



QBiotics Group Limited  
INTERIM FINANCIAL REPORT  
31 DECEMBER 2023

ABN 13 617 596 139



**QBiotics Group**

Naturally Inspired  
Scientifically Defined



# QBiotech Group Limited

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# Directors' Report



# QBiotics Group Limited

## Directors' report

For the period ended 31 December 2023

The directors of QBiotics Group Limited (the "Company" or "QBiotics Group") present their report together with the condensed consolidated financial statements for the period ended 31 December 2023 and the auditor's report thereon.

### 1. Directors

The directors of the Company in office during the period ended 31 December 2023 and at the date of this report (unless otherwise stated) are:

Name	Position
Dr Susan Foden	Non-Executive Deputy Chair until 16 November 2023, appointed Executive Chair effective from 17 November 2023
Dr Victoria Gordon	Executive Director Strategic Alliances and Investor Relations (Chief Executive Officer until 16 November 2023)
Dr Paul Reddell	Executive Director and Chief Scientific Officer
Andrew Denver	Non-executive Chair until 16 November 2023, reverting to Non-executive Director effective from 17 November 2023
Prof Bruce Robinson AC	Non-executive Director
Hamish Corlett	Non-executive Director
Dr Steven Ogbourne	Executive Director and Chief Translational Research Officer (resigned from directorship of the Company effective 17 November 2023)

### 2. Review of operations

The principal activity of the group, comprising the Company and its subsidiaries (together referred to as "the Group"), during the period was the research, development and commercialisation of biologically active small molecules for application as human and veterinary pharmaceuticals. Product development was focused on (i) human clinical development of the anticancer drug tigilanol tiglate, and (ii) preparation for a first-in-human clinical Phase I/IIa trial in Venous Leg Ulcers for the wound healing drug candidate EBC-1013. The Group also progressed the early-stage research and development programmes for antimicrobial and anti-inflammatory products as well as possible non-pharmaceutical products.

Commercialisation activities were undertaken focused on securing an international licensing or collaboration partner for tigilanol tiglate human oncology programme. Marketing of QBiotics' veterinary oncology pharmaceutical STELFONTA®, through the company's marketing and distribution partner Virbac was closely monitored and support was provided by the Group where appropriate.

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

#### (a) Development and the intratumoural (IT) anticancer drug tigilanol tiglate for human and veterinary application

- Nine patients were recruited and treated in a USA single site human clinical Phase II efficacy trial treating soft tissue sarcomas (QB46C-H07) under an approved Investigational New Drug (IND) with the Food and Drug Administration (FDA); only two additional patients are required to complete recruitment for this trial; an Orphan Drug Designation application for the treatment of soft tissue sarcomas was submitted to the FDA;
- Nine patients were recruited and treated in a multi-centre (Australia and the UK) human clinical Phase II efficacy trial treating head and neck cancer (QB46C-H08) under a Clinical Trials Notification (CTN) with the AU Therapeutic Goods Administration (TGA) and a Clinical Trials Authorisation (CTA) with the UK Medicines and Healthcare products Regulatory Agency (MHRA); an additional site for this trial was opened in the UK in an attempt to increase recruitment rate; and
- A report was finalised for an international clinical trial evaluating tigilanol tiglate in the treatment of equine sarcoids with equine specialist veterinarians at leading university hospitals and private practices in Europe, the United Kingdom, Australia and the USA; this was a 30 horse trial with a total of 41 sarcoides treated; top line results were 56% complete response (CR) after the first treatment, and 73% cumulative CR after 3 treatments for those sarcoides not achieving CR on the first treatment; adverse events were only reported in 3 horses; treatment was durable out to 6 months with assessment ongoing.

# QBiotics Group Limited

## Directors' report

For the period ended 31 December 2023

### 2. Review of operations (continued)

#### (b) Product related business development of tigilanol tiglate

- Commercialisation activities aimed at securing an international licensing or collaboration partner for human use of tigilanol tiglate as a treatment for solid tumours was ongoing; this included refinement of data packages, presentations at international industry partnering, drug development and science meetings, engagement with clinical key opinion leaders, and initial discussions with potential partner companies;
- Marketing and educational support was provided to the Group's partner Virbac to market the veterinary oncology pharmaceutical STELFONTA® in Europe, the UK, the USA and Australia; and
- Marketing and educational support was provided to our marketing and distribution partner Virbac in an attempt to address the slow market uptake of QBiotics' veterinary oncology pharmaceutical STELFONTA®.

#### (c) Development of the wound healing drug candidate EBC-1013 for human and veterinary application

- Preparation for a first-in-human Phase I/IIa human clinical trial treating Venous Leg Ulcers was continued; a draft protocol was finalised and documentation for submission to a selected regulatory body was collated; site and clinical investigator selection was continued; and
- A dose finding study was continued in canine wounds to inform dose selection and regimens for future human and veterinary trials.

#### (d) Domestication of *Fontainea picrosperma*, the source plant of tigilanol tiglate and EBC-1013

- Plantation management, general harvesting of fruit and processing for isolation of API.

