



ANNUAL REPORT

2022

Vitrafy Life Sciences Limited

ABN: 48 622 720 254



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VISION AND PURPOSE

Founded in 2018, Vitrafy has designed and developed an innovative, proprietary solution for the advancement of biomedical cryopreservation. To achieve this, Vitrafy uses an algorithm and supporting cryopreservation technology components.

Cryopreservation is the storage of biological material at very low temperatures which significantly slows down all biochemical reactions and optimises biomedical material storage. Positioned as a solution to inherent problems with existing cryopreservation technology, the Vitrafy solution has immediate application to cellular therapies, blood components, artificial insemination and animal reproductive processes.

Vision: *Vitrafy will become the leading global partner and supplier of innovative cryopreservation solutions*

Purpose: *Our purpose is to continually support our strategic partners and customers through consistent delivery of relevant, unique and IP protected cryopreservation technology and solutions underpinned by a novel biomedical algorithm that differentiates and adds value to their business*

LETTER FROM THE CHAIR

Dear Investor,

On behalf of the Board of Vitrafy Life Sciences Ltd I am pleased to introduce the company's Annual Report to 30 June 2022.

With a growing need for more consistent and effective cryopreservation technology in the implementation of cellular technologies such as stem cell and CAR T-Cell treatments, Vitrafy has designed and developed an innovative, proprietary, solution for the advancement of biological material cryopreservation. Vitrafy employs its proprietary algorithm and supporting cryopreservation technologies to deliver a holistic solution in life saving biotherapeutic applications.

Capably led by founders, Sean Cameron and Brent Owens, the Vitrafy team has developed a cryopreservation solution that may have a wide array of scientific and commercial applications. Of specific immediate focus for Vitrafy is the preservation of blood based biological materials, artificial insemination, advanced cellular therapies and animal reproductive processes.

The Vitrafy technology has allowed the Company to enter into collaboration agreements with global leaders in the handling and management of biological material. These groups include the Australian Red Cross Lifeblood, Huon Aquaculture Group and BioBridge Global. In addition, in collaboration with the Royal Women's Hospital (RWH), Vitrafy has also applied for and secured approval from the RWH Human Research Ethics Committee for two initiatives intended to enable Vitrafy to transition into a series of clinical trials in respect of new products.

Vitrafy is led by a senior management team and Board who possess a diverse range of skills and expertise with extensive experience in the cryopreservation market. Alongside the management team and Board, Vitrafy has appointed a Scientific Advisory Board, which consists of key opinion leaders who have significant research and clinical experience in the cryopreservation of biological materials.

I wish to express appreciations to all those involved with the Vitrafy journey for their ongoing dedication. I acknowledge the strong, innovative and tireless leadership of our Executive Team and Co-Founders Sean Cameron and Brenton Owen. I extend my appreciation to Directors Brian Taylor, James Groom and John McBain for their unwavering support

The majority of our Shareholders, including all the Board, have made key early investments of both Cash and time. This is recognised by our significant shareholding.

I thank all our shareholders and convertible note holders for their support and look forward to the continued shared journey as we become the leading global partner and supplier of innovative cryopreservation solutions.

Yours sincerely,



Robert Woolley
Chair

LETTER FROM THE CEO

Dear Investor,

It is an honour to provide you with Vitrafy Life Sciences first Annual Report as a public company. My sincere thanks to our dedicated team, Board and advisors who have contributed to an enormously successful year at Vitrafy.

Building on previous capital raising rounds which facilitated the development of Vitrafys proprietary algorithm and associated design work for our first freezing and thawing system, in 2021 Vitrafy successfully secured \$7.9 million from a convertible note raise funding the progression of our strategic Commercialisation Plan. In this regard, significant milestones were achieved for the 2021 – 2022 period including:

- Establishment of the Vitrafy Scientific Advisory Board
- Expansion of operations into the United States with the execution of a collaboration agreement with leading Texas-based biomedical research and development services provider BioBridge Global
- Expansion of Vitrafys Intellectual Property Portfolio
- Submission and approval of ethics with Royal Womens Hospital for ovaries and sperm trials
- Successful completion of cryopreservation of all Huon Aquaculture neo male brood stock for the 2021 season
- Appointment of Vitrafy Commercialisation Advisor Roger Millichamp

Vitrafy continues to invest resources and development expertise to developing additional products and technology. I am delighted to advise the Company was successful in its application to the Australian Government for “Advance and Overseas Findings” of our Research & Development Program. This positive finding provides assurance that Vitrafy’s registered Australian and Overseas R&D activities are eligible for claiming under the ATO’s Research and Development Tax Incentive (RDTI) program, with an estimated total project value of \$13M AUD including overseas expenditure of approximately \$3M AUD.

During the coming year we are planning to:

- Commence formal pre-clinical trials/validation testing with reputable counterparties
- Undertake the regulatory approval process for the Vitrafy technology in the major jurisdictions
- Conduct further product research and development
- Develop additional intellectual property
- Develop a prioritised international commercialisation strategy
- Continue to build our quality commercial and technical team to implement the Vitrafy business plan

Vitrafy are transforming the way cancer treatments and other irreplaceable temperature-sensitive biological materials are produced, stored, shipped and dispensed. I am incredibly proud of the Companys achievements over the 2021-2022 period and thank our investors for their continued commitment and support.

Yours sincerely,



Sean Cameron
CEO

BOARD OF DIRECTORS

Board of Directors

Name and position	Experience, qualifications and expertise
 Robert Woolley <i>Independent Non-Executive Chairman</i>	Rob Woolley is the Chair of Vitrafy. With extensive corporate reconstruction experience, Rob is a former senior partner of Deloitte Australia with roles including Company Auditor, Receiver and Liquidator (including a Court Liquidator), and Tax Agent. For the past 20 years, Rob has focused on fast growing start-up companies serving as investor, founder, director and/or chairman, in a number of private and listed companies. Having identified the opportunity presented in Bellamy's Baby Food business when it was in start-up phase, Rob subsequently played a leading role in the purchase and development of the business as initial chair and was one of the founding shareholders of Bellamy's Australia. Previous and current positions and boards include first chair of Bellamy's Australia Limited, founder and chair of TasFoods Limited, director and chair of Tandou Ltd, founder and chair of Freycinet Coast Financial Services Ltd, chair of the Tasmanian Forests and Forest Industry Council, director of the CRC Forestry Ltd, director of Southern Water a Tasmanian Water, CEO and director of Webster Limited. Rob holds a Bachelor of Economics from the University of Tasmania and is a Fellow of the Institute of Chartered Accountants and member of the Institute of Company Directors.
 James Groom <i>Independent Non-Executive Director</i>	James Groom BA (Hons), LLB is a Non-Executive Director of Vitrafy. James has worked for leading law firms in Australia, the United States and the United Kingdom, specialising in the areas of corporate and commercial law. He has also worked as senior corporate counsel and company secretary for the Australasian operations of one of the world's largest financial services organisations. James' practice is extensive and covers negotiating and documenting commercial transactions of all types, corporate and financial services law, intellectual property and corporate governance and compliance. James has a particular interest in assisting start-up companies with establishing appropriate systems and processes. James has been a director of several public and private companies and is currently a Deputy Chancellor of the University of Tasmania.
 John McBain <i>Independent Non-Executive Director</i>	Associate Professor John McBain MB ChB MRCOG FRANZCOG is a Non-Executive Director of Vitrafy. John was part of the team behind Australia's first IVF baby in 1980, which was the third IVF birth in the world. A highly regarded gynaecologist and true IVF pioneer, Professor McBain received an Order of Australia (AO) for distinguished service to reproductive medicine, particularly in infertility. John graduated in medicine from Glasgow University and trained in obstetrics and gynaecology in Scotland. He came to Australia in 1976 to join the group of doctors researching IVF, as part of which he developed programmes that led to safe, successful super-ovulation. John was President of the Fertility Society of Australia in 1991, and Chairman of Melbourne IVF from 1998 to 2005. He became Head of Reproductive Services – ART at The Women's Hospital in 2002. A true pioneer in the treatment of infertility, John's efforts to encourage progress in infertility treatment continue he is a member of The Low-Cost IVF Foundation, which establishes affordable IVF in developing countries; in recognition of his continuing research and academic activities he is also a Principal Fellow in the Department of Obstetrics and Gynaecology, University of Melbourne.

Board of Directors *continued*

Name and position	Experience, qualifications and expertise
 Sean Cameron <i>Executive Director/ CEO</i>	Sean Cameron is co-founder, Executive Director and CEO of Vitrafy. Sean has led the Company since its inception in 2018 and is responsible for the overall design and delivery of Vitrafy's growth strategy, commercialisation programs and building the company's scientific process. Sean is co-inventor of Vitrafy's transformational cryopreservation medical technologies and has developed a suite of patented cryopreservation medical apparatus' and protocols. With over 15 years' experience in executive leadership roles in manufacturing and industry development, Sean's expertise includes developing and executing business strategies, capital raising, major project funding and incubating new businesses. Holding an MBA from Federation University Australia, Sean is a member of the Golden Key International Honour Society.
 Brenton Owens <i>Executive Director/ Chief Research & Development Officer</i>	Brenton Owens is co-founder, Executive Director and Chief Research & Development Officer of Vitrafy. Brent is responsible for the Companies Research and Development Program. Brent is a creative entrepreneur with extensive knowledge in intellectual property development which has seen him pioneer Vitrafy's technology innovations and supporting patent protection. Brent leads Vitrafy's diverse team of medical scientists and engineers in the execution of novel and inventive research and development initiatives, skilfully aligning commercial objectives with technology advancements. Brent is currently completing a graduate degree in Life Sciences at Harvard University.
 Brian Taylor <i>Executive Director/ Chief Business Development Officer</i>	Brian Taylor is co-founder, Executive Director and Chief Business Development Officer of Vitrafy. With over 20 years in business development and innovation, Brian is a qualified engineer with a proven track record in global market optimisation and strategic partnership development. Brian began his career in the development and reconstruction of businesses and has significant experience in identifying and analysing market opportunities to deliver creative business solutions. Brian has developed a number of innovative start-ups and business developments across regional Victoria, Melbourne and Asia. Prior to his role at Vitrafy, Brian established and operated a group of successful export companies sourcing and delivering Australian product into China. A skilled communicator and negotiator, Brian is responsible for initiating and facilitating discussions with high profile multi-nationals and industry leaders to maximise opportunities for the Company's unique cryopreservation technology.

