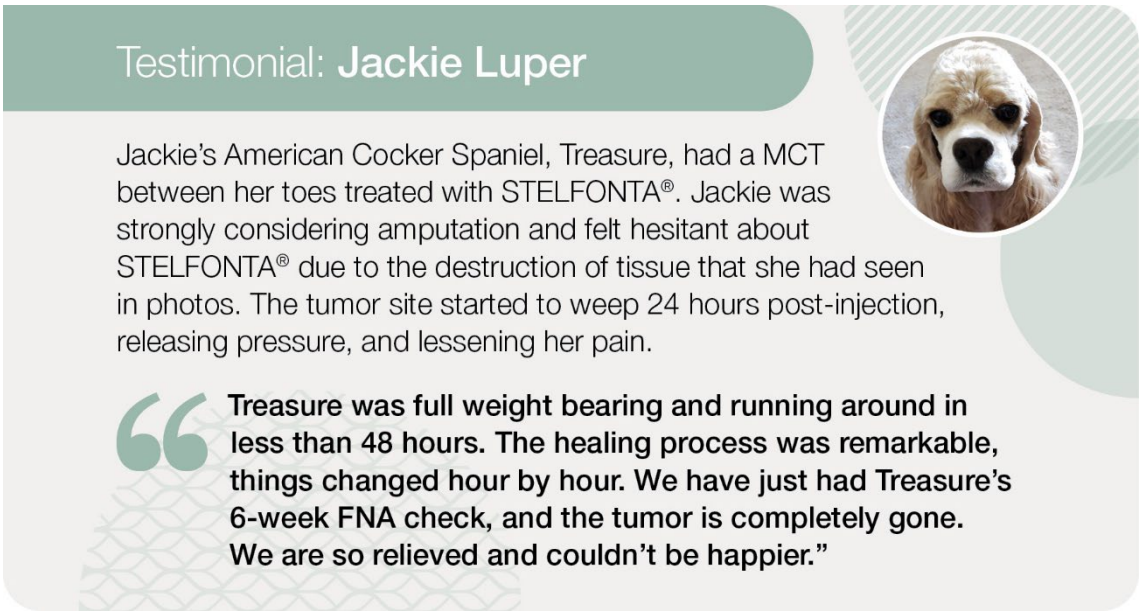
Internationally, especially in Europe, market uptake of STELFONTA® has been much slower than initially anticipated at this stage of the brand lifecycle. Early adopters who are comfortable with innovation were quick to embrace STELFONTA® and are now routinely prescribing it to treat MCT. It has however taken longer to achieve the same paradigm shift across the broader community of veterinarians compounded by the global pandemic. Research supports significant market potential for STELFONTA® in the mid-term and feedback from both veterinary practitioners and pet owners who have used the drug has been positive (refer to Dr Roof and Jackie Luper testimonials).



In collaboration with Virbac, we support veterinarians through their initial treatments with STELFONTA®. Additionally, we encourage pet owners to discuss STELFONTA® with their veterinarian through a dedicated website www.STELFONTA.com which is now a high-traffic destination for pet owners looking for a MCT treatment for their dog.

[6] DeVita, *et al.* (2018). DeVita, Hellman, and Rosenberg's Cancer Principles & Practice of Oncology, 11th ed.;Wolters Kluwer: Philadelphia, PA, USA.

[7] Hall *et al.* (2019). Future directions in soft tissue sarcoma treatment. *Current Problems in Cancer*. 43(4): 300-307



We continue to work with key opinion leaders and early adopters in Europe, the UK, the USA and Australia to further raise the profile of STELFONTA®. Meetings and webinars were held during the year with our veterinary oncology Advisory Boards in all regions and STELFONTA® treatment responses presented at major veterinary conferences (refer to section 8 for details). A Phase IV (i.e. post registration) clinical trial treating MCTs, undertaken with Australian veterinary oncologists, was completed and a draft manuscript prepared. These Phase IV trials increase the drug's profile in the specialist community and build credibility, while adding further to our knowledge of STELFONTA®. STELFONTA® supports the human porgramme in two ways (i) data from veterinary clinical trials continues to underpin our human oncology programme and, (ii) revenue generated from the sale of STELFONTA® is reinvested into the human programme. Note that revenue from the sale of STELFONTA® for the year ended 30 June 2022 is less than the previous year due to the timing of product shipments to Virbac.

(b) Soft tissue sarcoma

Soft tissue sarcomas (STS) are a common tumour in dogs and are often problematic to treat with current standards of care because of their local invasiveness. Building on earlier exploratory trials in Australia and a completed pivotal field study in Europe, we are now commencing a Phase IV trial treating STS with STELFONTA®. This trial is being conducted by Australian veterinary oncologists to optimise protocols and dosing for the treatment of this tumour type.

(c) Equine sarcoids

Sarcoids, a type of sarcoma, are the most common skin tumours in horses and are notoriously difficult to treat. There are no widely accepted or registered treatments specific for this tumour type. During the year we completed recruitment of 30 horses with sarcoids in an international trial with equine specialist veterinarians at leading university hospitals and private practices in Sweden, Spain, the Netherlands, the United Kingdom, the USA and Australia to evaluate the use of tigilanol tiglate to treat equine sarcoids. Patient monitoring continues and analysis of the initial efficacy and safety data from this trial has commenced.

3. EBC-1013 for Wound Healing

As the human oncology programme is moving forward and the veterinary product is well advanced, we are now putting significant focus on our wound healing drug candidate EBC-1013. In recognition of the importance and potential value of this programme, Dr Sam Yurdakul, a highly experienced pharmaceutical researcher, was appointed in November 2021 as Director of New Product Development to lead the development of EBC-1013. Dr Yurdakul is based in London where he can leverage the long-standing key relationships with researchers and clinicians that the company has established over many years.

A first Scientific Advice meeting was held in March 2021 with the UK Medicines and Healthcare Products Regulatory Agency (MHRA) to validate the company's development plans for achieving readiness for a first-

in-human clinical trial with EBC-1013. The MHRA confirmed its acceptance of the company's proposed plans to develop EBC-1013 in an area of significant unmet medical need.

The first-in-human clinical trial will be a safety study in patients with venous leg ulcers. This disease is considered to have a high unmet medical need with the prevalence in the US alone being approximately 600,000 cases annually[8]. The annual cost of treating these ulcers to the USA healthcare system is estimated at US$3 billion, with up to one-third of treated patients experiencing four or more episodes of recurrence[9].

Manufacture of the Active Pharmaceutical Ingredient (API; EBC-1013 molecule), and Drug Product (EBC-1013 in a gel carrier) is providing materials for the upcoming clinic-enabling toxicology studies and human clinical trial. The majority of the preclinical programme has been completed, facilitating transition into the human clinic. The design of the first-in-human safety trial has been established following wide consultation with wound healing Key Opinion leaders (KOLs) and the trial synopsis drafted in anticipation of full protocol development.

The veterinary development of EBC-1013 continued during the year. Preparation is underway for a trial assessing optimal therapeutic strength of EBC-1013 in the healing of chronic limb wounds in the dog. Data from this study will inform both the veterinary and the human wound healing programmes.

4. Manufacturing of Oncology and Wound Healing Products

Good Manufacturing Practice (GMP) production of tigilanol tiglate injectable formulation continued to be managed appropriately to meet the demands for the STELFONTA® market, as well as human and veterinary clinical development. Drug product supply for all of these applications remains a focus for QBiotics as the inability to supply for either the market or a clinical trial has the potential for significant negative impact on the company.

The manufacture of GMP batches of EBC-1013 API have been completed and Drug Product has been produced for pivotal toxicology trials.

Tigilanol tiglate and the base molecules for the semi-synthetic compound EBC-1013 are all isolated from the seed of *Fontainea picrosperma* (Blushwood). Ensuring the supply of Blushwood remained a high priority during the year, with commercial plantations maturing.

Experimental plantations of Blushwood continued to supply important information to underpin our raw material improvement programmes. Identification of superior clones to optimise active ingredient (drug) content of Blushwood continued, as did investigations into conditions to maximise the shelf-life of stored Blushwood kernels for use in GMP manufacturing.

5. Pipeline of Products

While our focus within the company continues to be the oncology and wound healing programmes, our two additional programmes in antimicrobials and anti-inflammatories continued to progress.

Antibiotics to address the ever-growing bacterial resistance problems are of major interest worldwide. The antibiotic research is primarily being undertaken by our wound healing group at the Medical and Dentistry School Cardiff University, supported by our research team at the Queensland Institute of Medical Research Berghofer (QIMRB). Antibacterial expertise and research outcomes from our wound healing programme at Cardiff underpin our future antimicrobial endeavours.

Researchers at the medical school at Western Sydney University and the QIMRB continued to explore various screening approaches to identify novel anti-inflammatory activity and screening of our previously isolated small molecules. Financial support for this programme is being provided by the Federal Government's Innovations Connections grant, a Science Industry Endowment Fund Grant, and a recently finalised Advance Queensland Fellowship for Dr Jason Cullen at QIMRB in Brisbane.

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[8] Abbade, L.P. and Lastoria, S. Venous ulcer: epidemiology, physiopathology, diagnosis and treatment. *International Journal of Dermatology.* 44:449–56. 2005.

[9] Hodde, J. and Allam, R. Extracellular Wound Matrices. *Wounds*. 19:157– 62. 2007.

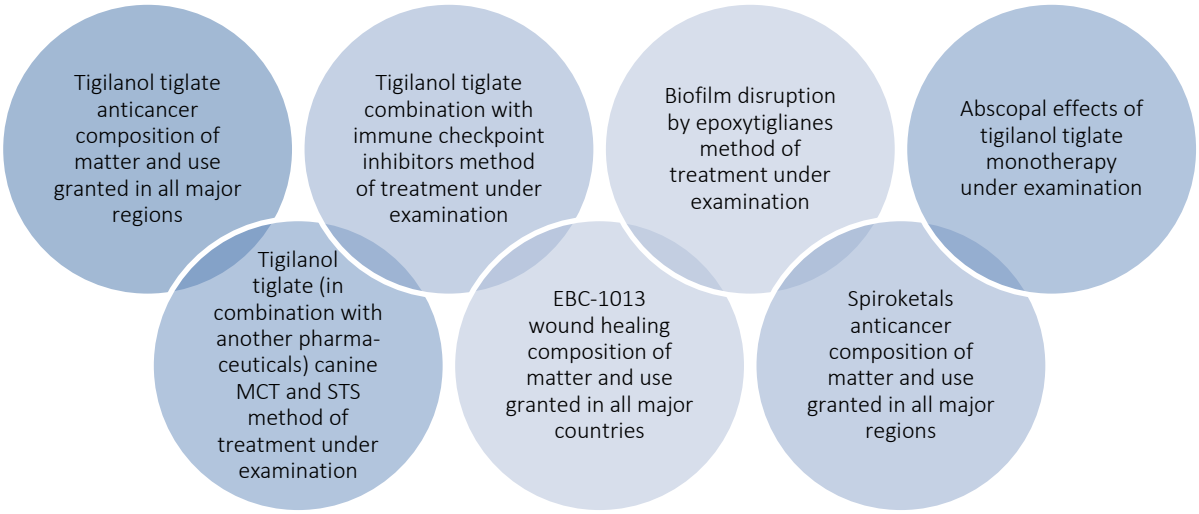
6. Intellectual Property Portfolio

Intellectual property protection underpins all activities in the company and as such this area continued to be prioritised during the year. Our patenting and intellectual property protection strategies were reviewed during the year by an independent patent attorney with extensive experience in the pharmaceutical industry. Our approach was considered to be sound and consistent with industry best practice with the recommendation that we continue with our current approach.

Primary patents protecting intellectual property underpinning our oncology and wound healing products were maintained and additional patenting activities undertaken to extend the patent life of these products. Patent applications relating to the use of tigilanol tiglate in combination with immune checkpoint inhibitors have been granted in the USA, Japan and South Korea and are in late-stage assessment in other jurisdictions. Patent applications relating to Biofilm Disruption (EBC-1013) and Methods of Treating Tumours (abscopal effects of tigilanol tiglate monotherapy) entered national examination phase in all major jurisdictions during the year. New provisional patent applications relating to manufacturing methods for epoxytiglianes and to methods for treating tumours with tigilanol tiglate were lodged during the year.

Seven patent families are either fully granted in all major countries, are under examination or have provisional applications filed. Applications for 2 new patents have been provisionally filed to expand and extend our product areas.

QBiotics' 7 patent families



7. QBiotics at International Conferences and Journal Publications

QBiotics continued to attract international attention during the year with data from our research and development activities being presented at major veterinary conferences and published in well-respected peer reviewed journals. Following are a list of conferences attended and publications.