Research and development activities undertaken during the half-year also included the continued development of a product discovery pipeline focusing on early-stage preclinical development of molecules with antibiotic and anti-inflammatory activity.

#### (e) Presentation at international conferences

QBiotics employees, contracted researchers and oncology clinicians presented (i) company overviews, and (ii) research outcomes from the oncology and wound healing programmes at the following international conferences:

##### Corporate presentations:

- Bell Potter Healthcare Conference, 14, 15 and 16 November (Virtual Conference); and
- BIO Europe, 6-8 November in Munich, Germany.

##### Scientific conferences:

- Veterinary Cancer Society Annual Conference, 12-14 October in Reno, Nevada, US;
- 31<sup>st</sup> International Symposium on Chemistry of Natural Products and the 11th International Congress on BioDiversity, 15-19 October in Napoli, Italy – plenary presentation and 3 posters;
- European Society for Medical Oncology Congress, 20-24 October Madrid, Spain;
- 7<sup>th</sup> Annual Dermatology Drug Development Summit, 31 October-2 November in Boston, Massachusetts;
- Connective Tissue Oncology Society Annual Meeting, 1-4 November in Dublin, Ireland; and
- Society for Immunotherapy of Cancer Annual Meeting, 1-5 November in San Diego, California.

#### (f) Publications

The following manuscript, highlighting the Group's research, was published in a high profile journal:

- Maioli *et al.* (2023). Novel Skeletal Rearrangements of the Tigliane Diterpenoid Core. *Journal of Natural Products*. <https://doi.org/10.1021/acs.jnatprod.3c00834>

# QBiotics Group Limited

## Directors' report

For the period ended 31 December 2023

### 2. Review of operations (continued)

#### (g) Intellectual property protection

A new patent application was published under the Patent Cooperation Treaty (PCT) arrangements on 21 December 2023 covering manufacturing methods related to crystalline forms and methods for their production of the Group's wound healing drug candidate EBC-1013.

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

### 3. Results of operations

The Group reported a loss for the period ended 31 December 2023 of \$8,524,998 (period ended 31 December 2022: \$11,098,762 (restated)) and recognised a R&D tax incentive of \$3,732,303 for the period ended on that date (period ended 31 December 2022: \$4,817,867) which the Group will be able to claim at the end of the financial year.

The Group reported revenue for the period ended 31 December 2023 of \$1,095,241 (period ended 31 December 2022: \$2,585,680). Revenue consists of STELFONTA<sup>®</sup> product sales, milestone revenue and sales-based revenues which have been recognised in line with the accounting policies set out in the Group's full annual financial statements for the year ended 30 June 2023. Sales of STELFONTA<sup>®</sup> continued to be slower than expected. Virbac, QBiotics' marketing and distribution partner for STELFONTA<sup>®</sup>, continued to support the drug and work with the QBiotics marketing team to improve future sales.

The Group has \$46,061,943 in cash, cash equivalents and term deposits at 31 December 2023 (at 31 December 2022: \$72,196,650) with a R&D tax incentive cash refund of \$8,631,693 related to the financial year ended 30 June 2023, which has been lodged with the ATO, yet to be received. Management continued to work diligently on extending the cash runway whilst maximising the value of product development for the Company.

### 4. Auditor's independence declaration

The auditor's independence declaration (made under section 307C of the *Corporations Act 2001*) is set out on page 27 and forms part of this directors' report for the period ended 31 December 2023.

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



Dr Susan Foden  
*Executive Chair*



Dr Victoria Gordon  
*Executive Director Strategic Alliances and  
Investor Relations*

Dated at Sydney this 23<sup>rd</sup> day of February 2024.



QBiotics Group Limited  
Directors' report  
For the period ended 31 December 2023







# Condensed Consolidated Financial Statements

**QBiotech Group Limited**  
**Condensed consolidated statement of profit or loss**  
**and other comprehensive income**  
**For the period ended 31 December 2023**

	<b>Note</b>	<b>31 Dec 2023</b>	<b>Restated*</b>
		<b>\$</b>	<b>31 Dec 2022</b>
		<b>\$</b>	<b>\$</b>
Revenue	3	1,095,241	2,585,680
Government grants	4	3,732,303	4,817,867
Other income		9,610	4,377
<b>Total income</b>		<b>4,837,154</b>	<b>7,407,924</b>
<b>Expenses</b>			
Changes in inventories of finished goods and work in progress	6	221,841	203,713
Inventory purchases		214,913	1,179,897
Business compliance and advisory expenses		352,671	199,620
Depreciation and amortisation expenses		446,366	341,035
Occupancy expenses		142,932	192,683
Personnel expenses		5,712,281	6,873,918
Research and development contractors and related expenses		6,006,626	8,316,439
Marketing contractors and regulatory expenses		547,749	1,119,527
Technology and communications expenses		219,857	238,036
Travel and accommodation expenses		323,312	596,976
Other expenses		135,866	139,515
<b>Total expenses</b>		<b>14,324,414</b>	<b>19,401,359</b>
<b>Results from operating activities</b>		<b>(9,487,260)</b>	<b>(11,993,435)</b>
Finance income		1,016,866	937,194
Finance costs		(54,604)	(42,521)
<b>Net finance income</b>		<b>962,262</b>	<b>894,673</b>
<b>Loss before tax</b>		<b>(8,524,998)</b>	<b>(11,098,762)</b>
Tax expense		-	-
<b>Loss for the period</b>		<b>(8,524,998)</b>	<b>(11,098,762)</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the period</b>		<b>(8,524,998)</b>	<b>(11,098,762)</b>
<b>Attributable to:</b>			
Owners of the Company		(8,524,998)	(11,098,762)
		<b>Cents</b>	<b>Cents</b>
<b>Earnings per share:</b>			
Basic earnings per share	5(a)	(1.75)	(2.27)
Diluted earnings per share	5(b)	(1.75)	(2.27)