SCIENTIFIC LEADERSHIP

Scientific Advisory Board

Vitrafy has established a Scientific Advisory Board to assist with the identification, development and review of scientific and commercial applications of the technology.

The new board has a mandate to provide early evaluation of emerging science, market, and cryopreservation technology developments. It will also provide external scientific review and strategic recommendations to Vitrafy leadership to support its current and future cryopreservation research and development programs, applications, and products.

Associate Professor John McBain has been appointed inaugural chair of the Vitrafy Scientific Advisory Board. Professor McBain was part of the team behind Australia's first IVF baby in 1980, which was the third IVF birth in the world. A highly regarded gynaecologist and true IVF pioneer, Professor McBain received an Order of Australia (AO) for distinguished service to reproductive medicine, particularly in infertility. Joining Associate Professor McBain on the Scientific Advisory Board with some of Australia's top experts in biomedical research and technology including Dr. Debra Gook and Associate Professor Dr. Denese Marks.

As Vitrafy continues to pioneer ground-breaking results in cryopreservation outcomes in cell therapies, including sperm and ovaries, the Scientific Advisory Board's role is to :

1. Provide strategic advice and making recommendations to the Board regarding current and planned research and development programs;
2. Advise the Board regarding the scientific merit of technology or products;
3. Advise the Board regarding technology applications and being involved in licensing opportunities; and
4. provide strategic advice to the Board regarding emerging science and technology issues and trends

Scientific Advisory Board Members:

	Associate Professor John McBain has been appointed as the Chair of the Scientific Advisory Board for Vitrafy and is also a Non-Executive Director of the Company.
	Dr. Gook has been involved in IVF for the past 30 years and worked alongside one of Australia's IVF pioneers, the late Ian Johnston. Dr. Gook holds a position as a senior research fellow in Reproductive Services/ Melbourne IVF and is a lead scientist in the oocyte and ovarian tissue cryopreservation program at The Royal Women's Hospital and has continued to publish research on the cryopreservation of oocytes and ovarian tissue.
	Associate Professor Dr. Marks is the National R&D development Leader for the Australian Red Cross Lifeblood, whose research focuses on all aspects of improving blood component quality and safety, from blood collection through to processing, storage and transfusion. This includes the development of novel blood products such as platelet lysate and frozen blood components. Dr. Marks has published over 50 peer-reviewed papers and is an Associate Professor at the School of Medicine at The University of Sydney.

TECHNOLOGY OVERVIEW

The Cryopreservation Problem

Current life science solutions and emerging medical treatments, including stem cell and CAR T-cell therapies, rely on the ability to cryopreserve, store, thaw and manage biological material effectively, safely and in manner that does not impact the integrity of the biological material being cryopreserved.

Existing cryopreservation technology has several limitations, including:

- low product yields due to higher levels of cell damage and low cell survival rates;
- higher levels of cell damage due to factors such as the use of toxic cryoprotectants and ice crystallisation; and
- expensive processing costs due to low product yields and limits on processing volumes^{1,2,3}.

Current cryopreservation solutions use control rate temperature reduction, however in general this is achieved through the use of cryoprotective agents to limit ice crystal formation that can result in cell expansion and death of the biological material. The alternative to controlled slow cooling is rapid cooling from vapor phase nitrogen or liquid nitrogen immersion.⁴ This uncontrolled rapid cooling causes osmotic shock, cell cracking and cell death resulting in low cell survival rates.

It is estimated that these current solutions result in typical recovery of biological material during the thawing process of between 50-70%, adding cost and inefficiency to the cryopreservation process.

The Vitrafy Solution

The Vitrafy cryopreservation solution represents an innovative method to cryopreserve, store and thaw biological material, manage inventory and mitigate potential harm from the process. Vitrafy's solution anticipated to be tailored to any human or animal biological material.

The core of the Vitrafy supply chain solution is its proprietary algorithm, however there are multiple components to the solution as listed below:

1. cryopreservation algorithm;
2. cryopreservation apparatus;
3. tailored racking;
4. smart packaging;
5. thawing apparatus;
6. integrated software, including data collection, reporting and processing automation; and
7. laboratory protocols.

The combination of Vitrafy's cryopreservation algorithm, apparatus, tailored methodologies, processing protocols and integrated software enables Vitrafy to provide a cryopreservation solution that, to date, the Company does not believe has been achieved in the cryopreservation market.

1 <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5395684/>

2 <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4620521/> <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5395684/>

3 <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC7727450/>

4 <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3196719/> <https://www.thermofisher.com/blog/biobanking/how-do-cooling-rates-affect-cryopreservation/>
<https://academic.oup.com/ilarjournal/article/41/4/187/716700>

Cryopreservation Algorithm

Vitrafy has created its own mathematical equation, unique methodology and processing protocol to give a more precise and consistent result when cryopreserving biological material. This is referred to as the Vitrafy algorithm. Each individual product and cell line has its own unique properties, thermal reactions and preservation temperatures that require customised cryopreservation and thawing operating conditions for the highest quality outcome.

The Vitrafy algorithm calculates the required operating conditions for successful cryopreservation (cooling) and thawing (warming) and interacts with Vitrafy's integrated software and apparatus to establish the tailored processing parameters for the biological material that is being cryopreserved.

Cryopreservation Apparatus

The cryopreservation apparatus is a medical device developed by Vitrafy that is able to apply the Vitrafy algorithm to the particular biomedical product that conducts the actual process of cryopreservation and thawing.

The machine operates at ultra-low temperatures with specially designed circulation systems to rapidly remove heat from biological materials at predetermined levels. Specific and precise heat transfer variability are at rates ranging from 1°C to 350°C per minute to the core of the material, determined by algorithm outputs and product requirements. The ability to vary these parameters allows cryopreservation on a wide range of biological materials, importantly the core of the material, with varying thermal properties.

Cryopreservation is the first step in the cryopreservation process and one of the most critical steps. During phase change, products become vulnerable and are susceptible to damage associated with freezing such as ice crystallisation and osmotic shock. With the aim of reducing freeze damages, toxic cryoprotectants are laboriously added to the biological material which have lethal effects on cell survival during the thawing process.

Vitrafy's cryopreservation apparatus and its variability in heat transfer capabilities, reduces these problems that are present in existing freezing technologies.

Tailored Racking and Packing Solutions

To complement the cryopreservation apparatus, Vitrafy has developed specific racking and packing systems. These systems are specifically designed to enhance the variable pre-determined optimal heat transfer rates required for successful processing. These racking and packing systems have an in-built design capacity to handle variable packaging materials and product volumes to suit customised cryopreservation protocols.

Smart Packaging

With its thermodynamically driven design, Vitrafy's, newly developed, smart packaging allows for uniformed heat transfer to the core and across the sample during processing.

The provisional patented method of determining the smart packaging design for the optimal heat transfer requirements of the sample, enables the novel and unique packaging designs from <1ml up to 1000ml.

Limited considerations of heat transfer in the design of existing packaging reduces the possibility of a controlled cryopreservation processes to the core and across the entire surface area of the sample. Also, current packaging does not allow for the ability to integrate, track and trace an individual sample.

Our exclusive smart packaging solution comes with built-in ultra-sensitive temperature sensors (RFID), identification data and live-tracking features including geolocation, monitor and protect each product throughout its journey to the patient, anywhere in the world. The RFID tags are used to contain and protect the product while 'digitally attaching' all crucial details to the product. In addition to secure data linking, the RFID tags double as ultra-sensitive temperature monitors to continually record the product's precise temperature, real-time location and other data points.

Thawing Apparatus

Vitrafy's bio thawing apparatus is machinery developed by Vitrafy that can operate within the temperature range of 0-90°C with specially designed circulation systems to consistently add heat energy into biological materials at predetermined speeds. The ability to vary these parameters allows controlled thawing on a wide range of biological materials, importantly to the core of the product with varying thermal properties.

The method of determining the correct temperature and velocity to achieve controlled thawing limiting cellular damage is based on Vitrafy's algorithm which include parameters such as thermal properties, surface area, geometry and product load volumes.

During thawing, products are vulnerable and susceptible to damage such as cryoprotectant toxicity and ice re-crystallisation resulting in cell membrane rupturing and cell death. As one of the most critical steps in the cryopreservation process tailored and controlled thawing is crucial. Vitrafy's bio thawing apparatus and its variability in heat transfer capabilities, mitigate these problems that are present in existing thawing processes and technologies.⁵

Integrated Software

Vitrafy has connected and integrated all of its components into a simple, user-friendly software interface that automatically collects, calculates, trends and monitors data while informing operating conditions for the cryopreservation and thawing apparatus.