(a) Conferences

STELFONTA treatment responses and associated information was presented at the following conferences:

- Veterinary Meeting and Expo Orlando USA - January 2022
- Midwest Veterinary Conference Las Vegas USA – February 2022
- British Small Animal Veterinary Association Manchester UK March 2022
- Veterinary Cancer Society Puerto Vallata Mexico – April 2022
- Fetch Veterinary Conference Charlotte USA – April 2022
- Australian Veterinary Association Annual Conference Gold Coast – May 2022
- European Society of Veterinary Oncologist Congress Siracusa Italy – May 2022- May 2022
- Italian Cultural Society of Veterinarians for Companion Animals Rimini Italy – May 2022
- American College of Veterinary Internal Medicine Austin Texas USA – June 2022

The QBiotics commercialisation team attended the international human pharmaceutical and biotechnology conference BIO in San Diego USA in June 2022 and held meetings with a number of potential partners.

(b) Publications

Oncology and wound healing

- Brown GK, Campbell JE, Jones PD, De Ridder TR, Reddell P and Johannes CM (2021). Intratumoural Treatment of 18 Cytologically Diagnosed Canine High-Grade Mast Cell Tumours with Tigilanol Tiglate. *Frontiers in Veterinary Science*. 8:675804. doi: 10.3389/fvets.2021.675804
- De Ridder T, Reddell P, Jones P, Brown G and Campbell J (2021). Tigilanol Tiglate-Mediated Margins: A Comparison with Surgical Margins in Successful Treatment of Canine Mast Cell Tumours. *Frontiers in Veterinary Science* 8:764800. doi: 10.3389/fvets.2021.764800
- Mitu, SA., Stewart, P., Tran TD., Reddell PW., and Cummins SF. 2022. Identification of gene biomarkers for tigilanol tiglate content *in Fontainea picrosperma. Molecules* 27:3980
- Powell LC, Cullen JK, Boyle GM, De Ridder T, Yap P-Y, Xue W1, Pierce CJ, Pritchard MF, Menzies GE, Abdulkarim M, Adams JYM, Stokniene J, Francis LW, Gumbleton M, Johns J, Hill KE, Jones AV, Parsons PG, Reddell P and Thomas DW (2022). Topical, immunomodulatory epoxy-tiglianes induce biofilm disruption and healing in acute and chronic skin wounds. Science Translational Medicine. *Accepted.*

8. Talented Additions to the QBiotics Team

In line with the company's strategic plan and vision, we continued to build the internal team by attracting talented and energetic people to the company. Of particular focus was strengthening the QBiotics senior leadership team. The following four senior positions were filled during the year.

Chief Translational Research Officer – July 2022

Dr Steven Ogbourne, previously a Non-Executive Director of QBiotics, and continues as an Executive Director of the company, has joined the company full time as Chief Translational Research Officer. Dr Ogbourne holds a PhD in Molecular Biology, a Bachelor of Science (Hons) in Plant Science and is an internationally recognised research scientist having published over 60 peer-reviewed scientific articles. Prior to taking up the position with QBiotics, Dr Ogbourne held the leadership role of Deputy Director of the Centre for BioInnovation at the University of the Sunshine Coast and continues to offer leadership through the Centre's Advisory Board. With considerable expertise and experience in small molecule drug development gained during his time as a senior researcher with Peplin Inc and LEO Pharma, Dr Ogbourne significantly strengthens our drug development team.

Director of New Product Development – November 2021

Dr Sam Yurdakul joined the QBiotics team to lead the human clinical wound healing programme. Dr Yurdakul has over 30 years' experience leading product development across multiple therapeutic areas with Procter & Gamble, Boots Healthcare International, and Novartis. Holding a PhD in Surface Chemistry from London Imperial College of Science, Technology and Medicine, Dr Yurdakul has successfully development and commercialised products in the fields of haematology, pain management and dermatology.

Chief Legal and Commercial Officer – November 2021

As a former partner at Thomson Geer Lawyers specialising in intellectual property, corporate and commercial law, Roberta Bozzoli has acted on behalf of QBiotics for over 20 years, working closely with the executive team to provide legal advice to support our key corporate, research and commercial milestones. Ms Bozzoli has now joined the QBiotics team full time in the position of Chief Legal and Commercial Officer. Ms Bozzoli holds a Bachelor of Laws, Master of Laws (Intellectual Property) and a Bachelor of Commerce. She has been recognised by her peers as 'Lawyer of the Year' by Best Lawyers in Australia in the areas of Biotechnology Law (2019 and 2022) and Intellectual Property Law (2020).

General Counsel – November 2021

A former partner of Thomson Geer Lawyers, Ebru Davidson brings over 14 years' experience in equity capital markets, private and public mergers and acquisitions, corporate transactions and corporate governance. During her time with Thomson Geer Lawyers, Ms Davidson worked closely with the QBiotics team in a number of successful capital raising activities. Ms Davidson holds a Bachelor of Science degree

from the University of Melbourne, and a Juris Doctor (Honours) from Bond University. She is an Associate Member of the Governance Institute of Australia, having completed a Graduate Diploma of Applied Corporate Governance.

In addition to the above the following positions were filled during the year: Senior Research Chemist, Professional Services Director, Human Clinical Quality Manager, Human Clinical Project Manager (x2), Senior Quality Assurance Officer, Human Clinical Trials Assistant and IT SharePoint Administrator.

9. Sound Corporate Governance and Financial Position

To ensure that the company adheres to best practice, corporate governance continued to be a focus for QBiotics. A review of our corporate governance policies, and how they are applied, was undertaken during the year. A number of our policies were updated and new policies developed and implemented.

We remain in a sound financial position with $84.2 million cash at bank as of 30 June 2022. This is providing the runway for the overall company and product development plans outlined at the AGM in 2021.

Repeatable revenue from the marketing of STELFONTA® supports the Company's cash position. This source of funding will grow as we increase market penetration, and the market matures in the USA, Europe, the UK and Australia.

QBiotics' application for the Australian Federal Government's R&D tax incentives (43.5% refundable as cash) was again successful with $5.4 million cash refund received.

The company is in a sound financial position. However, these are uncertain times as COVID-19 has had, and continues to have, a significant impact on economies both domestically and globally. As such, we continue to manage cash very closely.

10. 2022-2023 Outlook

QBiotics' Board and Management continue to drive the company to meet critical milestones and maximise shareholder value.

Our primary focus is achieving human oncology clinical Phase II data with tigilanol tiglate, with the aim of demonstrating the broad potential of this promising drug. We continue to build on our positive collaborations with our globally recognised researchers, clinicians and service providers to progress drug development, and work with expert industry advisors to frame the commercialisation potential of tigilanol tiglate in preparation for future deal negotiations.

Our second programme in wound healing is making progress towards a first-in-human trial, thus strengthening our product pipeline and building overall company value.

QBiotics' marketing team are working closely with our partner Virbac to drive market penetration of STELFONTA® to realise the potential of this innovative veterinary anticancer pharmaceutical.

While the global biotechnology markets are experiencing difficulties, the fundamentals of the pharmaceutical industry and the need for innovative new products remain strong. QBiotics is well positioned to continue to develop our two major programmes, with a view of attracting major pharmaceutical company partners and realising lucrative liquidity event(s).

Although experiencing current challenges with patient recruitment and sales of STELFONTA®, QBiotics continues to maintain a growth trajectory, and I look forward to updating you on progress as the coming year unfolds.

Dr Victoria Gordon
Chief Executive Officer & Managing Director

02

Directors' Report

The directors of QBiotics Group Limited (the "Company" or "QBiotics Group") present their report together with the consolidated financial statements for the year ended 30 June 2022 and the auditor's report thereon.

1. Directors

The directors of the Company, their qualifications, experience and special responsibilities at any time during or since the end of the financial year are:

Rick Holliday-Smith AM
BA (Hons) CA FAICD

Non-executive Chairman

Mr Rick Holliday-Smith brings a wealth of invaluable corporate experience to the Chairman's role. Among his past senior leadership roles, Rick recently retired as Chairman of Cochlear Limited in August 2021 and ASX Limited in April 2021.

Rick's extensive board career spans many years and includes long term board positions at ASX Limited, Cochlear Limited, Servcorp Limited, SFE Corporation Limited, MIA Group Limited, Exco Resources Limited and Macquarie University Faculty of Business and Economics.

Previously, Rick held several global leadership positions in the finance industry including CEO of Chicago Research and Trading, President for global trading and sales at Nations Bank-CRT and Managing Director of London based Hong Kong Bank Limited.

Rick holds a Bachelor of Arts (Honours), is a Chartered Accountant and is a Fellow of the Australian Institute of Company Directors. Rick was awarded the Member of the Order of Australia in 2022 for his significant service to business through a range of roles and organisations.

Rick was previously a director of QBiotics Pty Ltd ("QBiotics") and was appointed as a director and chairman of QBiotics Group on 24 February 2017.

Dr Victoria Gordon
BAppSc (Hons) PhD GAICD

Executive Director and Chief Executive Officer

Dr Gordon brings to QBiotics Group a sound scientific background combined with broad business management experience and a strong commercial emphasis. She left her position as a research scientist in chemical ecology with the Commonwealth Scientific and Industrial Research Organisation ("CSIRO") to establish EcoBiotics Pty Ltd ("EcoBiotics") in 2000 and QBiotics in 2004. Dr Gordon has been CEO of EcoBiotics, QBiotics, and the Group since their inception.

Victoria has broad experience in the management of commercial research for Boral Timber Division, then one of Australia's largest plantation forestry companies and has owned and managed a number of small businesses. Victoria's board and committee experience includes Non-Executive Director of Biopharmaceuticals Australia, member for two consecutive terms of the Queensland Government Biotechnology Advisory Council and Non-Executive Director and Non-Executive Chairman of the Australian Rainforest Foundation. In 2004 Victoria was presented an award by the Queensland Premier for her service to the biotechnology industry in Queensland.

Victoria holds a PhD in Microbiology, Bachelor of Applied Science (Honours), Diplomas in Human and Animal Health, has undertaken extensive business management and pharmaceutical development training and is a Graduate of the Australian Institute of Company Directors.

Victoria was appointed as Director of QBiotics Group on 24 February 2017 and is also a Director of the QBiotics Group's wholly owned subsidiary companies, QBiotics Pty Ltd, EcoBiotics Pty Ltd, QBiotics Netherlands B.V. and QBiotics UK Limited.

1. Directors (continued)

Dr Paul Reddell
BSc (Hons) PhD FAICD

Executive Director and Chief Scientific Officer

Dr Paul Reddell brings to the Company expert scientific knowledge combined with extensive practical experience in leadership, resourcing, management and commercialisation of complex multi-institutional research and development projects. Dr Reddell is co-founder of EcoBiotics and QBiotics and has been CSO of both companies since their inception.

Prior to co-founding EcoBiotics in 2000, Paul gained an international reputation for his scientific expertise in tropical forest ecology and management. During that time, he held senior leadership positions as a Senior Principal Research Scientist and Programme Leader at CSIRO's Tropical Forest Research Centre and later as Principal Plant Ecologist for an environmental consulting business in the Rio Tinto group of companies.

Paul holds a PhD in Forest Ecology and a Bachelor of Science (1A Honours) from the University of Western Australia and has undertaken extensive business management and pharmaceutical development training. He has been a Fellow of the Australian Institute of Company Directors since 2007.

Paul was appointed as Director of QBiotics Group on 24 February 2017 and is also a Director of the QBiotics Group's wholly owned subsidiary companies, QBiotics Pty Ltd, EcoBiotics Pty Ltd, QBiotics Netherlands B.V. and QBiotics UK Limited.

Dr Steven Ogbourne
BSc (Hons) PhD GAICD

Executive Director and Chief Translational Research Officer
Adjunct Associate Professor, University of the Sunshine Coast

Dr Ogbourne holds a PhD in Molecular Biology and a Bachelor of Science (Honours) in Plant Science. He is an Adjunct Professor at the University of the Sunshine Coast (UniSC) and a Graduate of the Australian Institute of Company Directors.

Steven brings to QBiotics expert scientific knowledge in the fields of biodiscovery and plant genetics, and significant experience in drug development having held leadership roles in both academic and pharmaceutical sectors.

Steven is an internationally recognised research scientist, having published over 60 peer-reviewed scientific articles, and has considerable expertise in small molecule drug development because of his senior role in the discovery, development and commercialisation of Picato® with Peplin Inc and LEO Pharma, and more recently in the development and commercialisation of STELFONTA®.

As recently as June 2022, Steven was Associate Professor, Plant Biotechnology at UniSC, where his research focussed on biodiscovery in therapeutic areas including cancer, wound-healing and anti-microbials and on the domestication of *Fontainea picrosperma*. Steven also has a passion for conservation and a significant component of his research focussed on the conservation of threatened species of plants and animals. Steven held the leadership role of Deputy Director of the Centre for BioInnovation at UniSC and continues to offer leadership through the Centre's Advisory Board.