\* See Note 2(c)

The notes on pages 14 to 23 are an integral part of these financial statements.

# QBiotech Group Limited

## Condensed consolidated statement of changes in equity

For the period ended 31 December 2023

	Note	Attributable to owners of the Company			Total equity \$
		Share capital \$	Share-based payments reserve \$	Accumulated losses \$	
Balance at 1 July 2023		189,605,357	3,610,941	(120,488,092)	72,728,206
<b>Total comprehensive income for the period</b>					
Loss for the period		-	-	(8,524,998)	(8,524,998)
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		-	-	(8,524,998)	(8,524,998)
<b>Transactions with owners of the Company, recognised directly in equity</b>					
<i>Contributions by owners</i>					
Options exercised	11	111,916	(111,916)	-	-
Share-based payment transactions	11	-	285,324	-	285,324
Total contributions by owners of the Company		111,916	173,408	-	285,324
<b>Balance at 31 December 2023</b>		<b>189,717,273</b>	<b>3,784,349</b>	<b>(129,013,090)</b>	<b>64,488,532</b>
Balance at 1 July 2022 as previously reported		189,388,722	2,796,943	(96,871,127)	95,314,538
Impact of restatement	2(c)	-	-	(1,995,123)	(1,995,123)
Restated balance at 1 July 2022		189,388,722	2,796,943	(98,866,250)	93,319,415
<b>Total comprehensive income for the period</b>					
Loss for the period (restated)		-	-	(11,098,762)	(11,098,762)
Other comprehensive income		-	-	-	-
Total comprehensive income for the period (restated)		-	-	(11,098,762)	(11,098,762)
<b>Transactions with owners of the Company, recognised directly in equity</b>					
<i>Contributions by owners</i>					
Options exercised	11	215,060	(45,821)	-	169,239
Share-based payment transactions	11	1,576	585,579	-	587,155
Total contributions by owners of the Company		216,636	539,758	-	756,394
<b>Restated balance at 31 December 2022</b>		<b>189,605,358</b>	<b>3,336,701</b>	<b>(109,965,012)</b>	<b>82,977,047</b>

The notes on pages 14 to 23 are an integral part of these financial statements.

# QBiotech Group Limited

## Condensed consolidated statement of financial position

At 31 December 2023

	Note	31 Dec 2023 \$	Restated* 30 Jun 2023 \$	Restated* 1 Jul 2022 \$
<b>Assets</b>				
Cash and cash equivalents		12,596,377	6,130,178	18,278,410
Term deposits		33,465,566	52,965,967	54,919,641
Trade and other receivables		13,185,142	9,682,106	6,789,127
Contract assets		169,028	196,478	800,042
Inventory	6	1,231,889	1,453,729	1,776,415
Prepayments		1,457,884	1,259,985	1,743,973
<b>Total current assets</b>		<b>62,105,886</b>	<b>71,688,443</b>	<b>84,307,609</b>
Term deposits		-	-	11,000,000
Contract assets		904,253	592,815	290,384
Inventory	6	948,473	948,473	1,248,932
Prepayments		1,772,553	2,587,255	-
Property, plant and equipment		3,293,884	3,280,942	2,863,532
Right-of-use assets	8	1,040,792	1,044,523	892,174
Intangible assets	9	412,873	433,512	466,644
<b>Total non-current assets</b>		<b>8,372,828</b>	<b>8,887,520</b>	<b>16,761,665</b>
<b>Total assets</b>		<b>70,478,714</b>	<b>80,575,963</b>	<b>101,069,274</b>
<b>Liabilities</b>				
Contract liabilities		76,749	153,596	112,918
Trade and other payables		2,271,155	3,977,177	4,218,847
Lease liabilities	10	611,893	551,973	397,747
Employee benefits		1,857,979	1,729,269	1,479,252
<b>Total current liabilities</b>		<b>4,817,776</b>	<b>6,412,015</b>	<b>6,208,764</b>
Contract liabilities		230,244	230,392	545,769
Lease liabilities	10	564,648	649,685	700,928
Provisions		23,336	22,464	21,054
Employee benefits		354,178	533,201	273,344
<b>Total non-current liabilities</b>		<b>1,172,406</b>	<b>1,435,742</b>	<b>1,541,095</b>
<b>Total liabilities</b>		<b>5,990,182</b>	<b>7,847,757</b>	<b>7,749,859</b>
<b>Net assets</b>		<b>64,488,532</b>	<b>72,728,206</b>	<b>93,319,415</b>
<b>Equity</b>				
Share capital	11	189,717,273	189,605,357	189,388,722
Share-based payments reserve		3,784,349	3,610,941	2,796,943
Accumulated losses		(129,013,090)	(120,488,092)	(98,866,250)
<b>Total equity</b>		<b>64,488,532</b>	<b>72,728,206</b>	<b>93,319,415</b>

\* See Note 2(c)

The notes on pages 14 to 23 are an integral part of these financial statements.