Collation of all cryopreservation and thawing data and information allows for a more controlled and informed cryopreservation process. The software allows for the collation of data insights and monitoring to occur to ensure effective monitoring of the biological materials and ultimately a better outcome in terms of processing and yields.

Laboratory Protocols

Manual handling mistakes and inefficiencies can potentially cause damage to biological material during the cryopreservation process. Vitrafy has developed laboratory protocol manuals, specific to each biological material application, to ensure a consistent processing cycle is maintained to mitigate these issues throughout the entire cryopreservation process



⁵ <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4620521/>

2021 – 2022 HIGHLIGHTS

Intellectual Property

2021 – 2022 has seen considerable expansion of Vitrafys Intellectual Property Portfolio.

Intellectual Property is a key asset for Vitrafy given the global addressable market for its solution, the various applications of its solution across multiple biological materials and the improved outcomes that the solution can indicatively deliver when compared against legacy cryopreservation technologies.

To protect and optimise the commercial value of its solution, Vitrafy has a long-term relationship with specialist patent and trade mark firm, Davies Collison Cave, to implement and execute a proactive global IP strategy. The core of the IP strategy for Vitrafy is based on the initial filing of a patent portfolio, being a number of patent families globally, that provide the strongest and broadest form of IP protection for its developed components of its solution.

In addition, Davies Collison Cave advises on IP protection strategies and the further development of a framework for the optimisation of Vitrafy's IP. In particular, Davies Collison Cave has advised the Company on its IP protection strategies in respect to its partnerships and collaboration agreements already in place in multiple market segments with global applicability.

Vitrafy has partnered with globally recognised commercial organisations in the key market segments of blood components, artificial insemination, cellular therapies and animal reproductive sciences. Through these current and potential future partnerships and collaboration agreements, and the trials and studies undertaken under those arrangements, the Company expects that multiple new patents will be developed and then filed globally for the benefit of Vitrafy, as sole owner, to expand its IP portfolio.

Vitrafy's Intellectual Property – Patent families

Official No.	Owner	Priority Date	Countries	Status
Family 1 – Method and apparatus for freezing of biological products				
2019385712	Vitrafy Life Sciences Ltd	22/11/2018	National Phase Entry AUS, CN, EU, HK, JP, NZ, USA	Application filed
Family 2 – Method and apparatus for freezing of consumable products				
PCT/AU2021/050313	Vitrafy Life Sciences Ltd	08/04/2020	International	PCT International Patent Application Filed
Family 3 – Method and apparatus for preservation of biological material				
PCT/AU2021/051517	Vitrafy Life Sciences Ltd	18/12/2020	International	PCT International Patent Application Filed
Family 4 – Method and apparatus for preservation of biological material				
PCT/AU2021/050024	Vitrafy Life Sciences Ltd	14/01/2021	International	PCT International Patent Application Filed
Family 5 – Packaging for preservation of biological material				
2021904254	Vitrafy Life Sciences Ltd	23/12/2021	Australia	Provisional Patent Application Filed

2021 – 2022 Highlights continued

Official No.	Countries	Priority Date	Trademark	Classes
Family – Vitrafy & design				
2138226	AUS, CA, CN, EU, HK, Int'l, NZ, ROK, SG, ZA, CH, UK, USA, VT	24/11/2020		09, 10, 11, 37, 40, 42
Family – Vitrafy LIFE SCIENCES & design				
2220654	AUS, CA, CN, EU, HK, Int'l, NZ, ROK, SG, ZA, CH, UK, USA, VT	18/10/2021		16, 39, 44
Family – Vitrafy LIFE SCIENCES & design				
2221299	AUS	20/10/2021		16, 39, 44
Family – LifeChain				
2212522	AUS, CA, CN, EU, HK, Int'l, NZ, ROK, SG, ZA, CH, UK, USA, VT	21/09/2021	LifeChain Word Mark	09, 10, 11, 16, 39, 42, 44
Family – LifeChain & device (series)				
2237544	AUS, CA, CN, EU, HK, Int'l, NZ, ROK, SG, ZA, CH, UK, USA, VT	17/12/2021		09, 10, 11, 16, 39, 42, 44
Family – LifeChain Lock Logo (series)				
2237534	AUS, CA, CN, EU, HK, Int'l, NZ, ROK, SG, ZA, CH, UK, USA, VT	17/12/2021		09, 10, 11, 16, 39, 42, 44

R&D Tax Incentive

Vitrafy continues to invest resources and development expertise to developing additional products and technology with the Company acknowledging the importance of continuing to deepen its product offering in order to maintain its competitive advantage.

Vitrafy is delighted to have received \$1,823,449 from the Australian Tax Office under the Research and Development (R&D) Tax Incentive scheme for the 2022 financial year. The rebate's timing and value are in line with company expectations.

The R&D incentive is available to companies undertaking research and development in Australia, encouraging eligible companies engaging in beneficial research by providing a cash rebate for qualifying activities.

Vitrafy was also successful in its application to the Australian Government for "Advance and Overseas Findings" of the company's Research & Development Program. This positive finding provides assurance that Vitrafy's registered Australian and Overseas R&D activities are eligible for claiming under the ATO's Research and Development Tax Incentive (RDTI) program, with an estimated total project value of \$13M AUD including overseas expenditure of approximately \$3M AUD.

BioBridge Global Collaboration

In July 2021 Vitrafy announced the signing of an agreement with Texas based BioBridge Global which is set to revolutionize cryopreservation supply chains for human blood products and advanced cellular therapies. Vitrafy Life Sciences' novel cryopreservation supply chain solution has the potential to prevent the kinds of blood shortages currently seen around the United States and the world.

This agreement is set to develop protocols and methodologies utilizing the Vitrafy Life Science patented algorithm and supporting technology to improve the survival rates of blood and blood products during the cryopreservation supply chain process, while developing innovative new products that to date, cannot be successfully preserved. The technology also will be used in advanced cellular therapies such as CAR T therapy, which have notoriously high manufacturing costs with low survival rates.

"This innovative technology aligns with BioBridge Global's mission of saving and enhancing lives through the healing power of cells and tissues by enhancing the cold chain solution for a wide range of our products," said Dr. Rachel Beddard, Senior Vice President and Chief Medical Officer at BioBridge Global. "It is truly exciting to partner with Vitrafy to bring this game-changing technology to our country."

Through its complex patented algorithm and supporting cryopreservation supply chain technologies, Vitrafy provides precise and consistent cryopreservation cold chain solutions, tailored for the individual cell line. This novel approach provides an opportunity to revolutionize the delivery of existing and emerging cell-based therapies from the research laboratory to the patient bedside.

"Cryopreservation supply chains haven't seen technological advancements for decades," said Vitrafy Life Sciences Co-Founder Brent Owens. "A post-COVID world needs better systems in place to ensure that a constant supply of blood products is always available for patients in need. "Vitrafy Life Sciences is extremely proud to partner with such a reputable and ethical organization in BioBridge Global. We look forward to completing our regulatory approvals and moving into robust optimization of these lifesaving therapies."

BioBridge Global is a San Antonio, Texas-based 501(c)(3) nonprofit corporation that offers diverse services through its subsidiaries – the South Texas Blood & Tissue Center, QualTex Laboratories, GenCure and The Blood & Tissue Center Foundation. BBG provides products and services in blood resource management, cellular therapy, donated umbilical cord blood and human tissue as well as testing of blood, plasma and tissue products for clients in the United States and worldwide. BBG is committed to saving and enhancing lives through the healing power of human cells and tissue. It enables advances in the field of regenerative medicine by providing access to human cells and tissue, testing services and biomanufacturing and clinical trials support.

Leaders from BioBridge Global, Cell Bridge Strategies and Vitrafy Life Sciences are pictured following a meeting at the BioBridge Global Headquarters Building in San Antonio, Texas. From left, Martin Landon, Chief Executive Officer, BioBridge Global; Jane Andrews PhD, Chief Executive Officer, Cell Bridge Strategies; Brent Owens, Co-Founder, Vitrafy Life Sciences; Anand Srinivasan PhD, Director, Innovation & BioDesign, BioBridge Global; and Scott Jones PhD, Vice President, Scientific Affairs, BioBridge Global



DIRECTORS' REPORT

30 June 2022

The directors present their report on Vitrafy Life Sciences Ltd (formally known as Cryogenics Holdings Pty Ltd) for the financial year ended 30 June 2022.

1. General information

Information on directors

The names of each person who has been a director during the year and to the date of this report are:

James Warner Groom
Robert Geoffrey Woolley
Sean Cameron
Brenton Michael Owens
Brian Leslie Taylor
Prof John McBain

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Company secretary

The following person held the position of Company secretary at the end of the financial year:

James Groom resigned as Secretary on 1 September 2021.

On 1 September 2021, the company appointed Boardroom to provide Company secretary services. Sally McDow is the nominated individual.

Principal activities

The principal activity of Vitrafy Life Sciences Ltd during the financial year was to develop new, fully patented, cold chain solutions for the advancement in biomedical cryopreservation. This includes a cryopreservation algorithm, freezing apparatus, thawing apparatus, tailored racking and packing solutions and a completely integrated software solution that includes data collection, reporting and processing automation.

No significant changes in the nature of the Company's activity occurred during the financial year.