Steven joined the QBiotics executive team as Chief Translational Research Officer on 4 July 2022 and maintains an adjunct appointment at UniSC.

Steven was previously a director of EcoBiotics and was appointed as a director of QBiotics Group on 1 November 2017.

1. Directors (continued)

Professor Bruce Robinson AC
MD MSc FRACP FAHMS FAICD

Non-executive Director

Professor Bruce Robinson AC is an Endocrinologist and formerly Head of the Cancer Genetics Laboratory in the Kolling Institute at Royal North Shore Hospital. He was Acting Dean and then Dean of Medicine 2006 – 2016. Bruce graduated from the University of Sydney in 1980 and then undertook studies for a Master of Science degree. His further molecular research work was performed at the Brigham and Women's Hospital and the Children's Hospital, Harvard Medical School from 1986-1989 and he was awarded a Doctorate of Medicine from the University of Sydney in 1990. He has developed and led the Cancer Genetics Laboratory since 1990 and has supervised over 35 doctoral and masters students working on the genetic basis for tumour formation and gene therapy. He has published over 300 peer-reviewed scientific articles. In 2003, Bruce was awarded the Daiichi Prize by the Asia and Oceania Thyroid Association for his work on the pathogenesis of thyroid cancer.

Bruce was Dean in the Faculty of Medicine at the University of Sydney from 2006 to 2016 and was Head of the Division of Medicine at the Royal North Shore Hospital from 1998 to 2006. He also served on the Council of the Endocrine Society of Australia from 2001-2005. He is on the Editorial Board of the International journals 'Nature, Clinical Practice and Endocrinology' and 'Thyroid'. Bruce has a strong interest in furthering relations between Australia and Asia and he is the Founding Chairman of Hoc Mai, the Australia-Vietnam Medical Foundation, which sponsors and supports medical nursing, allied health and scientific exchanges between Australia and Vietnam. He was awarded the People's Health Medal by the Vietnamese Government in 2008. More recently, Bruce was Chair of the Medicare Benefits Schedule Review Taskforce and Chair of the Council of National Health and Medical Research Council.

Bruce currently holds non-executive director roles with ASX-listed healthcare companies Cochlear Limited, Mayne Pharma Ltd and Ecofibre Ltd.

Bruce is a Fellow of the Australian Institute of Company Directors and was awarded the Companion of the Order of Australia in 2020 for his eminent service to medical research, and to national healthcare, through policy development and reform, and to tertiary education.

Bruce was previously a director of QBiotics and was appointed as a director of QBiotics Group on 1 November 2017.

Mr Andrew Denver
BSc (Hons) MBA FAICD

Non-executive Director

Mr Andrew (Andy) Denver has extensive expertise that is relevant to QBiotics, including assisting in the commercialisation of several technology companies. Andy has wide ranging knowledge of the life sciences industry of which QBiotics is a part including risk assessment, financial reporting and general management, which are important in the success of QBiotics' business. Andy was the interim Chief Executive Officer of Universal Biosensors, Inc. (UBI) from September 2010 to May 2011, a director of UBI from December 2002 to August 2017 and Chairman of UBI from September 2005 to August 2017. Between 2002 and 2005, Andy was President of Pall Asia, a subsidiary of Pall Corporation after the acquisition by Pall Corporation of US Filter's Filtration and Separations business, where he was also President. Pall Corporation is a technology based filtration, separation and purification multinational company.

Andy is a non-executive director of Vaxxas, Inc., SpeeDx Pty Ltd and Cochlear Limited, all of which are life sciences companies.

Andy graduated from the University of Manchester with a Bachelor of Science Degree (Honors) in Chemistry and achieved a distinction in his MBA at the Harvard Business School and is a Fellow of the Australian Institute of Company Directors.

1. Directors (continued)

Andy was previously a director of QBiotics and was appointed as a director of QBiotics Group on 1 November 2017.

Mr Neville Mitchell
BCom CA MAICD

Non-executive Director and Chair of the Audit and Risk Committee

Mr Neville Mitchell has extensive international healthcare and finance experience. Neville is a qualified Charted Accountant with 27 years' experience (until March 2017) as Chief Financial Officer and Company Secretary of ASX-listed Cochlear Limited, a world leading medical device developer, manufacturer and seller.

Neville currently holds non-executive director roles with ASX-listed healthcare companies, Fisher & Paykel Healthcare (since November 2018) and Sonic Healthcare (since September 2017).

He has previously performed roles with a number of industry and government committees, including Chairman of the Group of 100 (Australia's peak body for senior finance executives) and Chairman of the Standing Committee (Accounting and Audit) for the Australian Securities and Investments Commission (ASIC) and he was a member of the NSW Government's Medical Device Fund, the Australian Board of Taxation and a director of South East Sydney Local Health District. Neville was a non-executive director of Osprey Medical Inc. until 26 May 2022.

Neville holds a Bachelor of Commerce, is a Chartered Accountant and is a Member of the Australian Institute of Company Directors.

Neville was appointed as a director of QBiotics Group on 1 November 2017.

Dr Susan Foden
MA DPhil

Non-Executive Director and Chair of the Remuneration Committee

Dr Susan Foden brings over 20 years' experience as director on the boards of small and medium size private and public life science companies in the UK, Norway, Germany and Belgium.

Currently, Susan is Executive Chair of Neurocentrx Pharma Ltd, Non-Executive Director and Chair of the Remuneration Committee of Evgen Pharma Plc, an Investment Committee member of CD3, the drug discovery initiative between the European Investment Fund and the University of Leuven, and a trustee of the Roslin Foundation in Edinburgh.

Recent board positions include BTG plc (acquired by Boston Scientific in 2019), Vectura Group plc where she served for over 10 years as Senior Independent Director and Chair of the Remuneration Committee and Oxford Ancestors Ltd.

Susan has an MA and DPhil in Natural Sciences from the University of Oxford. In 1983 she joined the UK's first biotech company leading academic/ biotech partnering and intellectual property development. In 1987 she established Cancer Research Technology Ltd responsible for the commercialisation of Temodal, Abiraterone (with BTG) and some of the early PARP inhibitors. Spin-out companies included Cyclacel, Kudos and Spirogen Ltd.

In 2000, Susan became an Investor Director with VC, Merlin Biosciences and an NED on several investee company boards including BioVex (acquired by Amgen 2011), and PIramed (acquired by Roche 2008).

Susan was appointed as a director of QBiotics Group on 14 October 2019 and is also a Director of QBiotics Group's wholly owned subsidiary company, QBiotics UK Limited.

1. Directors (continued)

Mr Nicholas Moore
BCom LLB FCA

Non-Executive Director

Mr Nicholas Moore is a former Chief Executive Officer of Macquarie Group Limited and brings experience in finance, governance and leadership to QBiotics. He retired from Macquarie in late 2018 after 33 years, including 10 years as CEO from 2008 to 2018.

Nicholas is Chairman of Screen Australia, The Centre for Independent Studies, The Smith Family, Willow Technology Corporation, the National Catholic Education Commission, a Member (and former Chair) of the University of NSW Business School Advisory Council and the Council of the National Gallery of Australia, and Chair to the Markets Taskforce Expert Advisory Panel and the Financial Regulatory Assessment Authority within the Department of the Treasury. He was previously Chairman of PCYC NSW from 2002 to 2015 and the Sydney Opera House Trust from 2015 to 2020.

Nicholas has a Bachelor of Commerce and a Bachelor of Laws from UNSW, was admitted as a solicitor and is a Fellow of the Chartered Accountants Australia & New Zealand. In 2017, Nicholas was awarded an Honorary Doctorate in Business from UNSW.

Nicholas was appointed as a director of QBiotics Group on 1 February 2021.

Mr Hamish Corlett
BCom GDipCouns

Non-Executive Director

Mr Hamish Corlett is a Co-Founder and Partner at TDM Growth Partners, a private investments firm specialising in high growth companies globally. Hamish brings more than 20 years' experience in investing and investment banking from multiple top-tier investment firms to his role on the QBiotics Board.

Hamish is currently a Non-Executive Director of Somnomed Limited, a medical company providing treatment solutions for sleep-related breathing disorders. He is also Chair of Somnomed's Remuneration Committee. Hamish was previously a non-executive director of Tyro Payments Limited (April 2019 to November 2021).

Hamish holds a Bachelor of Commerce with Honours Class 1 (Accounting and Finance) from the University of Sydney and a Graduate Diploma of Counselling from the Australian College of Applied Psychologists.

Hamish was appointed as a director of QBiotics Group on 9 April 2021.

2. Company secretary

Mr Michael Wenzel
BCom CA CIA GIA(Cert) GAICD

Company Secretary and Chief Financial Officer

Mr Michael Wenzel holds a Bachelor of Commerce, is a Registered Company Auditor, a Certified Internal Auditor and is an Associate Member of Chartered Accountants Australia and New Zealand and the Institute of Internal Auditors, he is also a Certificated Member of the Governance Institute of Australia and a Graduate Member of the Australian Institute of Company Directors.

2. Company secretary (continued)

Michael has worked for the Company since 2011. Prior to this Michael worked for over 13 years in the audit and advisory divisions of KPMG. During this time, he has gained a wealth of experience across a range of industries, including biotechnology, as a senior engagement manager, key client contact, and quality control reviewer on a variety of external and internal audits of publicly listed companies, unlisted companies, foreign owned subsidiaries, government entities and not-for profit entities.

Michael was appointed company secretary on 1 November 2017.

3. Directors' meeting attendance

The number of directors' meetings and committee meetings attended by each director during the financial year are:

Director	Board meetings		Audit and Risk Committee meetings		Remuneration Committee meetings	
	A	B	A	B	A	B
Mr Rick Holliday-Smith AM	6	6	-	-	2	2
Dr Victoria Gordon	6	6	5	5	4	4
Dr Paul Reddell	6	6	-	-	-	-
Dr Steven Ogbourne	6	6	1	1	-	-
Professor Bruce Robinson AC	6	6	-	-	-	-
Mr Andrew Denver	6	6	-	2	3	4
Mr Neville Mitchell	6	6	5	5	4	4
Dr Susan Foden	6	6	-	-	4	4
Mr Nicholas Moore	6	6	-	-	-	-
Mr Hamish Corlett	6	6	2	2	4	4

A = Number of meetings attended

B = Number of meetings held during the time the director was eligible to attend or invited to attend

4. Company particulars

The Company is incorporated in Australia. The address of the registered office is Suite 3A, Level 1, 165 Moggill Road, Taringa Qld 4068.

5. Principal activities

The principal activities of the Group, comprising the Company and its subsidiaries (together referred to as "the Group"), during the period was the research, development and commercialisation of biologically active new chemical entities for application as human and veterinary pharmaceuticals. The primary development focus was on the anticancer drug tigilanol tiglate and the wound healing drug candidate EBC-1013 for both the human and veterinary markets. The Group also progressed the early stage research and development programmes for antimicrobial and anti-inflammatories.

Commercialisation activities focused on tigilanol tiglate as a treatment for canine mast cell tumours (MCT) under the brand name STELFONTA® and networking for future human oncology product licencing/partnering deal(s).

Following is a summary of the major activities undertaken during the year.

(a) Product development of the anticancer drug candidate tigilanol tiglate

- Patient recruitment completed for a Phase I/IIa trial evaluating the optimal dose of tigilanol tiglate in patients with head and neck squamous cell carcinoma;
- Dose escalation achieved for a human Phase I/IIa clinical trial treating melanoma Stage IIIB – IV M1c to assess IT tigilanol tiglate in combination with the ICI inhibitor drug Keytruda®;
- Patient recruitment commenced for a monotherapy tigilanol tiglate human Phase II clinical trial treating melanoma in-transit Stage IIIB-IIID - IV M1b to assess the local and the systemic (abscopal) effects;

5. Principal activities (continued)

(a) Product development of the anticancer drug candidate tigilanol tiglate (continued)

- Approval of an Investigational New Drug (IND) application by the USA Food and Drug Administration (FDA) for a human Phase II clinical trial in soft tissue sarcomas to be undertaken in the USA;
- Completion of the in-life stage of an international clinical trial evaluating tigilanol tiglate in the treatment of equine sarcoids with equine specialist veterinarians at leading university hospitals and private practices in Europe, the United Kingdom, Australia and the USA; and
- Completion of a Phase IV (ie post registration) veterinary clinical trial treating MCTs, undertaken with Australian veterinary oncologists.

(b) Product related business development of tigilanol tiglate

- Continuation of human Phase I/IIa clinical trial treating melanoma Stage IIIB – IV M1c to assess tigilanol tiglate in combination with ICI drug Keytruda®;
- Market launch of the veterinary anticancer pharmaceutical STELFONTA® into Australia;
- Ongoing market scoping (including preparation of models incorporating indication fit, size of specific markets, competition and market positioning) for tigilanol tiglate as a human anticancer pharmaceutical;
- Results from tigilanol tiglate veterinary clinical trials and case studies presented at 9 international veterinary conferences; and
- Four manuscripts reporting results from research published in well-respected international journals.