**QBiotech Group Limited**  
**Condensed consolidated statement of cash flows**  
For the period ended 31 December 2023

	<b>Note</b>	<b>31 Dec 2023</b>	<b>Restated*</b>
		<b>\$</b>	<b>31 Dec 2022</b>
			<b>\$</b>
<b>Cash flows from operating activities</b>			
Cash received from:			
Customers		692,720	1,375,217
Research and development tax incentive received		-	6,389,883
GST and VAT refunds		350,143	383,056
Other income		4,650	2,415
Cash paid to suppliers and employees		(14,882,063)	(19,848,250)
<b>Net cash used in operating activities</b>		<b>(13,834,550)</b>	<b>(11,697,679)</b>
<b>Cash flows from investing activities</b>			
Interest received		1,300,167	319,473
Net proceeds from/(invested in) term deposits		19,500,401	10,453,674
Acquisition of property, plant and equipment	7	(208,117)	(567,126)
Acquisition of intangible assets		-	(987)
Proceeds from sale of property, plant and equipment	7	-	10,382
<b>Net cash from investing activities</b>		<b>20,592,451</b>	<b>10,215,416</b>
<b>Cash flows from financing activities</b>			
Proceeds from shares issued		-	169,239
Payment of lease liabilities		(291,702)	(234,703)
<b>Net cash used in financing activities</b>		<b>(291,702)</b>	<b>(65,464)</b>
Net increase/(decrease) in cash and cash equivalents		6,466,199	(1,547,727)
Cash and cash equivalents at 1 July		6,130,178	18,278,410
<b>Cash and cash equivalents at 31 December</b>		<b>12,596,377</b>	<b>16,730,683</b>

\* See Note 2(c)

Cash and cash equivalents at 31 December 2023 referred to above does not include term deposits of \$33,465,566 (31 December 2022: \$55,465,967) disclosed separately in the statement of financial position.

The notes on pages 14 to 23 are an integral part of these financial statements.

# QBiotech Group Limited

## Notes to the condensed consolidated financial statements

### For the period ended 31 December 2023

#### 1. Corporate information

QBiotech Group Limited (the “Company” or “QBiotech Group”) is a public unlisted company domiciled in Australia. These condensed consolidated financial statements (“interim financial statements”) as at and for the period ended 31 December 2023 comprise the Company and its subsidiaries (together referred to as “the Group”). At 31 December 2023, the Company had four legal subsidiaries, QBiotech Pty Ltd (“QBiotech”), EcoBiotech Pty Ltd (“EcoBiotech”), QBiotech Netherlands B.V. (“QBiotech Netherlands”) and QBiotech UK Limited (“QBiotech UK”).

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

#### 2. Basis of preparation

##### (a) Statement of compliance

These interim financial statements are general purpose financial statements prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001* and do not include all the information required for full annual financial statements and should be read in conjunction with the annual financial statements for QBiotech Group as at and for the year ended 30 June 2023.

The interim financial statements were authorised for issue by the directors on the date shown on the directors’ declaration.

##### (b) Use of estimates and judgements

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements of QBiotech as at and for the year ended 30 June 2023.

##### (c) Significant accounting policies

The interim financial statements have been prepared in accordance with the accounting policies adopted in the Group’s most recent annual financial statements for the year ended 30 June 2023 other than the change in accounting policy discussed below.

##### (i) Change in accounting policy – intangible assets - patent costs

During the period, the Group changed its accounting policy by revising the criteria for capitalising patent costs to align the same with the recognition requirements for capitalising development costs. The Group now applies the following accounting policy.

###### *Recognition and measurement*

<b>Research and development</b>	Expenditure on research activities is recognised in profit or loss as incurred. Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.
<b>Patents</b>	All patent costs incurred in acquiring and extending patents are expensed as incurred except to the extent such costs relate to research and development projects which satisfy the above recognition requirements for development costs. Subsequent to initial recognition, patents are measured at cost less accumulated amortisation and any accumulated impairment losses.
<b>Intellectual property</b>	Other intellectual property has a finite useful life and is measured at cost less accumulated amortisation and any accumulated impairment losses.



# QBiotech Group Limited

## Notes to the condensed consolidated financial statements (continued)

For the period ended 31 December 2023

### 2. Basis of preparation (continued)

#### (c) Significant accounting policies (continued)

##### (i) Change in accounting policy – intangible assets - patent costs (continued)

*Recognition and measurement (continued)*

**Trademarks** Trademarks have a finite useful life and are measured at cost less accumulated amortisation and any accumulated impairment losses.