2. Operating results and review of operations for the year

Operating results

The loss of the Company after providing for income tax amounted to (\$7,660,411). 2021: (\$3,058,933).

Dividends paid or recommended

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

Review of operations

Vitrafy continues to validate research and progress significant commercial partnerships with pharma companies, and generate further intellectual property and undertake new product development with human stem cells.

On 11th March 2020 the World Health Organisation declared an ongoing global outbreak of a novel coronavirus, known as 'coronavirus disease 2019' (COVID-19) as a pandemic. While the broader economy has been impacted significantly, there have been no significant implications to the operations in the current period.

3. Other items

Significant changes in state of affairs

There have been no significant changes in the state of affairs of the Company during the year.

Conversion to Public Company

On 13 August 2021, the Company converted to a public Company and changed its legal name to Vitrafy Life Sciences Ltd.

Events after the reporting date

There were no significant events after the reporting date.

Environmental issues

The Company's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory of Australia.

Information on directors

James Warner Groom

Experience	James has worked for leading law firms in Australia, the United States and the United Kingdom, specialising in the areas of corporate commercial law. He has also worked as senior corporate counsel company secretary for the Australasian operations of one of the world's largest financial services organisations. James' practice is extensive and covers negotiating and documenting commercial transactions of all types, corporate and financial services law, intellectual property, and corporate governance and compliance. James has a particular interest in assisting startup companies with establishing appropriate systems and processes.
As at the date of this report: interest in Shares and Options	112,313 Ordinary Shares, Options 2020: 7,175, Options 2019: 22,525
Special Responsibilities	Director

Robert Geoffrey Woolley

Experience	Rob identified the opportunity presented in Bellamy's Baby Food business when it was in start up phase. He subsequently played a leading role in the purchase and development of the business as initial Chair and one of the founding shareholders of ASX Company Bellamy's Australia Limited. Rob and others identified a number of business opportunities in the food sector in Tasmania. Rob lead the developments the small listed company TasFoods Limited. Rob became the initial Chair of TasFoods during the acquisition of a number of premium Tasmanian food businesses. Previous corporate roles include: Chairman of Tandou Ltd; Board of Forestry Tasmania; Founding Chair of Freycinet Financial Services Ltd; Managing Director and CEO of Webster Ltd; and a senior partner in Deloitte Australia.
As at the date of this report: interest in Shares and Options	545,051 Ordinary Shares, Options 2020: 10,763, Options 2019: 33,788, Options 2022: 2,814
Special Responsibilities	Chair and Co-Founder

Directors' Report continued

Sean Cameron

Experience	Co-Founder and CEO of Vitrafy Life Sciences, Sean has been with the Company since its inception in 2018. Sean is charged with leading the overall design and delivery of Vitrafy's growth strategy, commercialisation programs and building the Company's scientific process. Sean has been instrumental as the co-investor and development of Vitrafy's transformational cryopreservation medical technologies. Under his leadership the Company has developed an impressive suite of patented cryopreservation medical apparatus' and protocols in just under 3 years. Sean has acquired over 15 years executive leadership experience in manufacturing and industry development roles. His experience includes developing and executing business strategies, capital raising, major project funding and incubating new businesses. Holding an MBA earned with high distinction from Federation University Australia, Sean is a member of the Golden Key International Honour Society.
As at the date of this report: interest in Shares and Options	309,357 Ordinary Shares, Options 2020: 17,938, Options 2019: 56,313 Options 2022: 24,659
Special Responsibilities	Co-Founder and Chief Executive Officer

Brenton Michael Owens

Experience	Brent's creative entrepreneurial flair and extensive knowledge in intellectual property development has seen him pioneer several of the Vitrafy technology innovations and supporting patent protection. Brent's strong leadership and interpersonal skills helps him lead Vitrafy's diverse team of medical scientists and engineers in the execution of novel and inventive Research and Development initiatives, skillfully aligning commercial objectives with technology advancements. Brent has worked in various leadership positions culminating with being a Founding Director of Vitrafy. With a passion for lifelong learning Brent is currently studying a graduate degree in Life Science at Harvard University.
As at the date of this report: interest in Shares and Options	309,357 Ordinary Shares, Options 2020: 17,938, Options 2019: 56,313, Options 2022: 24,659
Special Responsibilities	Co-Founder and Chief Research and Development Officer

Brian Leslie Taylor

Experience	With an impressive 23 year career in business development and innovation, Brian a qualified engineer draws on a proven track record of success to optimise Vitrafy's global market opportunities and strategic partnerships. Brian began his career redeveloping and transforming businesses. His ability to identify and analyse market opportunities and deliver creative solutions has resulted in innovative start-ups and business developments across Regional Victoria, Melbourne and Asia. Prior to his role at Vitrafy, Brian was instrumental in establishing a group of highly successful export companies sourcing and delivering Australian product into China. A skilled communicator and negotiator, Brian is responsible for initiating and facilitating discussions with high profile multi-nationals and industry leaders to maximise opportunities for Vitrafy's unique cryopreservation technology.
As at the date of this report: interest in Shares and Options	334,357 Ordinary Shares, Options 2020: 17,938, Options 2019: 56,313, Options 2022: 6,579
Special Responsibilities	Co-Founder and Chief Business Development Officer

Prof John McBain

Experience	Born in Glasgow, John graduated in medicine from Glasgow University, and trained in obstetrics and gynaecology in Scotland. He came to Australia in 1976 to join the group of doctors researching IVF, as part of which he developed programmes that led to safe, successful super-ovulation. John was President of the Fertility Society of Australia in 1991, and Chairman of Melbourne IVF from 1998 to 2005. He became Head of Reproductive Services – ARTR at the Women's Hospital in 2002. A true pioneer in the treatment of infertility, John's efforts to encourage progress in infertility treatment continue he is a member of The Low-Cost IVF Foundation, which establishes affordable IVF in developing countries; in recognition of his continuing research and academic activities he is also a principal Fellow in the Department of Obstetrics and Gynaecology, University of Melbourne.
As at the date of this report: interest in Shares and Options	285,714 Ordinary Shares, Options 2022: 23,752
Special Responsibilities	Director

Directors' Report continued

Meetings of directors

During the financial year, 11 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings	
	Number eligible to attend	Number attended
James Warner Groom	11	11
Robert Geoffrey Woolley	11	11
Sean Cameron	11	11
Brenton Michael Owens	11	11
Brian Leslie Taylor	11	11
Prof John McBain	11	9

Indemnification and insurance of officers and auditors

(a) Insurance of officers

During the year, Vitrafy Life Sciences Ltd paid premiums in respect of insuring the Directors and officers. The management liability is for a limit of \$2 million.

(b) Insurance of auditors

Vitrafy Life Sciences Ltd has not, during or since the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor. During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related party.

Proceedings on behalf of company

No person has applied for leave of Court, under Section 237 of the *Corporations Act 2001*, to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is party for the purpose of taking responsibility on behalf of the Company for all or part of these proceedings. The Company was not a party to any such proceedings during the year.

Auditor's independence declaration

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 30 June 2022 has been received and can be found on page 19 of the financial report.

Signed in accordance with a resolution of the Board of Directors:



Director



Director

Dated this 17th Day of August 2022

AUDITOR'S INDEPENDENCE DECLARATION

under Section 307c of the *Corporations Act 2001*



Grant Thornton Audit Pty Ltd
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Melbourne VIC 3001
T +61 3 8320 2222

Auditor's Independence Declaration

To the Directors of Vitrafy Life Sciences Ltd

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Vitrafy Life Sciences Ltd 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.

A handwritten signature in dark ink, appearing to read "Grant Thornton".

Grant Thornton Audit Pty Ltd
Chartered Accountants

A handwritten signature in dark ink, appearing to read "M A Cunningham".

M A Cunningham
Partner – Audit & Assurance
Melbourne, 17 August 2022

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ACN-130 913 594

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year ended 30 June 2022

	note	2022 \$	2021 \$
Sales revenue		—	—
Government grants	4	1,823,449	647,763
Other income	4	2,374	193,765
Distribution costs		(3,669)	(1,798)
Marketing expenses		(146,323)	(19,896)
Occupancy costs		(5,752)	(4,680)
Administrative expenses		(3,633,556)	(2,390,600)
Research and development expenses		(1,284,516)	(883,248)
Other expenses	6	(1,365,739)	(430,136)
Finance expenses		(682,148)	(54,376)
Unrealised gain/(loss) on embedded derivative	12	(316,747)	186,106
Costs and capital raising costs after derivative financial instruments	12	—	(173,074)
Convertible note effective interest		(2,047,784)	(128,759)
Loss before income tax		(7,660,411)	(3,058,933)
Income tax expense		—	—
Loss for the year		(7,660,411)	(3,058,933)
Total comprehensive loss for the year		(7,660,411)	(3,058,933)
Loss per share			
Basic loss per share (cents per share)		(261.66)	(124.40)
Diluted loss per share (cents per share)		(261.66)	(124.40)