(c) Product development of the wound healing treatment EBC-1013:

- Scientific Advice meeting held with the UK Medicines and Healthcare Products Regulatory Agency (MHRA) to discuss QBiotics' plans for a first-in-human clinical trial treating venous leg ulcers; and
- Progression of product manufacture and clinic-enabling toxicology studies towards a human clinical trial.

There were no significant changes in the nature of the activities of the Group during the period.

6. Operating and financial review

The Group reported a loss for the year ended 30 June 2022 of $18,027,544 (year ended 30 June 2021: $14,365,985) and recognised a R&D tax incentive of $6,389,883 for the year ended on that date (year ended 30 June 2021: $5,379,151) which the Group will be able to claim at the end of the financial year.

7. Dividends

No dividends were paid or declared by the Company since the end of the previous financial year.

8. Likely developments

During the 2022-2023 financial year the Company plans to:

- Advance human clinical development of the anticancer drug tigilanol tiglate;
    - Report on a dose escalation tigilanol tiglate monotherapy Phase I/IIa safety trial treating head and neck squamous cell carcinoma (HNSCC);
    - Progress a Phase I/IIa clinical trial treating melanoma Stage IIIB – IV M1c to assess IT tigilanol tiglate in combination with the ICI drug Keytruda®;
    - Progress a monotherapy tigilanol tiglate human Phase II clinical trial treating melanoma in-transit Stage IIIB-IIID - IV M1b to assess local and anenestic (systemic) effects;
    - Commence a Phase II human clinical trial treating head & neck cancer; and
    - Commence a human Phase II clinical trial treating soft tissue sarcoma.
- Expand the marketing of the veterinary oncology pharmaceutical STELFONTA® in the UK, the USA, Europe and Australia;

8. Likely developments (continued)

- Report on an international clinical trial evaluating the use of tigilanol tiglate in the treatment of equine sarcoids with equine specialist veterinarians at leading university hospitals and private practices in Europe, the United Kingdom, Australia and the USA;
- Progress a STELFONTA® Phase IV clinical study treating canine STS undertaken by specialist veterinary oncologists in Australia;
- Progress the mode of action research investigating the local and immunological (systemic) effect of tigilanol tiglate;
- Complete manufacture and clinic-enabling toxicology studies for the wound healing product EBC-1013 and progress to a first-in-human clinical trial;
- Progress veterinary clinical trials for EBC-1013;
- Continue to appropriately manufacture tigilanol tiglate and EBC-1013 for market, clinical trial and research purposes; and
- Progress the discovery stage programmes of antibiotics and anti-inflammatories.

9. Environmental regulation

The Group's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. The Board believes that the Group has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Group.

10. Indemnification and insurance of officers and auditors

(a) Indemnification

To the extent permitted by law and subject to the restrictions in section 199A of the *Corporations Act 2001*, the Group indemnifies and must continually indemnify every person who is or has been an officer of the Group (including a director or secretary) against liability (including liability for costs and expenses) incurred by that person as an officer of the Group where the Group requested the officer to accept that appointment, except where the liability arises out of conduct involving a lack of good faith.

10. Indemnification and insurance of officers and auditors (continued)

(b) Insurance premiums

The Group has paid insurance premiums in respect of directors' and officers' liability insurance contracts for current directors and officers, including company secretaries and officers or holders of equivalent positions in any jurisdiction of the Group. The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability insurance contracts, as such disclosure is prohibited under the terms of the contract.

11. Auditor's independence declaration

The auditor's independence declaration (made under section 307C of the *Corporations Act 2001*) is set out on page 63 and forms part of this directors' report for the year ended 30 June 2022.

This directors' report is made out in accordance with a resolution of the directors:

Rick Holliday-Smith
Chairman

Dated at Sydney this 8th day of September 2022.

03

Consolidated Financial Statements

QBiotics Group Limited

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2022

	Note	2022 $	2021 $
Revenue	4	1,544,259	1,907,201
Government grants	5	6,389,883	5,908,701
Other income		4,755	803
		7,938,897	7,816,705
Expenses			
Changes in inventories of finished goods and work in progress		(244,162)	(1,111,312)
Inventory purchases		973,415	1,072,994
Business compliance and advisory expenses		613,374	1,393,143
Depreciation and amortisation expenses		1,050,535	2,386,713
Facilities expenses		294,971	272,779
Personnel expenses	18(b)	11,408,816	7,970,586
Research and development contractors and related expenses		9,623,410	9,083,415
Marketing contractors and regulatory expenses		1,388,715	636,833
Technology and communications expenses		389,359	363,489
Travel and accommodation expenses		554,940	121,716
Other expenses		247,807	187,899
Total expenses		26,301,180	22,378,255
Results from operating activities		**(18,362,283)**	**(14,561,550)**
Finance income		422,489	266,911
Finance costs		(87,750)	(71,346)
Net finance income		334,739	195,565
Loss before tax		**(18,027,544)**	**(14,365,985)**
Tax expense	6(a)	-	-
Loss for the period		(18,027,544)	(14,365,985)
Other comprehensive income		-	-
Total comprehensive income for the year		**(18,027,544)**	**(14,365,985)**
Attributable to:			
Owners of the Company		(18,027,544)	(14,365,985)
		Cents	**Cents**
Earnings per share:			
Basic earnings per share	7(a)	(3.71)	(3.52)
Diluted earnings per share	7(b)	(3.71)	(3.52)

The notes on pages 30 to 59 are an integral part of these financial statements.

QBiotics Group Limited

Consolidated statement of changes in equity

For the year ended 30 June 2022

	Note	Attributable to owners of the Company			
		Share capital $	Share-based payments reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2021		186,281,637	4,149,757	(80,387,714)	110,043,680
Total comprehensive income for the year					
Loss for the year		-	-	(18,027,544)	(18,027,544)
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	-	(18,027,544)	(18,027,544)
Transactions with owners of the Company, recognised directly in equity					
Contributions by owners					
Options exercised		2,921,138	(566,540)	-	2,354,598
Options cancelled		-	(1,544,131)	1,544,131	-
Share-based payment transactions	19	185,947	757,857	-	943,804
Total contributions by owners of the Company		3,107,085	(1,352,814)	1,544,131	3,298,402
Balance at 30 June 2022		**189,388,722**	**2,796,943**	**(96,871,127)**	**95,314,538**
Balance at 1 July 2020		100,474,404	2,977,798	(66,021,729)	37,430,473
Total comprehensive income for the year					
Loss for the year		-	-	(14,365,985)	(14,365,985)
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	-	(14,365,985)	(14,365,985)
Transactions with owners of the Company, recognised directly in equity					
Contributions by owners					
Issue of ordinary shares	19(a)	86,766,357	-	-	86,766,357
Transaction costs incurred	19(a)	(65,229)	-	-	(65,229)
Share-based payment transactions	19	(893,895)	1,171,959	-	278,064
Total contributions by owners of the Company		85,807,233	1,171,959	-	86,979,192
Balance at 30 June 2021		**186,281,637**	**4,149,757**	**(80,387,714)**	**110,043,680**

The notes on pages 30 to 59 are an integral part of these financial statements.

QBiotics Group Limited

Consolidated statement of financial position

As at 30 June 2022

	Note	2022 $	2021* $
Assets			
Cash and cash equivalents	8	18,278,410	84,429,885
Term deposits	9	54,919,641	15,321,741
Trade and other receivables	10	7,529,740	5,831,298
Contract assets	4(c)	800,042	733,952
Inventories	11	1,776,415	1,370,834
Prepayments		1,003,360	454,759
Total current assets		84,307,608	108,142,469
Term deposits	9	11,000,000	1,000,000
Contract assets	4(c)	290,384	225,411
Inventory	11	1,248,932	1,455,020
Property, plant and equipment	12	2,863,532	2,442,436
Right-of-use assets	13	892,174	1,038,426
Intangible assets	14	2,461,767	2,301,866
Total non-current assets		18,756,789	8,463,159
Total assets		**103,064,397**	**116,605,628**
Liabilities			
Contract liabilities	4(d)	112,918	267,705
Trade and other payables	15	4,218,847	2,978,289
Lease liabilities	16	397,747	342,690
Employee benefits	18	1,479,252	1,155,743
Total current liabilities		6,208,764	4,744,427
Contract liabilities	4(d)	545,769	616,918
Lease liabilities	16	700,928	915,484
Provisions	17	21,054	19,732
Employee benefits	18	273,344	265,387
Total non-current liabilities		1,541,095	1,817,521
Total liabilities		**7,749,859**	**6,561,948**
Net assets		**95,314,538**	**110,043,680**
Equity			
Share capital	19(a)	189,388,722	186,281,637
Share-based payments reserve	19(b)	2,796,943	4,149,757
Accumulated losses		(96,871,127)	(80,387,714)
Total equity		**95,314,538**	**110,043,680**

* 30 June 2021 comparative information has been restated for changes in account mappings to be consistent with disclosures for the period ended 30 June 2022. Results for the period are unchanged.

The notes on pages 30 to 59 are an integral part of these financial statements.

QBiotics Group Limited
Consolidated statement of cash flows
For the year ended 30 June 2022

	Note	2022 $	2021 $
Cash flows from operating activities			
Cash received from:			
Government grants		5,398,371	10,296,907
Customers		1,197,943	1,674,806
GST refunds		722,723	786,838
Other income		4,914	803
Cash paid to suppliers and employees		(24,768,837)	(20,585,387)
Net cash used in operating activities	21	(17,444,886)	(7,826,033)
Cash flows from investing activities			
Interest received		260,927	276,129
Net proceeds from (invested in) term deposits		(49,597,900)	2,806,170
Acquisition of property, plant and equipment	12	(700,857)	(826,519)
Acquisition of intangible assets	14	(638,873)	(369,851)
Lease incentive received		-	168,320
Net cash from/(used in) investing activities		(50,676,703)	2,054,249
Cash flows from financing activities			
Proceeds from shares issued	19(a)	2,354,595	86,304,821
Payment of transaction costs	19(a)	-	(65,229)
Payment of lease liabilities	16	(384,481)	(341,846)
Net cash from financing activities		1,970,114	85,897,746
Net increase/(decrease) in cash and cash equivalents		(66,151,475)	80,125,962
Cash and cash equivalents at 1 July		84,429,885	4,303,923
Cash and cash equivalents at 30 June	8	**18,278,410**	**84,429,885**

Cash and cash equivalents at 30 June 2022 referred to above does not include term deposits of $65,919,641 (2021: $16,321,741) disclosed separately in the statement of financial position.

The notes on pages 30 to 59 are an integral part of these financial statements.

1. Corporate information

QBiotics Group Limited (the "Company" or "QBiotics Group") is a public unlisted company domiciled in Australia. The address of the Company's registered office is Suite 3A, Level 1, 165 Moggill Road, Taringa Qld 4068. These consolidated financial statements ("financial statements") as at and for the year ended 30 June 2022 comprise the Company and its subsidiaries (together referred to as "the Group"). As at 30 June 2022, the Company had four legal subsidiaries, QBiotics Pty Ltd ("QBiotics"), EcoBiotics Pty Ltd ("EcoBiotics"), QBiotics Netherlands B.V. ("QBiotics Netherlands") and QBiotics UK Limited ("QBiotics UK").

The Group is for-profit and is primarily involved in the development of pharmaceuticals for the human and veterinary markets.

At 30 June 2022 the Company has 2,563 shareholders (2021: 2,394) and is a disclosing entity.

2. Basis of preparation

(a) Statement of compliance

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards ("AASBs") adopted by the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*. The financial statements comply with International Financial Reporting Standards ("IFRSs") and interpretations adopted by the International Accounting Standards Board ("IASB").

The financial statements were approved by the Board of Directors on the date shown on the directors' declaration.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for share-based payment arrangements and forward exchange contracts which are measured at fair value.

(c) Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised and disclosed in the financial statements is included in the following notes:

- Note 4 – Revenue
- Note 5 – Government grants
- Note 6 – Taxes
- Note 11 – Inventory
- Note 16 – Lease liabilities
- Note 19 – Share capital and share-based payments reserve

(d) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars which is the functional currency of QBiotics Group, QBiotics, EcoBiotics, QBiotics Netherlands and QBiotics UK.

Foreign exchange gains of $12,752 (2021: $17,515) are included within finance costs in the consolidated statement of profit or loss and other comprehensive income.

3. COVID-19

The spread of COVID-19 has severely impacted many people and economies around the globe. In many countries, businesses have had to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, lock downs, and closures of non-essential services have triggered significant disruptions to businesses worldwide. Global stock markets have also experienced great volatility during this time. Governments and central banks have responded with monetary and fiscal interventions to stabilise economic conditions.