**Water licences** Water licences have an indefinite useful life as they do not expire and can be sold. Water licences are measured at cost less accumulated impairment losses.

Prior to this change in accounting policy, the Group capitalised all patent costs incurred in acquiring and extending patents.

The new accounting policy is more closely aligned with latest industry practice and accounting practices adopted by other life science companies. The Group considers this alignment to reflect a prudent approach which more closely aligns the accounting to the expected economic benefit of the patents being protected as reflected by the accounting policy for the associated intellectual property. Consequently, the Group is of the opinion that the financial statements provide reliable and more relevant information to the users of the financial statements.

##### (ii) Impact of change in accounting policy

The impact of this voluntary change in accounting policy on the condensed interim financial statements is summarised in the following tables.

*Statement of financial position*

	30 Jun 2023			1 July 2022		
	As previously reported \$	Impact of restatement \$	As restated \$	As previously reported \$	Impact of restatement \$	As restated \$
Total current assets	71,688,443	-	71,688,443	84,307,609	-	84,307,609
Intangible assets	2,427,989	(1,994,477)	433,512	2,461,767	(1,995,123)	466,644
Other non-current assets	8,454,008	-	8,454,008	16,295,021	-	16,295,021
Total non-current assets	10,881,997	(1,994,477)	8,887,520	18,756,788	(1,995,123)	16,761,665
<b>Total assets</b>	<b>82,570,440</b>	<b>(1,994,477)</b>	<b>80,575,963</b>	<b>103,064,397</b>	<b>(1,995,123)</b>	<b>101,069,274</b>
<b>Total liabilities</b>	<b>7,847,757</b>	<b>-</b>	<b>7,847,757</b>	<b>7,749,859</b>	<b>-</b>	<b>7,749,859</b>
<b>Net assets</b>	<b>74,722,683</b>	<b>(1,994,477)</b>	<b>72,728,206</b>	<b>95,314,538</b>	<b>(1,995,123)</b>	<b>93,319,415</b>
<b>Equity</b>						
Share capital	189,605,357	-	189,605,357	189,388,722	-	189,388,722
Share-based payments reserve	3,610,941	-	3,610,941	2,796,943	-	2,796,943
Accumulated losses	(118,493,616)	(1,994,477)	(120,488,092)	(96,871,127)	(1,995,123)	(98,866,250)
<b>Total equity</b>	<b>74,722,682</b>	<b>(1,994,477)</b>	<b>72,728,206</b>	<b>95,314,538</b>	<b>(1,995,123)</b>	<b>93,319,415</b>

# QBiotech Group Limited

## Notes to the condensed consolidated financial statements (continued)

For the period ended 31 December 2023

### 2. Basis of preparation (continued)

#### (c) Significant accounting policies (continued)

#### (ii) Impact of change in accounting policy (continued)

Statement of profit or loss and other comprehensive income

	As previously reported \$	31 Dec 2022 Impact of restatement \$	As restated \$
Total income	7,407,924	-	7,407,924
<b>Expenses</b>			
Depreciation and amortisation expenses	473,723	(132,688)	341,035
Research and development contractors and related expenses	8,056,627	259,812	8,316,439
Other unimpacted expense categories	10,743,885	-	10,743,885
Total expenses	19,274,235	127,124	19,401,359
<b>Results from operating activities</b>	<b>(11,866,311)</b>	<b>(127,124)</b>	<b>(11,993,435)</b>
<b>Net finance income</b>	<b>894,673</b>	<b>-</b>	<b>894,673</b>
<b>Loss before tax</b>	<b>(10,971,638)</b>	<b>(127,124)</b>	<b>(11,098,762)</b>
Tax expense	-	-	-
Loss for the period	(10,971,638)	(127,124)	(11,098,762)
Other comprehensive income	-	-	-
<b>Total comprehensive income for the period</b>	<b>(10,971,638)</b>	<b>(127,124)</b>	<b>(11,098,762)</b>
<b>Attributable to:</b>			
Owners of the Company	(10,971,638)	(127,124)	(11,098,762)
	<b>Cents</b>	<b>Cents</b>	<b>Cents</b>
<b>Earnings per share:</b>			
Basic earnings per share	(2.25)	(0.02)	(2.27)
Diluted earnings per share	(2.25)	(0.02)	(2.27)

Statement of cash flows

\$259,812 previously reported for the six months ended 31 December 2022 as “acquisition of intangible assets” in the cash flows from investing activities has been reclassified to “cash paid to suppliers and employees” in cash flows from operating activities.