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	note	2022 \$	2021 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	963,325	7,380,875
Other receivables	8	141,735	121,585
R&D tax incentive receivable		1,823,449	625,263
Other assets		563,140	175,134
TOTAL CURRENT ASSETS		3,491,649	8,302,857
NON-CURRENT ASSETS			
Property, plant and equipment	9	495,142	126,518
Right-of-use assets	10	383,667	80,827
TOTAL NON-CURRENT ASSETS		878,809	207,345
TOTAL ASSETS		4,370,458	8,510,202
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	11	317,939	427,107
Convertible notes	12	7,499,189	–
Derivative financial instruments	12	3,145,146	–
Lease liabilities	10	71,687	34,846
Employee benefits	13	228,118	81,902
TOTAL CURRENT LIABILITIES		11,262,079	543,855
NON-CURRENT LIABILITIES			
Convertible notes	12	–	4,782,241
Derivative financial instruments	12	–	2,828,399
Lease liabilities	10	342,393	57,237
Employee benefits	13	36,287	13,929
TOTAL NON-CURRENT LIABILITIES		378,680	7,681,806
TOTAL LIABILITIES		11,640,759	8,225,661
NET ASSETS		(7,270,301)	284,541
EQUITY			
Ordinary Shares	14	4,828,834	3,572,527
Share Options Reserve	14	320,130	1,470,868
Accumulated losses		(12,419,265)	(4,758,854)
TOTAL EQUITY		(7,270,301)	284,541

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the Year ended 30 June 2022

2022

	note	Ordinary Shares \$	Share Options Reserve \$	Accumulated Losses \$	Total \$
Balance at 1 July 2021		3,572,527	1,470,868	(4,758,854)	284,541
Loss for the period		—	—	(7,660,411)	(7,660,411)
Shares issued during the year		1,256,307	—	—	1,256,307
B & C class shares		—	(1,256,307)	—	(1,256,307)
Share options expense		—	105,569	—	105,569
Balance at 30 June 2022	14	4,828,834	320,130	(12,419,265)	(7,270,301)

2021

	note	Ordinary Shares \$	Share Options Reserve \$	Accumulated Losses \$	Total \$
Balance at 1 July 2020		2,071,957	114,209	(1,699,921)	486,245
Loss for the period		—	—	(3,058,933)	(3,058,933)
Shares issued during the year		1,500,570	—	—	1,500,570
Share options expense		—	1,356,659	—	1,356,659
Balance at 30 June 2021	14	3,572,527	1,470,868	(4,758,854)	284,541

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

For the Year ended 30 June 2022

	note	2022 \$	2021 \$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and other income (inclusive of GST)		–	–
Payments to suppliers and employees		(6,501,424)	(2,179,158)
Interest Received		2,374	–
Government grants received		625,263	456,754
Net cash (used in) operating activities	17	(5,873,787)	(1,722,404)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(485,909)	(98,531)
Net cash (used in) investing activities		(485,909)	(98,531)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issue of shares		–	1,500,570
Proceeds from the issue of convertible notes		–	7,900,000
Payment of finance lease liabilities		(57,854)	(37,925)
Payment of transaction costs		–	(453,568)
Net cash provided by financing activities		(57,854)	8,909,077
Net increase/(decrease) in cash and cash equivalents held		(6,417,550)	7,088,142
Cash and cash equivalents at beginning of year		7,380,875	292,733
Cash and cash equivalents at end of financial year	7	963,325	7,380,875

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 30 June 2022

1. Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards and the *Corporations Act 2001*.

These financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The financial statements have been prepared on an accruals basis and are based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Significant accounting policies adopted in the preparation of these financial statements are presented below and are consistent with prior reporting periods unless otherwise stated.

2. Summary of Significant accounting Policies

(a) Other income

Government Grants

Government grants consists of R&D tax incentive and other income consists of Cash Flow Boost and JobKeeper. The Company's research and development (R&D) activities are eligible under an Australian government tax incentive for eligible expenditure. Management has assessed these activities and expenditure to determine which are likely to be eligible under the incentive scheme, these are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions are met.

(b) Income tax

The tax expense recognised in the statement of profit or loss and other comprehensive income comprises current income tax expense plus deferred tax expense.

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (loss) for the year and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority. Deferred tax is not provided for the following:

- The initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).
- Taxable temporary differences arising on the initial recognition of goodwill.
- Temporary differences related to investment in subsidiaries, associates and jointly controlled entities to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised.

Current and deferred tax is recognised as income or an expense and included in profit or loss for the period except where the tax arises from a transaction which is recognised in other comprehensive income or equity, in which case the tax is recognised in other comprehensive income or equity respectively.

(c) Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payable are stated inclusive of GST.

Cash flows in the statement of cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(d) Property, plant and equipment

Plant and equipment

Plant and equipment are measured using the cost model.

Depreciation

Property, plant and equipment, excluding freehold land, is depreciated on a reducing balance basis over the assets useful life to the Company, commencing when the asset is ready for use.

The depreciation rates used for each class of depreciable asset are shown below:

Plant and Equipment	6.67-66.67%
Furniture, Fixtures and Fittings	10-28.5%

Each asset has been depreciated using the diminishing value method, based on the ATO useful life guidelines. At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

(e) Financial instruments

Financial instruments are recognised initially on the date that the Company becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification

On initial recognition, the Company classifies its financial assets into the following categories, those measured at:

- amortised cost
- fair value through profit or loss – FVTPL
- fair value through other comprehensive income – equity instrument (FVOCI – equity)
- fair value through other comprehensive income – debt investments (FVOCI – debt)

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets.

Amortised cost

Assets measured at amortised cost are financial assets where:

- the contractual terms give rise on specified dates to cash flows are solely payments of principal and interest on the principal amount outstanding.

The Company's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, foreign exchange gains or losses and impairment are recognised in profit or loss. Gain or loss on derecognition is recognised in profit or loss.

These investments are carried at fair value with changes in fair value recognised in other comprehensive income (financial asset reserve). On disposal any balance in the financial asset reserve is transferred to retained earnings and is not reclassified to profit or loss.

Notes to the Financial Statements continued

Financial assets through profit or loss

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at FVTPL.

Net gains or losses, including any interest or dividend income are recognised in profit or loss.

Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Impairment of financial assets

Impairment of financial assets is recognised on an expected credit loss (ECL) basis for the following assets:

- financial assets measured at amortised cost
- debt investments measured at FVOCI

The Company uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

- the other party is unlikely to pay its credit obligations to the Company in full, without recourse to the Company to actions such as realising security (if any is held); or
- the financial assets is more than 90 days past due.

Credit losses are measured as the present value of the difference between the cash flows due to the Company in accordance with the contract and the cash flows expected to be received. This is applied using a probability weighted approach.

Trade receivables and contract assets

Impairment of trade receivables and contract assets have been determined using the simplified approach in AASB 9 which uses an estimation of lifetime expected credit losses. The Company has determined the probability of non-payment of the receivable and contract asset and multiplied this by the amount of the expected loss arising from default.

The amount of the impairment is recorded in a separate allowance account with the loss being recognised in finance expense.

Once the receivable is determined to be uncollectable then the gross carrying amount is written off against the associated allowance.

Where the Company renegotiates the terms of trade receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

Financial liabilities

Financial liabilities – convertible notes

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL. However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Company, are measured in accordance with the specific accounting policies set out below.

Financial liabilities at FVTPL

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

Financial liabilities measured at amortised cost

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

(f) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(g) Leases

(i) Right-of-use asset

At the lease commencement, the Company recognises a right-of-use asset and associated lease liability for the lease term. The lease term includes extension periods where the Company believes it is reasonably certain that the option will be exercised.

The right-of-use asset is measured using the cost model where cost on initial recognition comprises of the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration less any lease incentives received.

The right-of-use asset is depreciated over the lease term on a straight line basis and assessed for impairment in accordance with the impairment of assets accounting policy.

(ii) Lease liability

The lease liability is initially measured at the present value of the remaining lease payments at the commencement of the lease.

The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the Company's incremental borrowing rate is used. The rate used as at 30 June 2022 was 5.37% (2021: 5.37%).

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is remeasured whether there is a lease modification, change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI) or a change in the Company's assessment of lease term.

Where the lease liability is remeasured, the right-of-use asset is adjusted to reflect the remeasurement or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(h) Employee benefits

(i) Employee benefit obligations

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits expected to be settled more than one year after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Cashflows are discounted using market yields on high quality corporate bond rates incorporating bonds rated AAA or AA by credit agencies, with terms to maturity that match the expected timing of cashflows. Changes in the measurement of the liability are recognised in profit or loss.

(ii) Share-based payments

Share-based compensation benefits are provided to employees via the 'employee share option plan' (ESOP). Information relating to these schemes is set out in note 19.

Notes to the Financial Statements continued

(iii) Employee Options

The fair value of options granted under the Employee Option Plan is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- Including any market performance conditions (eg: the entity's share price);
- Excluding the impact of any service and non-market performance vesting conditions (eg profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- Including the impact of any non-vesting conditions (eg the requirement for employees to save or holdings shares for a specific period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of the each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimated, if any, in profit or loss, with a corresponding adjustment to equity.

(i) Valuation of embedded derivatives on convertible notes

The Company entered into an agreement with sophisticated investors for the issue of convertible notes. The fair value of the embedded derivative was determined in line with AASB 9. The Company has applied the Monte Carlo model, using assumed inputs. The Monte Carlo model stimulates plausible future share price paths assuming that the share price evolves according to the geometric Brownian motion model. The Monte Carlo simulation is a flexible approach that accommodates the conversion conditions and the maturity conditions directly into the valuation approach. The average conversion discount represents the fair value of the embedded derivative.

(j) Share capital

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

(k) Foreign currency transactions and balances

Transaction and balances

Foreign currency transactions are recorded at the spot rate on the date of the transaction. At the end of the reporting period:

- Foreign currency monetary items are translated using the closing rate;
- Non-monetary items that are measured at historical cost are translated using the exchange rate at the date of the transaction; and
- Non-monetary items that are measured at fair value are translated using the rate at the date when fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition or in prior reporting periods are recognised through profit or loss.