For the Group, since the start of the pandemic in early 2020, COVID-19 has impacted the launch plans and sales of STELFONTA® and continues to impact the establishment of human clinical trials and patient recruitment rates for ongoing and upcoming clinical trials. Consequently, the timing of results of clinical trials will take longer.

The Group has not received any COVID-19 related incentives from the Australian Federal Government's programs in the year ended 30 June 2022. During the year ended 30 June 2021, the Group received COVID-19 related incentives from the Australian Federal Government's JobKeeper programme amounting to $529,550. The incentives have been used to help fund ongoing employee costs which allowed continued work on human clinical trials and marketing initiatives.

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Group for future periods.

4. Revenue

(a) Disaggregated revenue

The Group's revenue disaggregated by pattern of revenue recognition is as follows:

	2022 $	2021 $
Product sales revenue	915,970	1,220,109
Milestone revenue	491,303	270,041
Sales-based revenues	136,986	417,051
Total revenue	**1,544,259**	**1,907,201**

(b) Contract balances

The following table provides information about contract assets and contract liabilities from contracts with customers.

Contract assets	1,090,426	959,363
Contract liabilities	(658,687)	(884,622)
Total contract balance	**431,739**	**74,741**

The contract assets primarily relate to the Group's rights to consideration for product delivered at the reporting date. The amount of the contract asset is based on future sales of the product by the customer and is estimated using the contract terms and the most likely sales outcomes. The contract assets will be transferred to receivables when the rights become unconditional.

The contract liabilities relate to two milestone payments received from the customer relating to the sale, marketing and distribution of STELFONTA® for which revenue is recognised over time. The amounts have been and will continue to be recognised into revenue between February 2020 and December 2025 as product is shipped by the Group to the customer.

4. Revenue (continued)

(c) Contract assets (continued)

	2022 $	2021 $
Balance at 1 July	959,363	315,068
Revenue recognised	401,278	644,766
Deferred payment invoiced	(269,493)	-
Foreign exchange movements in asset	(722)	(471)
Balance at 30 June	**1,090,426**	**959,363**
Current contract assets	800,042	733,952
Non-current contract assets	290,384	225,411
Total contract assets	**1,090,426**	**959,363**

(d) Contract liabilities

Balance at 1 July	884,623	942,760
Contract liability recognised into revenue	(227,012)	(42,326)
Foreign exchange movements in liability	1,076	(15,811)
Balance at 30 June	**658,687**	**884,623**
Current contract liability	112,918	267,705
Non-current contract liability	545,769	616,918
Total contract liabilities	**658,687**	**884,623**

(e) Significant accounting policies – revenue

Revenue from contracts with customers is measured and recognised in accordance with the five-step model prescribed by AASB 15 *Revenue from Contracts with Customers*. First, contracts with customers within the scope of AASB 15 are identified. Distinct promises with the contract are identified as performance obligations. The transaction price of the contract is measured based on the amount of consideration the Group expects to be entitled from the customer in exchange for goods or services. Factors such as requirements around variable consideration, significant financing components, non-cash consideration, or amounts payable to customers also determine the transaction price. Revenue is recognised when, or as, performance obligations are satisfied, which is when control of the promised good or services is transferred to the customer.

Revenue is measured on the relative stand-alone selling price of the performance obligation delivered. If the contract contains variable consideration, the variable consideration is estimated at contract inception and constrained until it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

(i) Product sales

Product sales revenue not yet invoiced under the contract are recorded as contract assets within the consolidated statement of financial position. Amounts expected to be invoiced within the 12 months following the end of the financial period are classified within current assets. Amounts not expected to be invoiced within 12 months following the end of the financial period are classified within non-current assets. Where recognition as revenue has occurred more than 12 months prior to invoicing, consideration is made as to the whether a financing arrangement has been entered into. At reporting date, no such contracts have been identified.

For contracts that permit the customer to return an item, revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of revenue recognised for the contract will not occur, in which instance, the amount of revenue recognised is adjusted for expected returns, which are estimated based on the historical data for the specific type of product. In these circumstances, a refund liability and an asset representing the right to recover returned goods are recognised.

4. Revenue (continued)

(e) Significant accounting policies – revenue (continued)

(i) Product sales (continued)

The right to recover returned goods asset is measured at the former carrying amount of the inventory less any expected costs to recover goods. The refund liability is included in other payables and the right to recover returned goods is included in inventory. The Group reviews its estimate of expected returns at each reporting date and updates the amounts of the asset and liability accordingly.

(ii) Milestone payments

The receipt of milestone payments is often contingent on meeting certain regulatory or commercial targets and is therefore considered variable consideration. The Group estimates the transaction price of the contingent milestone using the estimated amount method. Milestone payments that are contingent upon events not within the control of the Group, such as regulatory approvals, are considered subject to constraint and not recognised until they are highly probable of being achieved. Any changes in the transaction price are allocated to all performance obligations in the contract unless the variable consideration relates only to one or more, but not all, of the performance obligations.

When consideration for milestones is able to be reliably estimated and not constrained, revenue is recognised on a systematic basis representing the proportion of achievement of the milestone.

Milestone payments received prior to satisfying the revenue recognition criteria are recorded as contract liabilities within the consolidated statement of financial position. Amounts expected to be recognised as revenue within the 12 months following the end of the financial period are classified within current liabilities. Amounts not expected to be recognised as revenue within 12 months following the end of the financial period are classified within non-current liabilities. Where recognition as revenue is expected to extend beyond 12 months following the date of the contract becoming effective, consideration is made as to the whether a financing arrangement has been entered into. At reporting date, no such contracts have been identified.

(iii) Sales-based revenues

When consideration is based on the customer's sale of the products, the Group applies the specific exception to the general requirements of variable consideration and the constraint on variable consideration for sales-based payments. The exception requires such revenue to be recognised at the later of when (or as) the subsequent sale occurs and the performance obligation to which some or all of the sales-based payments has been allocated has been satisfied.

5. Government grants

	2022 $	2021 $
Research and development tax incentive	6,389,883	5,379,151
COVID-19 related government incentives (Note 3)	-	529,550
Total government grants	**6,389,883**	**5,908,701**

(a) Research and development tax incentive

The Group undertakes research and development activities which are eligible for tax incentives under Australian Tax law. Eligible research and development costs incurred during the year include expenses from all expenditure categories disclosed by nature in the statement of profit or loss and other comprehensive income. Total eligible research and development costs incurred for the year were $14,689,386 (2021: $12,410,047).

The Australian Government's *R&D Tax Incentive* has been recognised as a government grant at the rate of 43.5% (2021: 43.5%) of eligible research and development costs incurred and recognised in profit or loss during the period.

5. Government grants (continued)

(b) Significant accounting policies – government grants

(i) Tax incentives

The Group recognises R&D tax incentives as follows:

- Refundable tax offsets are recognised as a government grant when there is reasonable assurance that the grant will be received and all conditions have been complied with. The grant is recognised in profit or loss on a systematic basis over the periods in which the Group recognised as expenses the related eligible research and development activities which the grant is intended to compensate.
- Non-refundable tax offsets will be recognised as part of tax expense during the period in which the Group recognised the related eligible research and development activities.

(ii) Other government grants and incentives

Other government grants and incentives are recognised when there is reasonable assurance that the grant will be received, and all conditions have been complied with.

6. Taxes

(a) Tax expense

(i) Tax recognised in profit or loss

	2022 $	2021 $
Current year tax expense	-	-
Deferred tax expenses		
Origination and reversal of temporary differences	243,476	625,568
Impact of prior period adjustments	77,110	(236,652)
Impact of change in future tax rate	-	(2,797,739)
Change in unrecognised deductible temporary difference	(320,586)	2,408,823
	-	-
Total tax expense	**-**	**-**

(ii) Tax recognised directly in equity

Origination and reversal of temporary differences	(95,294)	96,169
Impact of change in future tax rate	-	(23,251)
Change in unrecognised deductible temporary differences	95,294	(72,918)
Total tax recognised directly in equity	**-**	**-**

(b) Reconciliation between tax expense and loss before tax

Loss before tax	(18,027,544)	(14,365,985)
Tax benefit using the expected, future domestic corporation tax rate of 25% (2022: 25%)	(4,506,924)	(3,591,497)
Increase/(decrease) in tax expense due to:		
Non-temporary differences:		
Non-assessable government grant	(1,597,471)	(1,346,038)
Capital raising cost deduction	(100,294)	(143,612)
Non-deductible expenses	246,627	263,938
Research and development offset claimed	3,672,346	3,094,340
Impact of lower overseas tax rate	20,479	622
	(2,265,236)	(1,722,247)
Current year unrecognised temporary differences	243,476	625,568
Current year losses for which no deferred tax asset was recognised	2,021,760	1,096,679
Tax expense	**-**	**-**

6. Taxes (continued)

(c) Unrecognised deferred tax assets and liabilities

	2022 $	2021 $
A deferred tax asset has not been recognised in respect of the following items:		
Temporary differences	28,920,264	28,694,971
Tax losses	9,635,013	7,699,010
Total unrecognised deferred tax assets and liabilities	**38,555,277**	**36,393,981**

Unrecognised deductible temporary differences

Unrecognised deductible temporary differences exist in respect of the following items:		
Temporary differences impacting profit or loss	28,686,887	28,366,301
Temporary differences impacting equity	233,376	328,670
Total unrecognised deductible temporary differences	**28,920,264**	**28,694,971**

Unrecognised deductible temporary differences of $26,576,373 (2021: $26,576,373) can only be realised on the disposal of the business.

The deductible temporary differences and tax losses do not expire under current tax legislation. Net deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise these benefits.

(d) Significant accounting policies - taxes

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity, or in other comprehensive income.

(i) Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and jointly controlled entities to the extent that the Company is able to control the timing of the reversal of any temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, using tax rates enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

6. Taxes (continued)

(d) Significant accounting policies – taxes (continued)

(ii) Deferred tax (continued)

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(iii) Tax exposure

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities. Such changes to tax liabilities will impact tax expense in the period that such a determination is made.

(iv) Tax consolidation

From 1 August 2017, the Company and its wholly-owned Australian resident subsidiaries are part of a tax-consolidated group under Australian tax law. QBiotics Group is the head entity in the tax-consolidated group (the "Head Company").

Current tax liabilities and assets, and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax-consolidated group are recognised by the Head Company.

Entities within the tax-consolidated group have entered into a Tax Funding Agreement and a Tax Sharing Agreement with the Head Company. Under the terms of the Tax Funding Agreement, QBiotics Group and each of the entities in the tax-consolidated group has agreed that current and deferred tax balances must be determined in accordance with the requirements of Urgent Issues Group Interpretation 1052 *Tax Consolidation Accounting* ("UIG 1052") and that the current and deferred tax balances be recognised and measured as if each party was a stand-alone taxpayer, with the necessary modifications to ensure there is no equity adjustment under UIG 1052. The Head Company will recognise current tax liabilities or assets, and deferred tax assets arising from unused tax losses and unused relevant tax credits, assumed from the entities in the tax-consolidated group and the members of the tax consolidated group will recognise deferred taxes relating to temporary differences.

7. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share for the year ended 30 June 2022 was based on the loss attributable to ordinary shareholders of $18,027,544 (2021: loss of $14,365,985) and a weighted average number of ordinary shares calculated as follows:

Weighted average number of ordinary shares	2022 #	2021 #
Issued ordinary shares at 1 July	484,268,622	387,814,211
Effect of ordinary shares issued during the year	2,002,419	20,613,840
Weighted average number of shares	486,271,041	408,428,051

(b) Diluted earnings per share

The calculation of diluted earnings per share for the year ended 30 June 2022 was based on the loss attributable to ordinary shareholders of $18,027,544 (2021: loss of $14,365,985) and a weighted average number of ordinary shares outstanding during the year ended 30 June 2022 of 486,271,041 (2021: 408,428,051).

At 30 June 2022 and 30 June 2021 all ordinary share options were excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive.

7. Earnings per share (continued)

(c) Significant accounting policies - earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

8. Cash and cash equivalents

	2022 $	2021 $
Petty cash	8,213	5,606
Bank balances	18,270,196	84,424,279
Cash and cash equivalents in the statement of cash flows	**18,278,410**	**84,429,885**

9. Term deposits

Current	54,919,641	15,321,741
Non-current	11,000,000	1,000,000
Total term deposits	**65,919,641**	**16,321,741**

The Group holds a variety of short-term term deposits at major Australian banks. The term deposits bear interest rates ranging between 0.3% and 3.3% (2021: 0.3% and 0.9%) and have maturity dates ranging from 5 August 2022 to 7 August 2023 (2021: 18 July 2021 to 18 May 2023). Term deposits totalling $161,142 (2021: $161,142) secure bank guarantees related to our Cairns and Taringa premise leases.