### 3. Revenue

The Group’s revenue disaggregated is as follows:

	31 Dec 2023 \$	31 Dec 2022 \$
<b>Point in time</b>		
Product sales revenue	713,958	1,323,708
<b>Total point in time</b>	<b>713,958</b>	<b>1,323,708</b>
<b>Over time</b>		
Milestone revenue	76,996	600,448
Sales-based revenues	304,287	661,524
<b>Total over time</b>	<b>381,283</b>	<b>1,261,972</b>
<b>Total revenue</b>	<b>1,095,241</b>	<b>2,585,680</b>

# QBiotech Group Limited

## Notes to the condensed consolidated financial statements (continued)

For the period ended 31 December 2023

### 4. Government grants

The Group undertakes research and development activities which are eligible for tax incentives under Australian tax law. Eligible research and development costs incurred during the period include expenses from all expenditure categories disclosed by nature in the condensed consolidated statement of profit or loss and other comprehensive income. Total eligible research and development costs incurred for the six months ended 31 December 2023 were \$8,580,007 (six months ended 31 December 2022: \$11,075,556).

The Australian Government's *R&D Tax Incentive* has been recognised as a government grant at the rate of 43.5% (2022: 43.5%) of eligible research and development costs incurred and recognised in profit or loss during the period. Consequently, at 31 December 2023 an amount of \$3,732,303 (31 December 2022: \$4,817,867) has been recognised as an other receivable and a government grant.

### 5. Earnings per share

#### (a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 31 December 2023 was based on the loss attributable to ordinary shareholders of \$8,524,998 (six months ended 31 December 2022: loss of \$11,098,762 (restated, see Note 2(c))) and a weighted average number of ordinary shares calculated as follows:

	31 Dec 2023	31 Dec 2022
	#	#
<b>Weighted average number of ordinary shares</b>		
Issued ordinary shares at 1 July	488,010,385	487,756,371
Effect of ordinary shares issued during the period	10,535	217,281
<b>Weighted average number of shares</b>	<b>488,020,920</b>	<b>487,973,652</b>

#### (b) Diluted earnings per share

The calculation of diluted earnings per share for the six-month ended 31 December 2023 was based on the loss attributable to ordinary shareholders of \$8,524,998 (six months ended 31 December 2022: loss of \$11,098,762 (restated, see Note 2(c))) and a weighted average number of ordinary shares outstanding during the six months ended 31 December 2023 of 488,020,920 (six months ended 31 December 2022: 487,973,652).

At 31 December 2023 and 31 December 2022 all ordinary share options were excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive.

### 6. Inventory

	31 Dec 2023	30 Jun 2023
	\$	\$
Current	1,231,889	1,453,729
Non-current	948,473	948,473
<b>Total inventory</b>	<b>2,180,362</b>	<b>2,402,202</b>
Raw materials and consumables	70,560	70,560
Work in progress	1,770,456	1,770,456
Finished goods	339,346	561,186
<b>Total inventory</b>	<b>2,180,362</b>	<b>2,402,202</b>
Gross inventory	3,726,289	4,247,885
Less provisions	(1,545,927)	(1,845,682)
<b>Total inventory</b>	<b>2,180,362</b>	<b>2,402,202</b>

# QBiotech Group Limited

## Notes to the condensed consolidated financial statements (continued)

For the period ended 31 December 2023

### 6. Inventory (continued)

At 31 December 2023, inventory is shown net of a provision of \$1,545,927 which is recorded to write-down finished goods to net realisable value. During the six months ended 31 December 2023, the provision decreased by \$299,755 as \$305,587 of inventory previously provided for was disposed of and the provision against remaining inventory increased by \$5,832. During the six months ended 31 December 2022, the write-down of inventory to net realisable value increased by \$552,398 to \$1,125,363. Movements in write-downs are recognised as part of Changes in inventories of finished goods and work in progress in profit or loss.

### 7. Property, plant and equipment

During the six months ended 31 December 2023 the Group acquired plant and equipment for \$208,117 (six months ended 31 December 2022: \$567,126).

No items were disposed of during the six months ended 31 December 2023. Minor items of plant and equipment were disposed of during the six months ended 31 December 2022 and a loss of \$1,227 was recognised as part of depreciation expense in the statement of profit and loss.

### 8. Right of use assets

	Land and buildings \$	Office Equipment \$	Total \$
Balance at 1 July 2022	888,652	3,522	892,174
Additions	516,571	-	516,571
Depreciation	(362,208)	(2,014)	(364,222)
<b>Balance at 30 June 2023</b>	<b>1,043,015</b>	<b>1,508</b>	<b>1,044,523</b>
Balance at 1 July 2023	1,043,015	1,508	1,044,523
Additions	333,833	11,580	345,413
Disposals	(112,891)	(1,172)	(114,063)
Depreciation	(233,973)	(1,108)	(235,081)
<b>Balance at 31 December 2023</b>	<b>1,029,984</b>	<b>10,808</b>	<b>1,040,792</b>

#### Key transactions during the six months ended 31 December 2023

During the six months ended 31 December 2023 the Group extended a lease for a shared apartment (Note 10). Consequently, right of use assets were increased by \$25,926 during the period. During the six months ended 31 December 2023, the Company terminated its lab premise lease and entered a new lease for a different lab premise. As a result of this transaction, right of use assets were decreased by \$112,891 for the terminated lab premise and a gain on the termination of \$3,971 was recognised. The new lab premise resulted in the right of use assets being increased by \$307,907.