(l) Going concern

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

For the period ended 30 June 2022, the company incurred an operating loss of \$7,660,411 (2021: \$3,058,933) and reported a deficiency in net assets at 30 June 2022 of (\$7,270,301) (2021: \$284,541). The company recorded negative net cash flow from operating activities of (\$5,873,787) (2021: \$1,722,404).

The deficiency in Net Assets relates predominantly to the convertible notes on issue. The convertible notes will either convert to equity or be paid out upon IPO or further capital raises. This will place the company back into a Net Asset surplus position when it occurs.

The following matter have been considered by directors in determining the appropriateness of the going concern basis of preparation:

- The Company has entered into a convertible note agreement whereby they have issued 7,900,000 convertible notes at \$1 per note (\$7,900,000).
- The convertible notes have been extended to mature on 2 December 2022 or upon IPO of the company, whichever date is earlier.

In order to continue as a going concern, the Company is reliant on raising further capital and the Company is undertaking preparations for an Initial Public Offering (IPO) on the Australian Securities Exchange (ASX).

Based on the above, the directors are satisfied that the Company has access to sufficient sources of funding to meet its commitments, and is able to progress its research and development programs over the next 12 months, and for that reason the financial statements have been prepared on the basis that the Company is a going concern.

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic may have, and there does not appear to be any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Company unfavourably.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessarily incurred should the Company not continue as a going concern.

(m) New standards and interpretations not yet adopted

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

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

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Company.

3. Critical accounting Estimates and Judgments

The directors make estimates and judgements during the preparation of these financial statements regarding assumptions about current and future events affecting transactions and balances.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

The significant estimates and judgements made have been described below.

- *Estimation of R&D tax incentive income – note 4*
- *Share Based Payments – note 19*
- *Convertible Notes and Embedded Derivative Valuation – note 12*

Key estimates – fair value of financial instruments

The Company has certain financial assets and liabilities which are measured at fair value. Where fair value has not able to be determined based on quoted price, a valuation model has been used. The inputs to these models are observable, where possible, however these techniques involve significant estimates and therefore fair value of the instruments could be affected by changes in these assumptions and inputs.

Key judgments – taxes

Deferred tax assets

Determining income tax provisions involves judgment on the tax treatment of certain transactions. Deferred tax is recognised on tax losses not yet used and on temporary differences where it is probable at there will be taxable revenue against which these can be offset. Management has made judgments as to the probability of future taxable revenues being generated against which tax losses will be available for offset based on budgets, current and future expected economic conditions.

4. Other income

(a) Government Grant

The Company's research and development (R&D) activities are eligible under an Australian government tax incentive for eligible expenditure. Management has assessed these activities and expenditure to determine which are likely to be eligible under the incentive scheme. Amounts are recognised when it has been established that the conditions of the tax incentive have been met and that the expected amount can be reliably measured. For the year ended 30 June 2022, the Company has included \$1,823,449 (2021: \$647,763) of government grant receivable, being R&D tax incentive.

(b) Other income

Included in other income is Cashflow Boost \$0 (2021: \$72,047), Job Keeper \$0 (2021: \$121,500) received from the government and interest received \$2,374 (2021: \$218).

5. Operating Segments

identification of reportable segments

The Company has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors and management team in assessing performance and determining the allocation of resources.

Management has identified one reportable segment being: **Research and Development (R&D)**: income and expenses directly attributable to the Company's R&D projects.

The financial breakdown for the segment information for the reportable segments for the year ended 30 June 2022 – refer Statement of Profit and Loss & Other Comprehensive Income, Statement of Financial Position.

6. Result for the year

The result for the year includes the following specific expenses:

	2022 \$	2021 \$
Other expenses:		
Legal costs	690,290	161,971
Professional fees	123,182	120,065
Donations	—	50
Depreciation expenses	117,285	10,392
Meeting expenses	3,996	5,325
Pest control	4,361	3,801
Protective clothing	661	926
Subscriptions	47,579	22,597
Travelling expenses	53,224	13,578
Contract work	19,000	—
Patent fees and trademarks	306,161	91,431
Total	1,365,739	430,136

7. Cash and Cash Equivalents

	2022 \$	2021 \$
Cash at bank and in hand	963,325	7,380,875
	963,325	7,380,875

8. Trade and Other Receivables

	2022 \$	2021 \$
Current:		
Deposits	21,450	13,200
GST Receivable	120,285	100,694
Other Receivables	—	7,691
Total Trade and Other Receivables	141,735	121,585

Notes to the Financial Statements continued

9. Property, Plant and Equipment

	2022 \$	2021 \$
Plant and equipment		
At cost	495,187	120,877
Accumulated Depreciation	(112,408)	(12,584)
Total Plant and Equipment	382,779	108,293
Furniture, Fixtures and Fittings		
At cost	144,484	32,885
Accumulated Depreciation	(32,121)	(14,660)
Total Furniture, Fixtures and Fittings	112,363	18,225
Total Property, Plant and equipment	495,142	126,518

(a) Movements in carrying amounts of property, plant and equipment

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Plant and Equipment \$	Furniture, Fixtures and Fittings \$	Total \$
Year ended 30 June 2022			
Balance at the beginning of year	108,293	18,225	126,518
Additions			
Additions	374,311	111,598	485,909
Depreciation expense	(99,825)	(17,460)	(117,285)
Balance at the end of the year	382,779	112,363	495,142

	Plant and Equipment \$	Furniture, Fixtures and Fittings \$	Total \$
Year ended 30 June 2021			
Balance at the beginning of year	16,756	21,623	38,379
Additions			
Additions	98,531	—	98,531
Depreciation expense	(6,994)	(3,398)	(10,392)
Balance at the end of the year	108,293	18,225	126,518

10. Leases

Right-of-use assets

The Company has an operating lease for its office, laboratory and warehouse facilities for a period of three (3) years from 31 January 2018, with a further option to extend the lease for another three (3) years. The Company took up the option to extend the lease, which was signed on 12 February 2021. A variation of Lease was signed 28 October 2021 to extend the size of the premises leased in include Shed 2 at 45 Selkirk Drive. No further options were granted and no other terms of the original lease were changed. On 17 June 2022 the company signed a new lease on premises at 45 Selkirk Drive as additional warehousing.

	Buildings \$	Total \$
Year ended 30 June 2022		
Balance at beginning of year	80,827	80,827
Additions	366,867	366,867
Amortisation for the year	(64,027)	(64,027)
Balance at end of year	383,667	383,667
Year ended 30 June 2021		
Balance at beginning of year	113,157	113,157
Amortisation for the year	(32,330)	(32,330)
Balance at end of year	80,827	80,827

The maturity analysis of lease liabilities based on contractual undiscounted cash flows is shown in the table below:

	< 1 year \$	1 – 5 years \$	> 5 years \$	Lease liabilities included in this Statement of Financial Position \$
2022				
Lease liabilities	92,185	352,235	30,214	474,634
2021				
Lease liabilities	34,846	57,237	–	92,083

11. Trade and Other Payables

	2022 \$	2021 \$
Current		
Trade payables	237,152	357,883
Sundry payables and accrued expenses	80,787	69,224
	317,939	427,107

Trade and other payables are unsecured, non-interest bearing and are normally settled within 30 days. The carrying value of trade and other payables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

12. Convertible Notes & Derivative financial instruments

(a) Convertible Notes & Derivative financial instruments

The Company issued 7,900,000 convertible notes with a face of \$1.00. The interest rate payable to the noteholders is 8% per annum quarterly in arrears with interest capitalised on notes. The convertible notes are to mature on 2nd December 2022 or IPO of the Company, whichever date is earlier. The notes are unsecured, but rank ahead of shares in wind up.

The Company's convertible notes contain an embedded derivative. This is measured at fair value, with an independent valuer providing a valuation of this instrument as at 30 June 2022.

Additionally, the Company incurred expenses totaling \$453,568 in order to issue the convertible notes. At initial recognition an embedded derivative is recognised on the statement of financial position at fair value and that embedded derivative is subsequently recorded at its fair value thereafter, with changes in fair value going through to the statement of profit or loss and other comprehensive income. The difference between the consideration received (net of costs) and the embedded derivative is reflected in the principal value of the convertible note liability. The underlying debt principal is amortised back to its face value at maturity, net of transaction costs, using the effective interest rate method.

Fair value measurement of financial instruments

All financial liabilities for which fair value is disclosed are level 3 liabilities on the fair value hierarchy. Fair Value hierarchy levels 1 to 3 are based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2022 \$	2021 \$
Non-Current		
Convertible notes:		
Balance at beginning of year	4,782,241	—
Additions during the year	—	4,885,494
Convertible note effective interest	2,047,784	128,759
Transactions costs capitalised	—	(280,494)
Interest capitalised	669,164	48,482
Total convertible notes (net of transaction costs) at end of year	7,499,189	4,782,241
Embedded derivative:		
Balance at beginning of year	2,828,399	—
Additions during the year	—	3,014,505
Loss/(gain) in movement of fair value of derivative	316,747	(186,106)
Total derivative at end of year	3,145,146	2,828,399
Total convertible notes and derivatives	10,644,335	7,610,640

13. Employee Benefits

	2022 \$	2021 \$
Current liabilities		
Provision for employee benefits	228,118	81,902
Non-current liabilities provision for employee benefits	36,287	13,929

14. Issued Capital

	2022 \$	2021 \$
Ordinary Shares – fully paid	4,828,834	3,572,527

(a) Ordinary A shares

	2022 no.	2021 no.
At the beginning of the reporting period	2,578,421	2,149,687
Shares issued during the year		
Ordinary Shares	369,426	428,734
At the end of the reporting period	2,947,847	2,578,421

The holders of ordinary shares are entitled to participate in dividends and the proceeds on winding up of the Company. On a show of hands at meetings of the Company, each holder of ordinary shares has one vote in person or by proxy, and upon a poll each share is entitled to one vote.