10. Trade and other receivables

Current

Trade receivables	209,607	182,111
Deposits paid	740,614	221,059
Accrued interest	189,636	29,757
R&D Tax Incentive receivable	6,389,883	5,398,371
Total trade receivables	**7,529,740**	**5,831,298**

11. Inventory

Current	1,776,415	1,370,834
Non-current	1,248,932	1,455,020
Total inventory	**3,025,347**	**2,825,854**

Raw materials and consumables	66,240	52,731
Work in progress	2,383,077	2,388,769
Finished goods	576,030	384,354
Total inventory	**3,025,347**	**2,825,854**

Inventory valued at $424,648 was included in profit and loss as an expense (2021: $551,212).

As of 30 June 2022, inventory is shown net of a provision of $572,965 (2021: $572,965) which was recorded to write-down finished goods to their net realisable value. The provision was expensed in a prior financial period.

Following the receipt of an approval from the FDA-CVM for the veterinary medicinal product STELFONTA®, work in progress inventory of $1,455,020 was recognised in inventory during the year ended 30 June 2021. The costs were included in profit and loss as an expense during prior financial periods.

11. Inventory (continued)

(a) Significant accounting policies - inventory

Inventories are stated at the lower of cost and net realisable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Costs of work in progress and finished goods that are specifically identifiable by production batch are assigned using the specific identification of costs to the batch and weighted average within the batch. Costs of ordinarily interchangeable items (mainly raw materials and consumables) are assigned using the first in, first out cost formula. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

Each class of inventory is assessed at period end and it is identified whether the inventory holding represents a "normal operating cycle". Where the inventory is deemed to be representative of a normal operating cycle, the inventory is classified as current. Should any inventories be identified that exhibit characteristics that diverge from what would be expected in a normal operating cycle, then the inventory level is assessed against planned usage, and any amounts exceeding the anticipated usage within 12 months from the end of the accounting period are classified as non-current.

12. Property, plant and equipment

	Land and buildings $	Plant and equipment $	Furniture and fittings $	Computer system $	Total $
Cost					
Balance at 1 July 2020	1,864,602	755,869	46,802	160,501	2,827,774
Additions	561,742	192,135	12,288	60,355	826,520
Write-offs	(158)	-	(13,374)	(84,267)	(97,799)
Balance at 30 June 2021	2,426,186	948,004	45,716	136,589	3,556,495
Balance at 1 July 2021	2,426,186	948,004	45,716	136,589	3,556,495
Additions	531,397	102,582	3,875	63,003	700,857
Balance at 30 June 2022	**2,957,583**	**1,050,586**	**49,591**	**199,592**	**4,257,352**
Accumulated depreciation and impairment losses					
Balance at 1 July 2020	365,012	437,827	30,630	98,657	932,126
Depreciation for the year	130,374	96,307	3,755	39,974	270,410
Write-offs	(11)	-	(9,030)	(79,436)	(88,477)
Balance at 30 June 2021	495,375	534,135	25,355	59,195	1,114,059
Balance at 1 July 2021	495,375	534,135	25,355	59,195	1,114,059
Depreciation for the year	130,972	99,923	3,486	45,379	279,761
Balance at 30 June 2022	**626,347**	**634,058**	**28,841**	**104,574**	**1,393,820**
Carrying amounts					
At 1 July 2020	1,499,590	318,042	16,172	61,844	1,895,648
At 30 June 2021	1,930,811	413,870	20,361	77,394	2,442,436
At 30 June 2022	**2,331,236**	**416,528**	**20,750**	**95,018**	**2,863,532**

(a) Significant accounting policies - property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

12. Property, plant and equipment (continued)

(a) Significant accounting policies - property, plant and equipment (continued)

(ii) Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance is expensed as incurred.

(iii) Depreciation

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is complete and ready for use. Depreciation is calculated to write off the cost of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives. Depreciation is generally recognised in profit or loss unless the amount is included in the carrying amount of another asset. Land is not depreciated.

The estimated useful lives in the current and comparative year of significant items of property, plant and equipment are as follows:

- Buildings 3 – 40 years
- Plant and equipment 2 – 15 years
- Furniture and fittings 5 – 20 years
- Computer system 2 – 4 years

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

(iv) Impairment

See Note 14(b)(iv).

13. Right of use assets

The Group leases assets including land and buildings and office equipment (Note 16). Information about the right-of-use assets resulting from the leases for which the Group is a lessee is presented below:

	Land and buildings $	Office Equipment $	Total $
Balance at 1 July 2020	642,170	7,550	649,720
Additions	640,250	-	640,250
Depreciation	(249,530)	(2,014)	(251,544)
Balance at 30 June 2021	1,032,890	5,536	1,038,426
Balance at 1 July 2021	1,032,890	5,536	1,038,426
Additions	145,463	-	145,463
Depreciation	(289,701)	(2,014)	(291,715)
Balance at 30 June 2022	**888,652**	**3,522**	**892,174**

(a) Significant accounting policies - right-of-use assets

The right-of-use asset is depreciated using the straight-line method from the commencement date of the lease to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

14. Intangible assets

	Intellectual property $	Patents $	Trademarks $	Water licences $	Total $
Cost					
Balance at 1 July 2020	6,899,663	2,372,249	94,202	77,529	9,443,643
Additions	-	358,716	11,135	-	369,851
Balance at 30 June 2021	6,899,663	2,730,965	105,337	77,529	9,813,494
Balance at 1 July 2021	6,899,663	2,730,965	105,337	77,529	9,813,494
Additions	-	572,533	3,300	63,040	638,873
Write-offs	-	(72,111)	-	-	(72,100)
Balance at 30 June 2022	**6,899,663**	**3,231,387**	**108,637**	**140,569**	**10,380,267**
Amortisation and impairment losses					
Balance at 1 July 2020	4,801,088	811,831	43,273	-	5,656,192
Amortisation for the year	1,649,396	192,670	13,371	-	1,855,437
Balance at 30 June 2021	6,450,484	1,004,501	56,644	-	7,511,629
Balance at 1 July 2021	6,450,484	1,004,501	56,644	-	7,511,629
Amortisation for the year	163,427	238,688	11,670	-	413,785
Amortisation on write-offs	-	(6,924)	-	-	(6,924)
Balance at 30 June 2022	**6,613,911**	**1,236,264**	**68,314**	**-**	**7,918,489**
Carrying amounts					
At 1 July 2020	2,098,575	1,560,419	50,929	77,529	3,787,452
At 30 June 2021	449,179	1,726,465	48,693	77,529	2,301,866
At 30 June 2022	**285,752**	**1,995,123**	**40,323**	**140,569**	**2,461,767**

(a) Amortisation and impairment charge

The amortisation and losses on write off are recognised in "Depreciation and amortisation expenses" in the statement of profit or loss and other comprehensive income.

(b) Significant accounting policies - intangible assets

(i) Recognition and measurement

Intangible assets include the costs of intellectual property, patents and trademarks that are acquired by the Group, which have finite useful lives. They are measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets also include water licences which have an indefinite useful life as they do not expire and can be sold. Water licences are measured at cost less accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss when incurred.

(iii) Amortisation

Finite-lived intangible assets are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use, that is, when they are in the location and condition necessary for them to be capable of operating in the manner intended by management. Water licences are not amortised.

14. Intangible assets (continued)

(b) Significant accounting policies - intangible assets (continued)

(iii) Amortisation (continued)

The estimated useful lives for the current and comparative year are as follows:

- Intellectual property 4 – 15 years
- Patents 20 years
- Trademarks 10 years

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

(iv) Impairment

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Water licences are tested annually for impairment by reference to current market prices.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in the statement of profit or loss and other comprehensive income. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (or group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (or group of CGUs) on a pro rata basis.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. No impairment is reversed in respect of goodwill.

15. Trade and other payables

	2022 $	2021 $
Accrued expenses	3,429,276	2,323,473
Trade and other payables	739,571	654,816
Total trade and other payables	**4,218,847**	**2,978,289**

16. Lease liabilities

Current lease liabilities	397,747	342,690
Non-current lease liabilities	700,928	915,484
Total lease liabilities	**1,098,675**	**1,258,174**

16. Lease liabilities (continued)

The Company entered into a new lease for its existing Yungaburra office premise effective from 1 July 2022. The lease liability was measured using an interest rate of 7.2% and a lease life of 26 months, as the lease was signed 2 months prior to the 24-month lease taking affect. As a result, both the lease liability and the right of use asset (Note 13) were increased by $96,396.

The Company also signed a short-term lease over a shared apartment for 24 months. The Company had a short-term lease with roughly 2 months remaining over the same apartment at the time the new lease arrangement was put in place. A lease liability was recognised using an interest rate of 6.24% and a lease life of 26 months at the time the new agreement was signed and as a result both the lease liability and right of use asset (Note 13) were increased by $49,067.

The Company surrendered its lease over its existing Taringa office premise and entered into a new lease for an expanded space effective from 1 December 2020. At this time, the lease liability was remeasured using an interest rate of 6.9% and as a result both the lease liability and the right of use asset (Note 13) were increased by $640,250. A lease incentive of $168,320 has been received and has reduced the balance of the lease liability.

During the year ended 30 June 2022, $79,519 of interest on lease liabilities was recognised and included in financing costs (2021: $75,662). Lease payments for the year totalled $384,481 (2021: $173,525).

(a) Future minimum lease payments

The Group has leases for its premises in Yungaburra, Taringa and Cairns as well as some office equipment. The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 30 June 2022 were as follows:

	Minimum lease payments due		
30 June 2022	Within one year $	One to five years $	Total $
Lease payments	397,767	821,184	1,218,951
Finance charges	(63,280)	(56,996)	(120,276)
Net present values	**334,487**	**764,188**	**1,098,675**
30 June 2021			
Lease payments	342,690	1,100,147	1,442,837
Finance charges	(76,721)	(107,942)	(184,663)
Net present values	**265,969**	**992,205**	**1,258,174**

(b) Lease payments not recognised as a liability

The Group has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis.

The expense relating to payments not included in the measurement of a lease liability is as follows:

	2022 $	2021 $
Short-term leases	22,335	23,400
Leases of low value assets	12,696	12,787
Total lease expenses not included in lease liabilities	**35,031**	**36,187**

(c) Total cash outflow for leases

Total cash outflow for leases	**419,512**	**209,172**

16. Lease liabilities (continued)

(d) Significant accounting policies - leases

The Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and whether
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability and any initial direct costs incurred by the Group, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments, variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use-asset and lease lability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

17. Provisions

A provision of $21,054 (2021: $19,732) has been recognised for make good conditions on the Cairns office lease. These costs are expected to be incurred in 2024. There is a possibility that these costs will be delayed if the lease is extended or renewed. The provision has been estimated at the current cost of making good plus inflation of 3% per annum. The provision has been discounted using a discount rate of 6.5%.

18. Employee benefits

(a) Annual leave and long service leave

Current	2022 $	2021 $
Accrued annual leave	1,165,981	929,458
Accrued long service leave	313,271	226,285
Total current employee benefits	**1,479,252**	**1,155,743**
Non-current		
Provision for long-service leave	**273,344**	**265,387**
Provision for long service leave		
Balance at 1 July	265,387	173,927
Provision made during the year	94,943	140,625
Provision transferred to accrued long service leave	(86,986)	(49,165)
Total provision for long service leave	**273,344**	**265,387**

(b) Personnel expenses

Wages and salaries	8,895,929	5,830,009
Contributions to defined contribution plans	709,748	510,276
Other associated personnel expenses	947,440	665,842
Increase in liability for long service leave	94,942	140,625
Directors fees – salary and fees	94,203	82,789
Directors fees – equity-settled share-based payments	429,369	462,991
Other equity-settled share-based payments	423,772	278,054
Transferred to property, plant and equipment	(186,587)	-
Total personnel expenses	**11,408,816**	**7,970,586**

(c) Number of employees

	#	#
Number of employees at year end (full-time equivalent)	**47**	**39**

(d) Significant accounting policies - employee benefits

(i) Short-term benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Share-based payment transactions

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

18. Employee benefits (continued)

(d) Significant accounting policies - employee benefits (continued)

(iii) Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution superannuation plans are recognised as a personnel expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(iv) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

19. Share capital and share-based payments reserve

(a) Movements in share capital

	Ordinary shares		Share capital	
	2022 #	2021 #	2022 $	2021 $
On issue at 1 July	484,268,622	387,814,211	186,281,637	100,474,404
Issued for cash, net of transaction costs	-	95,307,625	-	84,744,950
Exercise of share options	3,341,322	750,000	2,921,138	708,201
Issued for goods or services provided	146,427	396,786	185,947	354,082
On issue at 30 June – fully paid	**487,756,371**	**484,268,622**	**189,388,722**	**186,281,637**

Ordinary shares

Key transactions during the year ended 30 June 2022

A total of 3,341,322 ordinary shares were issued as a result of the exercise of vested options arising from options granted to employees and directors. Options were exercised at an average price of $0.705. Consequently, the Company received cash proceeds of $2,354,595 and $566,540 was transferred from the Company's share-based payments reserve to share capital.