The Group also entered a new lease for an office photocopier during the six months ended 31 December 2023 and as a result right of use assets were increased by \$11,580. At the time the new photocopier was leased, the old one was returned and a loss on the disposal of the previous photocopier right of use asset of \$558 was recognised.

#### Key transactions during the six months ended 31 December 2022

During the six months ended 31 December 2022 the Group entered a new lease for laboratory space (Note 10). Consequently, right of use assets were increased by \$49,067 during the period.

Depreciation of \$170,839 was recognised on all right of use assets during the six months ended 31 December 2022.

# QBiotech Group Limited

## Notes to the condensed consolidated financial statements (continued)

For the period ended 31 December 2023

<b>9. Intangible assets</b>	<b>Intellectual property</b>	<b>Patents</b>	<b>Trademarks</b>	<b>Water licences</b>	<b>Total</b>
Cost	\$	\$	\$	\$	\$
Balance at 1 July 2022 as previously reported	6,899,663	3,231,387	108,637	140,569	10,380,256
Impact of restatement (Note 2(c))	-	(3,231,387)	-	-	(3,231,387)
Restated balance at 1 July 2022	6,899,663	-	108,637	140,569	7,148,869
Additions (restated, see Note 2(c))	-	-	987	-	987
Restated balance at 30 June 2023	6,899,663	-	109,624	140,569	7,149,856
Balance at 1 July 2023	6,899,663	-	109,624	140,569	7,149,856
Additions	-	-	-	-	-
<b>Balance at 31 Dec 2023</b>	<b>6,899,663</b>	<b>-</b>	<b>109,624</b>	<b>140,569</b>	<b>7,149,856</b>
<b>Amortisation and impairment losses</b>					
Balance at 1 July 2022 as previously reported	6,613,911	1,236,264	68,314	-	7,918,489
Impact of restatement (Note 2(c))	-	(1,236,264)	-	-	(1,236,264)
Restated balance at 1 July 2022	6,613,911	-	68,314	-	6,682,225
Amortisation for the period (restated, see Note 2(c))	25,977	-	8,142	-	34,119
Restated balance at 30 June 2023	6,639,888	-	76,456	-	6,716,344
Balance at 1 July 2023	6,639,888	-	76,456	-	6,716,344
Amortisation for the period	16,532	-	4,107	-	20,639
<b>Balance at 31 Dec 2023</b>	<b>6,656,420</b>	<b>-</b>	<b>80,563</b>	<b>-</b>	<b>6,736,983</b>
<b>Carrying amounts</b>					
At 1 July 2021 (restated)	285,752	-	40,323	140,569	466,644
At 30 June 2022 (restated)	259,775	-	33,168	140,569	433,512
<b>At 31 December 2023</b>	<b>243,243</b>	<b>-</b>	<b>29,061</b>	<b>140,569</b>	<b>412,873</b>

<b>10. Lease liabilities</b>	<b>31 Dec 2023</b>	<b>30 Jun 2023</b>
	\$	\$
Current lease liabilities	611,893	551,973
Non-current lease liabilities	564,648	649,685
<b>Total lease liabilities</b>	<b>1,176,541</b>	<b>1,201,658</b>

During the six months ended 31 December 2023, \$41,866 of interest expense on lease liabilities was recognised and included in finance costs (six months ended 31 December 2022: \$38,303). Lease payments for the period totalled \$291,702 (six months ended 31 December 2022: \$234,703).

# QBiotech Group Limited

## Notes to the condensed consolidated financial statements (continued)

For the period ended 31 December 2023

### 10. Lease liabilities (continued)

#### Key transactions during the six months ended 31 December 2023

During the six months ended 31 December 2023, the Company signed a short-term lease extension over a shared apartment for 12 months. The Company had a short-term lease with roughly 2 months remaining over the same apartment at the time the new lease arrangement was put in place. A lease liability was recognised using an interest rate of 6.66% and a lease life of 14 months at the time the new agreement was signed and as a result both the lease liability and right of use asset (Note 8) were increased by \$25,926.

During the six months ended 31 December 2023, the Company, by mutual agreement with the lessor, terminated its lease over a lab premise. As a result, lease liabilities were reduced by \$116,862. The Company then entered a new lease for a different lab premise with the same lessor. A lease liability was recognised using an interest rate of 7.7% and a lease life of 3 years at the time the new agreement was signed and as a result both the lease liability and right of use asset (Note 8) were increased by \$307,907.

During the six months ended 31 December 2023, the company entered a new lease for a photocopier. A lease liability was recognised using an interest rate of 19.67% and a lease life of 60 months at the time the new agreement was signed and as a result both the lease liability and right of use asset (Note 8) were increased by \$11,580. At the time the new copier lease was entered into, the previous copier was returned early, and lease liabilities were reduced by \$1,730.

#### Key transactions during the six months ended 31 December 2022

During the six months ended 31 December 2022, the Company entered a lease for a laboratory premise for 36 months. A lease liability was recognised using an interest rate of 7.10% and a lease life of 36 months at the time the agreement was signed and as a result both the lease liability and right of use asset (Note 8) were increased by \$176,699.