The Company does not have authorised capital or par value in respect of its shares.

15. Contingencies

Contingent Liabilities

Vitrafy Life Sciences Ltd had the following contingent liabilities at the end of the reporting period:

In late 2018, Vitrafy entered into an MOU with a third party relating to the human body applications of its technology. The contractual arrangement contemplated the third party taking an exclusive licence of this aspect of Vitrafy's technology and sub-licensing it to an international corporation, with material ongoing licence fees payable to Vitrafy, if such a commercial arrangement could be achieved by the third party.

The MOU had an initial end date of 31 December 2019 and was extended by the third party to 31 December 2020. In late December 2020, the third party purported to extend the MOU for a further 12 months.

Vitrafy engaged MinterEllison to provide legal advice in relation to the parties' respective positions regarding the term of the MOU.

In January 2021, Vitrafy formally rejected the third party's purported extension of the MOU, and confirmed in writing that it considered the MOU to have expired on 31 December 2020 such that Vitrafy was no longer bound by its terms.

The third party responded in late January 2021 with a formal threat of legal action (including a threat to seek an immediate interlocutory injunction) if Vitrafy refused to treat the MOU as remaining on foot. Although the undertakings demanded of Vitrafy were never provided, there was no further contact from the third party until mid-August 2021.

After a period of inactivity, the third party re-engaged with the company in August 2021, but Vitrafy continued to refuse to provide the requested undertakings. On 4 October 2021, the third party commenced a proceeding against Vitrafy in the Supreme Court of Victoria, seeking a declaration that the second purported extension was valid, an order requiring Vitrafy to grant it the licence contemplated under the MOU (or in the alternative, damages), an injunction restraining Vitrafy from acting inconsistently with the MOU, and associated other orders relating to matters arising under the MOU.

As a first step in the proceeding, the Supreme Court granted an application made by Vitrafy (and consented to by the third party) to have the question of whether the MOU could be extended more than once determined separately and before any other issue in the proceeding. The trial of this 'separate question' was heard on 7 December 2021, with Vitrafy represented at the hearing by David Batt QC and Huw Whitwell of counsel, instructed by MinterEllison.

In a judgment handed down on 25 February 2022, Justice Osborne answered the question in the negative; that is, the term of the MOU could not be extended more than once, consistent with the position held by Vitrafy since the dispute first arose. His Honour's reasons for judgment largely adopted and/or endorsed the arguments made by Vitrafy in its submissions to the Court.

As a consequence of Vitrafy's success on the separate question, on 25 March 2022, Justice Osborne made an order requiring the third party to pay Vitrafy's costs.

The third party subsequently filed an application to the Court of Appeal for leave to appeal from Justice Osborne's judgment. That application (and, if leave is granted, the appeal itself) has been listed for hearing before two or more Supreme Court judges (sitting as the Court of Appeal) on 22 August 2022. In light of the third party's appeal, the balance of the Supreme Court proceeding is effectively on hold pending the outcome of the Court of Appeal hearing.

Vitrafy's position is that the determination of the separate question in its favour disposes of all, or at least substantially all, of the substantive proceeding. That is because Vitrafy considers that the relief sought by the third party is contingent on the MOU remaining in force. Therefore, if the Court of Appeal refuses the third party's appeal, the litigation should be at an end, or, at best, pursuing the litigation would be of limited (if any) substantive benefit to the third party.

The third party appears to contend that in such a scenario it would still prosecute a breach of contract claim against Vitrafy in the substantive proceeding. Vitrafy considers that to do so would at least require an amendment to the statement of claim (for which the third party would require the leave of the Court, the grant of which would be resisted by Vitrafy).

Vitrafy's position remains that the MOU came to an end on 31 December 2020, that it is able to interact with other parties on that basis without reference to the third party, and that in no way did Vitrafy breach the MOU.

16. Income tax Expense

(a) Numerical reconciliation of income tax expense to prima facie tax payable:

	2022 \$	2021 \$
Loss before tax from continuing operations	(7,660,411)	(3,058,933)
Income tax (benefit)/expense calculated at 25% (2021 : 26%)	(1,915,102)	(795,323)
Unused tax losses and tax offset not recognised as deferred tax assets:		
– Other non-deductible expenses	1,665,767	478,353
– Other non-assessable income	(376,676)	(229,688)
– Other deferred tax assets and tax liabilities not recognised	626,011	546,658
– Income tax (benefit)/expense reported in the statement of comprehensive income	–	–
– Unused tax affected tax losses for which no deferred tax asset has been recognised	990,045	336,669

The tax rate used in the above reconciliation is the corporate tax rate of 25% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

(b) Unrecognised deferred tax balances

The following deferred tax assets and (liabilities) have not been brought to account:

	2022 \$	2021 \$
Deferred tax assets comprise		
Temporary differences	150,919	409,460
Permanent differences	990,045	336,669
Deferred tax liabilities comprise		
Temporary differences	–	–
Net deferred tax assets	1,140,964	746,129

A deferred tax asset has not been recognised in the financial statements because it is not demonstrably probable that sufficient future taxable income will be available against with the Company can utilise the benefits thereof.

The future benefits of these tax assets will only be obtained if:

- The Company derives future assessable income of a nature and at an amount sufficient to enable the benefit from the assets to be realised;
- The Company continues to comply with the conditions for deductibility imposed by relevant tax legislation; or
- No changes in tax legislation adversely affect the Company in realising the benefit from the assets. The amount of franking credits available for subsequent reporting periods are:

	2022	2021
Deferred debit balance of franking account at the beginning of the reporting period	1,397,431	772,168
Deferred debit that will arise from receipt of the R&D tax offset for the current year	1,823,449	625,623
Balance of franking account adjusted for deferred debits arising from past R&D offsets received and expected R&D tax offset received for the current year	3,220,880	1,397,431

Notes to the Financial Statements continued

17. Cash flow information

(a) Reconciliation of result for the year to cash flows from operating activities

Reconciliation of net loss to net cash provided by operating activities:

	2022 \$	2021 \$
Loss for the year	(7,660,411)	(3,058,933)
Cash flows excluded from loss attributable to operating activities		
Non-cash flows in loss:		
– amortisation	77,011	38,133
– depreciation	117,285	10,392
– share options	105,569	1,356,659
– convertible notes accrued interest	669,164	48,482
– fair value movements on derivative and convertible notes effective interest	2,364,531	(337,842)
Changes in assets and liabilities:		
– (increase)/decrease in trade and other receivables	(20,150)	(95,221)
– (increase)/decrease in prepayments	(388,006)	(175,134)
– Capital raising costs	–	453,568
– (increase)/decrease in R&D tax incentive receivable	(1,198,186)	(384,774)
– increase/(decrease) in trade and other payables	(109,168)	379,971
– increase/(decrease) in employee provision	168,574	42,295
Cash flows from operations	(5,873,787)	(1,722,404)

18. Related Parties

(a) The Company's main related parties are as follows:

Other related parties include close family members of key management personnel and entities that are controlled or significantly influenced by those key management personnel or their close family members.

Engagement of Tom Woolley, a shareholder (and son of the Chair), as a corporate consultant from time to time. There were no payment for services rendered for the Company during the year. (2021: \$9,500).

Engagement of James Groom's law firm to act as a corporate legal adviser to the Company on an as required basis.

(b) Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

	Salary/ Director Fees	Bonus	Super- annuation	Share Based Payments	Legal fees
Non-executive directors (FY 2022)					
Robert Woolley	30,000	—	—	30,000	—
James Groom	40,000	—	—	—	—
John McBain	—	—	—	128,600	—
Non-executive directors (FY 2021)					
Robert Woolley	—	—	—	82,748	—
James Groom	—	—	—	55,165	—
Executive directors (FY 2022)					
Sean Cameron	294,434	123,333	28,939	109,239	—
Brent Owens	309,514	123,333	28,939	109,239	—
Brian Taylor	77,879	123,333	7,788	29,145	—
Executive directors (FY 2021)					
Sean Cameron	150,300	—	14,250	393,649	—
Brent Owens	150,300	—	14,250	393,649	—
Brian Taylor	45,000	—	4,275	393,649	—
KMP related parties					
Paid to Groom Kennedy 2022	—	—	—	—	272,414
Paid to Groom Kennedy 2021	—	—	—	—	135,246

(c) Key Management personnel compensation

	2022 \$	2021 \$
Short-term employee benefits	681,827	345,600
Post-employment benefits	65,666	32,775
Total	747,493	378,375

Notes to the Financial Statements continued

19. Share-based Payments

At 30 June 2022 Vitrafy Life Sciences Ltd has the following share-based payment schemes:

- Employee and Consultant Share Options
- Non Executive Directors Options Series 1

Employee and consultant Share Options (eSOP)

A summary of the Company options issued is as follows:

2022 Grant Date	Expiry Date	Exercise price	Start of the year	Granted during the year	Exercised during the year	Expired during the year	Balance at end of the year
01 February 2019	01 February 2024	1.50	230,252	—	—	—	230,252
01 February 2021	01 February 2025	2.75	76,752	—	—	—	76,752
01 July 2021	30 June 2023	2.75	—	33,000	—	—	33,000
24 June 2022	30 June 2027	20.00	—	97,261	—	—	97,261
30 June 2022	31 October 2026	0.01	—	6,566	—	—	6,566

B & C class Shares in lieu of 2021 eSOP

On 27 October 2020 all shareholders signed off on a circulating resolution to issue B & C Class Shares. In lieu of an ESOP award for FY 2022, in June 2021 the Board approved the issue of Bonus Shares (in the form of B & C Class Shares) to the company's key executive and non-executive directors. The bonus shares will entitle the holder to a predetermined portion of the "Net Proceeds" of any "Liquidity Event" involving the Company.