On eight occasions during the year, shares were issued to employees and directors of the group for services provided. The shares were recognised at the fair value at the time of issue. The details are as follows:

- During July 2021 the Company issued 29,282 new shares at a fair value of $0.905 per share;
- During August 2021 the Company issued 5,319 new shares at a fair value of $0.94 per share;
- During September 2021 the Company issued 7,769 new shares at a fair value of $1.448 per share;
- During October 2021 the Company issued 27,394 new shares at a fair value of $1.451 per share;
- During December 2021 the Company issued 20,419 new shares at a fair value of $1.359 per share;
- During March 2022 the Company issued 34,032 new shares at a fair value of $1.409 per share and 5,922 new shares at a fair value of $1.393 per share; and
- During June 2022 the Company issued 16,290 new shares at a fair value of $1.197 per share.

19. Share capital and share-based payments reserve (continued)

(a) Movements in share capital (continued)

Key transactions during the year ended 30 June 2021

On four occasions during the year, the Company issued new shares for cash totalling $85,704,071. Transaction costs of $959,121 were incurred and offset against the proceeds from the share issues. The details of the four shares issues are as follows:

- On 3 July 2020 the Company issued 807,000 new shares at $0.81 per share;
- On 29 March 2021 the Company issued 55,555,556 new shares at $0.90 per share;
- On 19 April 2021 the Company issued 25,056,197 new shares at $0.90 per share; and
- On 25 June 2021 the Company issued 13,888,872 new shares at $0.90 per share.

On 19 April 2021 the Company issued 750,000 new shares as a result of the exercise of vested options. The options had an exercise price of $0.801 per share and a fair value of $0.143 per share. Consequently, the Company received cash proceeds of $600,750 and $107,451 was transferred from the Company's share-based payments reserve to share capital.

On four occasions during the year, shares were issued to employees and directors of the group for services provided. The shares were recognised at the fair value at the time of issue. The details are as follows:

- During August 2020 the Company issued 33,252 new shares at a fair value of $0.809 per share;
- During March 2021 the Company issued 298,683 new shares at a fair value of $0.90 per share;
- During April 2021 the Company issued 43,329 new shares at a fair value of $0.90 per share; and
- During June 2021 the Company issued 21,522 new shares at a fair value of $0.90 per share.

Terms and conditions

The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

(b) Share-based payments reserve

	2022 $	2021 $
Balance at 1 July	4,149,757	2,977,798
Share-based payments recognised during the year	757,857	1,279,410
Options cancelled during the year	(1,544,131)	-
Amount transferred to share capital	(566,540)	(107,451)
Total share-based payments reserve	**2,796,943**	**4,149,757**

(i) Options granted

The key terms and conditions related to the options granted are as follows:

Ref	Grant date	Number of instruments	Vesting conditions	Contractual life of options
A	18 April 2016	2,500,002	750,000 options vested on the grant date and 583,334 of the options vested on the first, second and third anniversaries of the grant date respectively.	5 years from vesting date
B	20 July 2016	1,808,834	One third of the options to vested on the first, second and third anniversary of the grant date respectively.	5 years from vesting date
C	27 July 2016	252,596	40% of the options to vested on 31 March 2017 and 60% of the options to vested on 31 March 2018.	6 years from grant date

19. Share capital and share-based payments reserve (continued)

(b) Share based payment reserve (continued)

(i) Options granted (continued)

Ref	Grant date	Number of instruments	Vesting conditions	Contractual life of options
D	1 November 2016	2,100,000	One third of the options vested on the first and second anniversaries of the grant date. The third tranche vested in May 2019.	6 years from grant date
E	28 November 2017	1,168,039	438,599 options vested on the first anniversary of the grant date, 384,256 options vested on the second anniversary of the grant date, and 345,184 options vest on the third anniversary of the grant date.	5 years from vesting date
F	26 April 2018	71,144	Options vested on the grant date.	6 years from grant date
G	21 May 2018	1,800,000	600,000 options vested on the grant date, 600,000 options vested on 31 December 2018 and 600,000 options vested on 31 December 2019.	6 years from grant date
H	21 May 2018	300,000	300,000 options vested on 31 July 2018. There were 600,000 additional options that did not vest due to forfeiture and non-performance of service conditions.	6 years from grant date
I	1 August 2018	300,000	150,000 of the options vested on the grant date, 150,000 options vested on the first anniversary of the grant date.	5 years from vesting date
J	5 July 2019	4,121,412	1,268,502 options vest on the first anniversary of the grant date, 1,384,859 options vest on the second anniversary of the grant date and 1,468,051 options vest on the third anniversary of the grant date.	6 years from grant date
K	17 February 2020	2,223,714	Options vested on the grant date. These options were cancelled on 21 December 2021.	6 years from grant date
L	31 March 2021	2,232,334	1,750,000 options vested on the grant date. 160,778 options vest on 1 February 2022, 1 February 2023 and 1 February 2024. The 1,750,000 options vested on grant date were cancelled on 21 December 2021.	6 years from grant date
M	22 April 2021	482,334	160,778 options vest on 9 April 2022, 9 April 2023 and 9 April 2024.	6 years from grant date
N	1 October 2021	1,181,082	472,432 options vest on 30 September 2022 and 708,650 options vest on 30 September 2022 subject to performance hurdles being met. Shares issued will be subject to a two-year holding lock.	3.5 years from grant date
O	13 December 2021	507,185	202,875 options vest on 30 September 2022 and 304,310 options vest on 30 September 2022 subject to performance hurdles being met. Shares issued will be subject to a two-year holding lock.	3.3 years from grant date
		21,048,676		
Options exercised		(4,091,322)		
Options cancelled		(3,973,714)		
Options outstanding		**12,983,640**		

19. Share capital and share-based payments reserve (continued)

(b) Share based payment reserve (continued)

(ii) Options cancelled

On 21 December 2021, the Company entered into option cancellation deeds with a number of its non-executive directors to cancel 1,750,000 options granted in March 2021 and 2,223,714 options granted in February 2020. Consequently, an amount of $1,544,131 has been transferred from the share-based payment reserve to retained earnings at 31 December 2021.

(iii) Measurement of fair value

The fair value of the share options issued has been measured using the Black-Scholes Merton formula. An estimate is made for the number of equity instruments for which service conditions are expected to be satisfied, with a true-up to the number ultimately satisfied. The inputs used in the measurement of the fair values at grant date of the equity-settled share-based payments were as follows. The risk-free interest rate was based on government bonds.

Ref	Year of grant	Fair value at grant date (weighted average) $	Share price at grant date $	Exercise price $	Expected volatility	Expected life (weighted average)	Expected dividend	Risk- free interest rate
A	2016	0.172	0.400	0.801	60.82%	6.5 years	-	2.10%
B	2017	0.184	0.400	0.801	60.82%	7 years	-	2.10%
C	2017	0.181	0.400	0.801	60.82%	6 years	-	2.10%
D	2017	0.180	0.400	0.670	60.82%	6 years	-	1.91%
E	2018	0.141	0.400	0.801	50.66%	7 years	-	2.11%
F	2018	0.157	0.400	0.670	53.28%	6 years	-	2.51%
G	2018	0.156	0.402	0.670	52.62%	6 years	-	2.47%
H	2018	0.154	0.402	0.670	52.62%	6 years	-	2.47%
I	2019	0.113	0.407	0.801	50.97%	5.5 years	-	2.32%
J	2020	0.244	0.585	1.000	58.88%	6 years	-	1.00%
K	2020	0.292	0.699	1.170	58.95%	6 years	-	0.75%
L	2021	0.511	0.902	1.510	76.71%	6 years	-	0.66%
M	2021	0.511	0.902	1.510	76.61%	6 years	-	0.69%
N	2022	1.422	1.422	-	80.77%	3.5 years	-	0.27%
O	2022	1.359	1.359	-	74.94%	3.3 years	-	0.92%

Expected volatility has been based on an evaluation of the volatility of similar listed companies as the Group has no historical volatility data. The expected term of the instruments has been based on historical experience and general option holder behaviour.

(iv) Reconciliation of outstanding share options

The number and weighted-average exercise prices of share options are as follows.

	Options		Weighted average exercise price	
	2022 #	2021 #	2022 $	2021 $
Outstanding at 1 July	18,610,409	16,645,741	0.961	0.861
Exercised during the year	(3,341,322)	(750,000)	0.717	0.801
Cancelled during the year	(3,973,714)	-	1.320	-
Granted during the year	1,688,267	2,714,668	-	1.510
Outstanding at 30 June	**12,983,640**	**18,610,409**	0.792	0.961
Exercisable at 30 June	9,184,210	14,792,831	0.854	0.917

19. Share capital and share-based payments reserve (continued)

(c) Dividends

No dividends have been paid or declared by the Company since the Company was incorporated.

(d) Significant accounting policies – share capital and share-based payments reserve

(i) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share based payments are recognised as a deduction from equity, net of any tax effects.

(ii) Share-based payments reserve

Where Australian Accounting Standards require a transaction to be recognised as a component of equity, the Group classifies such amounts as a reserve.

The Group's share-based payments reserve consists of share-based payments accounted for under AASB 2 *Share-based Payments*. Share-based payment transactions are measured by reference to the fair value of the goods or services received unless that fair value cannot be estimated reliably. If the Group cannot estimate reliably the fair value of the goods or services received, the Group measures the share-based payment transactions by reference to the fair value of the equity instruments granted.

The fair value of the equity instruments granted is determined as follows:

- If a market price is available for the equity instrument granted, then the estimate of fair value is based on this market price; or
- If no market price is available for the equity instrument granted, then the fair value is estimated using an appropriate valuation technique.

When instruments granted as share-based payments have vested and are exercised by the holder, the amount is transferred to share capital. When options lapse unexercised, the amount is transferred to accumulated losses.

20. Financial instruments

(a) Financial risk management

(i) Overview

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

This note presents information about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital.

(ii) Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all officers understand their roles and obligations.

20. Financial instruments (continued)

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables.

(i) Exposure to credit risk

The carrying amount of the financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:	2022 $	2021 $
Cash and cash equivalents	18,278,410	84,429,885
Term deposits	65,919,641	16,321,741
Trade and other receivables	7,529,740	5,831,298
Total as at 30 June	**91,727,791**	**106,582,924**

Cash and cash equivalents and term deposits

The Group only invests surplus funds in bank accounts and term deposits with major Australian financial institutions.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each debtor.

The Group's maximum exposure to credit risk for trade and other receivables at the reporting date by type of counterparty was:

Government agencies	6,582,410	5,560,396
Financial institutions	189,636	29,757
Suppliers	757,695	241,145
Total as at 30 June	**7,529,740**	**5,831,298**

(ii) Impairment losses

None of the Group's receivables are past due (2021: nil) and none of the receivables are considered impaired. Based on historical information about customer default rates, the credit quality of trade and other receivables is considered good.

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Given the nature of the Group's operations, this is a critical risk. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically the Group ensures that either (i) it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters, or (ii) it is confident that fund raising activities set in place will meet operational expenses. The Group currently does not maintain any lines of credit other than corporate credit cards with a combined facility limit of $300,000 (2021: $300,000). The corporate credit cards are secured by $300,000 held in term deposit (2021: $300,000).

20. Financial instruments (continued)

(c) Liquidity risk (continued)

Contractual maturities

The following are the contractual maturities of the Group's monetary non-derivative financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

30 June 2022	Carrying amount $	Contractual cash flow $	6 months or less $
Trade and other payables	1,913,307	1,913,307	1,913,307
30 June 2021			
Trade and other payables	654,816	654,816	654,816

(d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Currency risk

The Group is exposed to currency risk on purchases that are denominated in a currency other than the functional currency of the relevant company which is party to the transaction. The currencies in which these transactions primarily are denominated are United States Dollars (USD), Euro (EUR), British Pound (GBP), and Swiss Franc (CHF).

From time to time the Group uses forward exchange contracts to lock in foreign currency rates on expected purchase commitments in order to reduce the Group's exposure to currency risk.

Exposure to currency risk

The summarised quantitative data about the Group's exposure to currency risk as reported to the management of the Group is as follows.