In the case of B Class Shares, the predetermined portion of the Net Proceeds on a Liquidity Event is a combined 20% of any amount between \$10M and \$20M and in the case of C Class Shares the predetermined portion is a combined 15% of any amount over \$20M.

3 B Class Bonus Shares were issued, one each to Sean Cameron, Brent Owens and Brian Taylor (or their respective nominees) as the executive directors of the Company.

40 C Class Bonus Shares were issued, 10 each to Sean Cameron, Brent Owens and Brian Taylor, 6 to Rob Woolley and 4 to James Groom (or their respective nominees) as the executive and non-executive directors of the Company.

An independent valuer was engaged by the directors of the Company to provide an opinion as to the fair value of the embedded derivative attached to the convertible notes issued on 2 June 2021 (Embedded Derivative), which are convertible to unissued shares in the Company (Convertible Notes).

The directors also required the valuation of B & C Class shares issued to certain specified executive and non-executive directors of the Company. The valuation of the B & C class shares have been applied using the Monte Carlo model. The Monte Carlo model stimulates plausible future share price paths assuming that the share price evolves according to the geometric Brownian motion model. The Monte Carlo simulation is a flexible approach that accommodates the conversion conditions and the maturity conditions directly into the valuation approach.

The issue of the B & C Class shares have been issued under AASB 2 *Share Based Payments*. Therefore the valuation date is the grant date of 27 October 2020 (grant date).

B & C class conversion to Ordinary Shares

It should also be noted that on 27 July 2021, the B & C Class Shares have been converted to ordinary shares upon the “Liquidity Event” being the Convertible Note Capital Raise. This has resulted in the cancellation of the B & C Class shares, and the issue of 225,603 ordinary shares for the B Class, and 143,823 ordinary shares for the C Class at a share price of \$8.8651 per share.

Share Based Payments (Options) paid under 2022 eSOP

On 24 June 2022 the company issued options to employees and certain key contractors under the company ESOP. The remuneration committee meeting on 18 May 2022 contained resolutions regarding the granting of these options. These resolutions were accepted by the board on 18 June 2022.

Options are valued in accordance with prior years using a Black Scholes model, which is commonly used to value an option on shares which do not pay dividends. To estimate an option’s fair value using a Black Scholes Model there are five key variables which determine the option’s price:

- Market price of the underlying share – \$8.87
- Exercise price of the option – \$20.00
- Expected term of the option – 5 years
- Risk free interest rate for the duration of the option term – 3%
- Expected share price volatility over the option term – 80%

20. Financial Risk Management

The Company is exposed to a variety of financial risks through its use of financial instruments.

The Company’s overall risk management plan seeks to minimise potential adverse effects due to the unpredictability of financial markets. The most significant financial risks to which the Company is exposed to are described below:

Specific risks

- (a) Liquidity risk.
- (b) Credit risk.
- (c) Market risk.
- (d) Taxation risk.

Financial instruments used

The principal categories of financial instrument used by the Company are:

- Trade receivables
- Cash at bank
- Trade and other payables
- Lease liabilities
- Convertible notes

Notes to the Financial Statements continued

	2022 \$	2021 \$
Financial assets		
Held at amortised cost Cash and cash equivalents	963,325	7,380,875
Trade and other receivables		
Other receivables	141,735	121,585
Total financial assets	1,105,060	7,502,460
Financial liabilities		
Convertible notes measured at amortised cost	7,499,189	4,782,241
Derivative financial instruments measured at FVTPL	3,145,146	2,828,399
Total financial liabilities	10,644,335	7,610,640

Objectives, policies and processes

The Board of Directors have overall responsibility for the establishment of Vitrafy Life Sciences Ltd's financial risk management framework. This includes the development of policies covering specific areas such as interest rate risk, liquidity risk, credit risk and the use of financial instruments.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and Vitrafy Life Sciences Ltd's activities.

The day-to-day risk management is carried out by Vitrafy Life Sciences Ltd's finance function under policies and objectives which have been approved by the Board of Directors. The Chief Financial Officer has been delegated the authority for designing and implementing processes which follow the objectives and policies. This includes monitoring the levels of exposure to interest rate and assessment of market forecasts for interest rates.

The Board of Directors receives monthly reports which provide details of the effectiveness of the processes and policies in place. Mitigation strategies for specific risks faced are described below:

Liquidity risk

Liquidity risk arises from the Company's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due.

The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities as and when they fall due. The Company maintains cash and marketable securities to meet its liquidity requirements for up to 30-day periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to raise issued capital.

The Company manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash-outflows due in day-to-day business.

Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day period are identified monthly.

At the reporting date, these reports indicate that the Company expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. Credit risk arises from cash and cash equivalents.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which the customers operate.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

Taxation risk

The Company activities are significantly exposed to research and development expenses. Due to the activities the Company is involved in, it submits annually research and development tax incentive claims. The incentive amounts received are the main source of revenue streams for the Company. There is risk of audit from the Australian Tax Office and an adverse finding would affect cashflow reserves of the Company.

21. Auditors' Remuneration

	2022 \$	2021 \$
Remuneration of the auditor		
GRANT THORNTON AUDIT PTY LTD, for:		
– auditing or reviewing the financial statements	95,000	45,324
– other non-audit services	67,500	–
Total	140,324	67,500

22. Loss per share

Both the basic and diluted loss per share have been calculated using the loss for the year. The reconciliation of the weighted average number of shares for the purpose of diluted loss per share to the weighted average number of ordinary shares used in the calculation of basic loss per share is as follows:

	2022 \$	2021 \$
Loss after income tax	7,660,411	3,058,993

	2022 no.	2021 no.
Weighted average number of ordinary shares for the purpose of basic loss per share	2,927,604	2,458,984
Weighted average number of ordinary shares for the purpose of diluted loss per share	2,927,604	2,458,984

Notes to the Financial Statements continued

23. Events Occurring after the Reporting Date

The financial report was authorised for issue on 17 August 2022 by the board of directors. There were no other events after the reporting date.

24. Statutory information

The registered office of the company is: Vitrafy Life Sciences Ltd

Level 1

47 Sandy Bay Road

Hobart Tasmania 7000

The principal place of business is:

45 Selkrik Drive

Wendouree Victoria 3355

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. The financial statements and notes for the year ended 30 June 2022 are in accordance with the *Corporations Act 2001*; and:
 - (a) comply with Accounting Standards, which, as stated in basis of preparation Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
 - (b) give a true and fair view of the financial position and performance of the Company;
2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

this declaration is made in accordance with a resolution of the Board of Directors.



Director



Director

Dated this 17th Day of August 2022

INDEPENDENT AUDIT REPORT



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Independent Auditor's Report

To the Members of Vitrafy Life Sciences Ltd

Report on the audit of the financial report

Opinion

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

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

- a giving a true and fair view of the Company'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 Company 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 (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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Material uncertainty related to going concern

We draw attention to Note 2(l) in the financial statements, which indicates that the Company incurred an operating loss of \$7,660,411 during the year ended 30 June 2022, and as of that date, the Company reported a net asset deficiency of \$7,270,301. As stated in Note 2(l), these events or conditions, along with other matters as set forth in Note 2(l), indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 Company's Director's 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 Company'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 Company 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/ar4.pdf. This description forms part of our auditor's report.

Grant Thornton Audit Pty Ltd
Chartered Accountants

M A Cunningham
Partner – Audit & Assurance
Melbourne, 17 August 2022

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CORPORATE DIRECTORY

Directors

Mr Robert Woolley – Independent Non-Executive Chairman
Mr James Groom – Independent Non-Executive Director
Assoc Prof John McBain – Independent Non-Executive Director
Mr Sean Cameron – Executive Director/CEO
Mr Brenton Owens – Executive Director/Chief Research & Development Officer
Mr Brian Taylor – Executive Director/Chief Business Development Officer

Chief Financial Officer

Mr Glenn Sharp – CFO

Company Secretary

Ms Sally McDow (Boardroom Pty Ltd) – Company Secretary

Registered Office

Level 1, 47 Sandy Bay Road
Hobart, Tasmania 7000

Legal Advisers

Groom Kennedy

Level 1, 47 Sandy Bay Road
Hobart, Tasmania 7000

Minter Ellison

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Melbourne, Victoria 3000

Patent Attorneys

Davies Collinson Cave

1 Nicholson Street
Melbourne, Victoria 3002

Investigating Accountant

Grant Thornton

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727 Collins Street
Melbourne, Victoria 3008

Auditors

Grant Thornton

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727 Collins Street
Melbourne, Victoria 3008



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