Expressed in AUD	USD	EUR	GBP	SEK	CHF
30 June 2022					
Trade and other payables	255,378	893,420	215,799	676,813	1,887
Trade and other receivables	(86,771)	(315)	-	-	-
Cash held in foreign currency	(23,086)	(292,791)	(26,030)	-	-
Net statement of financial position exposure	145,521	600,134	189,769	676,813	1,887
30 June 2021					
Trade and other payables	252,067	566,889	216,137	441,368	4,135
Trade and other receivables	(19,952)	-	-	-	-
Cash held in foreign currency	(474,863)	(781,469)	-	-	-
Net statement of financial position exposure	(242,748)	(214,580)	216,137	441,368	4,135

20. Financial instruments (continued)

(d) Market risk (continued)

(i) Currency risk (continued)

The following significant exchange rates have been applied:

Year-end spot rate	2022	2021
USD to AUD	1.4516	1.3301
GBP to AUD	1.7634	1.8420
EUR to AUD	1.5177	1.5823
CHF to AUD	1.5214	1.4430
SEK to AUD	0.1416	0.1558

Sensitivity analysis

A reasonably possible strengthening/(weakening) of the United States Dollar, Euro, British Pound, and Swiss Franc against the Australian Dollar at 30 June would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

Effect in AUD	Profit or Loss		Equity, net of tax	
30 June 2022	**Strengthening**	**Weakening**	**Strengthening**	**Weakening**
USD (10% movement)	(14,552)	14,552	(14,552)	14,552
EUR (10% movement)	(60,031)	60,031	(60,031)	60,031
GBP (10% movement)	(18,946)	18,946	(18,946)	18,946
SEK (10% movement)	(67,681)	67,681	(67,681)	67,681
CHF (10% movement)	(189)	189	(189)	189
30 June 2021				
USD (10% movement)	24,275	(24,275)	24,275	(24,275)
EUR (10% movement)	(21,458)	21,458	(21,458)	21,458
GBP (10% movement)	(21,614)	21,614	(21,614)	21,614
SEK (10% movement)	(44,137)	44,137	(44,137)	44,137
CHF (10% movement)	(414)	414	(414)	414

(ii) Interest rate risk

The Group is exposed to interest rate risk only to the extent that interest receivable on bank and term deposits may be subject to fluctuations in interest rates.

Profile

At the reporting date the Group has no interest-bearing financial instruments other than cash at bank, term deposits and corporate credit cards. Cash at bank and corporate credit cards are considered to be variable rate instruments as they can be readily renegotiated. Their carrying amount at balance date has been set out below:

	2022 $	2021 $
Cash and cash equivalents	18,278,410	84,429,885
Corporate credit cards	(167,380)	(32,401)
Total as at 30 June	18,111,030	84,397,484

20. Financial instruments (continued)

(d) Market risk (continued)

(ii) Interest rate risk (continued)

Cash flow sensitivity analysis

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by $181,110 (2021: $843,975). This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2021.

(e) Capital management

The Board's policy is to maintain a capital position so as to maintain investor, creditor and market confidence and to sustain future development of the business. This position is maintained by setting capital raising strategies in place to address planned expenditure. The Group is not subject to externally imposed capital requirements.

There were no changes in the Group's approach to capital management during the year.

(f) Fair values

The fair values of cash and cash equivalents, term deposits, trade and other receivables, trade and other payables and current employee benefits approximate their carrying amounts shown in the statement of financial position.

Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

Trade and other receivables / payables

For receivables / payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other receivables / payables are discounted to determine the fair value.

Other financial assets

The fair value for forward exchange contracts is determined using quoted forward exchange rates at the reporting date and present value calculations based on high credit quality yield curves in the respective currencies.

Interest rates used for determining fair value

The Group uses the government yield curve as of 30 June 2022 plus an adequate constant credit spread to discount financial instruments. At 30 June 2022, no financial instruments required discounting (2021: nil).

(g) Significant accounting policies - financial instruments

(i) Non-derivative financial assets

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

20. Financial instruments (continued)

(g) Significant accounting policies - financial instruments (continued)

(i) Non-derivative financial assets (continued)

The Group has the following non-derivative financial assets:

Trade and other receivables

Trade and other receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition trade and other receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of less than 90 days.

Term deposits

Term deposits comprise cash balances held on deposit with financial institutions with original maturities of more than three months.

(ii) Non-derivative financial liabilities

The Group initially recognises financial liabilities on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest rate method.

Other financial liabilities comprise trade and other payables and certain employee benefits.

(iii) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if certain criteria are met.

Derivatives are initially measured at fair value; any directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in the statement of profit or loss and other comprehensive income.

(iv) Impairment

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, or indications that a debtor will enter bankruptcy.

The Group considers evidence of impairment for loans and receivables (financial assets measured at amortised cost) at a specific asset level.

20. Financial instruments (continued)

(g) Significant accounting policies - financial instruments (continued)

(iv) Impairment (continued)

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

21. Reconciliation of cash flows from operating activities

Cash flows from operating activities	Note	2022 $	2021 $
Loss for the year		(18,027,544)	(14,365,985)
Adjustments for:			
Depreciation	12,13	571,476	521,954
Amortisation	14	413,785	1,855,437
Write-off of plant and equipment	12	-	9,322
Write-off of intangible assets	14	65,157	-
Inventory write down to net realisable value	11	-	572,965
Non-cash interest on leases	16	79,519	75,662
Foreign exchange revaluation on assets and liabilities		(1,911)	(14,357)
Share-based payment transactions		943,809	739,597
Interest income classified as investment activities		(422,489)	(266,911)
Operating loss before changes in working capital		(16,378,179)	(10,872,316)
Change in trade and other receivables		(7,388,481)	(5,471,782)
Change in prepayments		(548,601)	(66,177)
Change in inventories		(199,493)	(1,573,721)
Change in contract assets		(401,277)	(644,766)
Change in trade and other payables		1,244,294	115,897
Change in contract liabilities		(227,012)	(42,326)
Change in employee benefits		331,466	352,275
Change in provisions		1,322	1,238
Cash used in operating activities		(23,565,980)	(18,201,678)
GST refund received		722,723	786,838
R&D tax incentive received		5,398,371	9,588,807
Net cash used in operating activities		**(17,444,886)**	**(7,826,033)**

22. Related parties

(a) Transactions with key management personnel

(i) Key management personnel compensation

Key management personnel compensation comprised the following:

Short-term employee benefits	1,802,228	1,496,572
Post-employment benefits	153,869	128,247
Other long-term benefits	108,150	163,469
Share-based payments	650,567	1,520,560
Total key management personnel compensation	2,714,814	3,308,848

(ii) Loans to key management personnel and their related parties

No loans were outstanding at the reporting date to key management personnel and their related parties.

22. Related parties (continued)

(a) Transactions with key management personnel (continued)

(iii) Key management personnel transactions

Directors of the Company control 27.43% (30 June 2021: 27.32%) of the voting shares of the Company.

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

From time to time these entities transacted with the Group. The terms and conditions of the transactions with key management persons and their related parties were no more favourable than those available, or which may reasonably be expected to be available, on similar transactions to non-director related entities.

	Transaction value		Balance outstanding as at	
	30 June 2022 $	30 June 2021 $	30 June 2022 $	30 June 2021 $
The Group rents premises from Dr Gordon and Dr Reddell. The lease contract terms are based on market rates and are payable on an annual basis.	38,192	37,080	-	3,399
The Group, through its subsidiary EcoBiotics, leases land from an entity related to Dr Ogbourne.	9,985	10,087	9,984	9,606

(b) Non-key management personnel disclosures

Intergroup transactions

During the year ended 30 June 2022 and 30 June 2021, all transactions between EcoBiotics, QBiotics, QBiotics Netherlands, QBiotics UK and QBiotics Group have been eliminated on consolidation.

23. Auditor's remuneration

Audit services	2022 $	2021 $
Auditors of the Company - Grant Thornton		
Audit of annual financial reports of the Company	91,383	75,581
Review of half-year financial reports of the Company	30,032	27,000
Total audit services	**121,415**	**102,581**
Other services		
Auditors of the Company - Grant Thornton		
Total taxation and due diligence related services	**17,100**	**103,250**

24. Parent company disclosures

As at 30 June 2022, QBiotics Group Limited was the parent entity of the Group.

(a) Results of parent entity

Loss for the period	(17,095,467)	(12,388,508)
Other comprehensive income	-	-
Total comprehensive income for the period	**(17,095,467)**	**(12,388,508)**

(b) Financial position of parent entity at year end

Current assets	69,075,961	94,417,496
Total assets	**217,953,326**	**230,643,072**
Current liabilities	6,078,617	4,720,637
Total liabilities	**7,619,712**	**6,538,158**

24. Parent company disclosures (continued)

(b) Financial position of parent entity at year end (continued)

	2022 $	2021 $
Total equity of the parent entity comprising of:		
Share capital	256,723,531	253,748,493
Other contributed equity	2,593,145	3,813,914
Retained earnings	(48,983,062)	(33,457,493)
Total equity	**210,333,614**	**224,104,914**

(c) Contingent liabilities, commitments and guarantees

There are no parent entity contingent liabilities, capital commitments, or guarantees in respect of the debts of its subsidiaries at 30 June 2022 (2021: nil).

(d) Significant accounting policies – parent company disclosures

Under Australian Accounting Standards, the corporate restructure undertaken by the Group during the year ended 30 June 2018 was accounted for by applying the reverse acquisition accounting methodology. QBiotics was deemed to be the accounting acquirer as, in substance, QBiotics (the legal subsidiary) acquired QBiotics Group (the legal parent).

The application of reverse acquisition accounting is that QBiotics Group (the legal parent) is accounted for as the subsidiary and QBiotics (the legal subsidiary) is accounted for as the parent entity. This has resulted in the consolidated financial statements of QBiotics Group being prepared as a continuation of QBiotics' financial statements.

The information disclosed in this note is that of the legal parent entity, QBiotics Group.

25. Significant accounting policies

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

(a) Basis of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

25. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are recognised in profit or loss.

(ii) Foreign operations

The assets and liabilities of QBiotics Netherlands and QBiotics UK have a functional currency of Australian dollars. Any foreign currency income and expenses are translated into Australian dollars at the exchange rates at the dates of the transactions.

(c) Joint operations

QBiotics Group has entered into a collaboration agreement with MSD (tradename of Merck & Co., Inc., Kenilworth, NJ, USA) to develop its pharmaceutical candidate tigilanol tiglate. In accordance with *AASB 11 Joint Arrangements*, the Company recognises its share of assets, liabilities, revenues, and expenses of the joint operation based on the rights and obligations of each party as set out in the contractual terms.

(d) Software-as-a-Service (SaaS) arrangements

SaaS arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period. As such the Group does not receive a software intangible asset at the contract commencement date. A right to receive future access to the supplier's software does not, at the contract commencement date, give the Group the power to obtain the future economic benefits flowing from the software itself and to restrict others' access to those benefits.

The following outlines the accounting treatment of costs incurred in relation to SaaS arrangements:

- Fees for use of application software and customisation costs are recognised as an operating expense in profit or loss over the term of the service contract; and
- Configuration costs, data conversion and migration costs, testing costs and training costs are recognised as an operating expense in profit or loss as the service is received.

Costs incurred for the development of software code that enhances or modifies, or creates additional capability to, existing on-premise systems and meets the definition of and recognition criteria for an intangible asset are recognised as intangible software assets.

27. New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2022, and have not been applied in preparing these financial statements. The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements:

- AASB 17 Insurance Contracts
- AASB 2020-5 Amendments to Australian Accounting Standards – Insurance Contracts
- AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates
- AASB 2021-6 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies: Tier 2 and Other Accounting Standards
- AASB 2021-5 Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as current or non-current
- AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018– 2020 and Other Amendments
- AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as current or non-current

QBiotics Group Limited
Directors' declaration

1. In the opinion of the directors of QBiotics Group Limited (the "Company"):

   (a) the consolidated financial statements and notes that are set out on pages 25 to 59 are in accordance with the *Corporations Act 2001*, including:

      (i) giving a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the period ended on that date; and

      (ii) complying with Australian Accounting Standard and the *Corporations Regulations 2001*; and

   (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. The directors draw attention to Note 2(a) to the financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

Dated at Sydney this 8th day of September 2022.

Rick Holliday-Smith
Chairman

Grant Thornton Audit Pty Ltd
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Independent Auditor's Report

To the Members of QBiotics Group Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of QBiotics Group Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

a giving a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the year ended on that date; 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 *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability 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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our auditor's report.

Grant Thornton Audit Pty Ltd
Chartered Accountants

CDJ Smith
Partner – Audit & Assurance

Brisbane, 8 September 2022

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Auditor's Independence Declaration

To the Directors of QBiotics Group Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of QBiotics Group Limited for the year ended 30 June 2022, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton Audit Pty Ltd
Chartered Accountants

CDJ Smith
Partner – Audit & Assurance

Brisbane, 8 September 2022

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QBiotics Group

Naturally Inspired
Scientifically Defined