#### Future minimum lease payments

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

	Minimum lease payments due		
	Within one year \$	One to five years \$	Total \$
<b>31 December 2023</b>			
Lease payments	611,893	662,340	1,274,233
Finance charges	(64,296)	(33,396)	(97,692)
<b>Net present values</b>	<b>547,597</b>	<b>628,944</b>	<b>1,176,541</b>
<b>30 June 2023</b>			
Lease payments	551,973	755,203	1,307,176
Finance charges	(65,959)	(39,559)	(105,518)
<b>Net present values</b>	<b>486,014</b>	<b>715,644</b>	<b>1,201,658</b>

### 11. Share capital and share-based payments reserve

#### (a) Movements in share capital

	Ordinary shares		Share capital	
	31 Dec 2023 #	31 Dec 2022 #	31 Dec 2023 \$	31 Dec 2022 \$
<b>1 July to 31 December</b>				
On issue at 1 July	488,010,385	487,756,371	189,605,357	189,388,722
Exercise of share options	102,020	252,596	111,916	215,060
Issued for services provided	-	1,418	-	1,576
<b>On issue at 31 December – fully paid</b>	<b>488,112,405</b>	<b>488,010,385</b>	<b>189,717,273</b>	<b>189,605,358</b>

# QBiotech Group Limited

## Notes to the condensed consolidated financial statements (continued)

For the period ended 31 December 2023

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

#### (a) Movements in share capital (continued)

##### Ordinary shares

###### *Key transactions during the six months ended 31 December 2023*

On 19 December 2023, the Company issued 102,020 new shares following the exercise of vested options. All options had an exercise price of \$0.00 per share. The fair value of the options was \$1.097 per option. The fair value of the options exercised was calculated at the time of granting using the Black-Scholes Merton formula. Consequently, \$111,916 was transferred from the Company's share-based payment reserve.

###### *Key transactions during the six months ended 31 December 2022*

On 27 July 2022, the Company issued 252,596 new shares following the exercise of vested options. All options had an exercise price of \$0.67 per share. The options had a fair value of \$0.1814 per option. The fair value of the options exercised was calculated at the time of granting using the Black-Scholes Merton formula. Consequently, the Company received cash proceeds of \$169,239 and an additional \$45,821 was transferred from the Company's share-based payment reserve.

On 14 November 2022, the Company issued 1,418 shares to employees of the group for services provided. The shares were recognised at the fair value of \$1.111 per share at the time of issue.

(b) Share-based payments reserve	31 Dec 2023	31 Dec 2022
	\$	\$
Balance at 1 July	3,610,941	2,796,943
Share-based payments recognised during the period	285,324	585,579
Amount transferred to share capital	(111,916)	(45,821)
<b>Total share-based payments reserve</b>	<b>3,784,349</b>	<b>3,336,701</b>

During the period, the Company recognised \$285,324 (six months ended 31 December 2022: \$585,579) of share-based payments to employees and directors in personnel expenses.

##### Options granted and cancelled

###### *During the six months ended 31 December 2023*

On 1 September 2023, the Company issued a total of 2,826,822 options to its senior employees under a long-term incentive plan. The options will vest if employees have met the three year service condition and are subject to share price based performance hurdles being met by 31 July 2026. Once exercised, shares issued under the plan are subject to a two-year holding lock. The options were valued using a Monte Carlo simulation and were valued at \$0.19 each at the time of grant.

On 27 July 2023, the Company issued a total of 333,832 options to its non-executive directors under its non-executive director option plan. The options are in lieu of cash compensation for directors' fees and will vest on 27 July 2024. In December 2023, 85,707 of the options were cancelled. The options are zero priced, have an expected life of 18 months, and had a fair market value at issue of \$0.5790 per option at the time of the grant.

###### *During the six months ended 31 December 2022*

On 8 September 2022, the Company issued a total of 1,759,165 options to its senior employees under its long-term incentive plan. 703,667 options will vest on 8 September 2025. Four additional lots of options comprising a total of 1,055,498 options will vest on 8 September 2025 subject to performance hurdles being met. Once exercised, shares issued under the plan are subject to a two-year holding lock. The options are zero priced, have an expected life of 42 months, and had a fair market value at issue of \$1.109 per option.

# QBiotics Group Limited

## Notes to the condensed consolidated financial statements (continued)

For the period ended 31 December 2023

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

#### (b) Share-based payments reserve (continued)

##### Options granted and cancelled (continued)

*During the six months ended 31 December 2022 (continued)*

On 8 September 2022, the Company issued a total of 342,752 options to its non-executive directors under its new non-executive director option plan. The options are in lieu of cash compensation for directors' fees and will vest on 8 September 2023. In December 2022, 35,627 of the options were cancelled. The options are zero priced, have an expected life of 18 months, and had a fair market value at issue of \$1.097 per option at the time of the grant.

#### (c) Dividends

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

### 12. Financial instruments

#### (a) Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 30 June 2023.

#### (b) Fair values

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

### 13. Related parties

#### (a) Key management personnel compensation

Key management personnel receive compensation in the form of short-term employee benefits, post-employment benefits and other long-term benefits. Key management personnel received total compensation of \$1,057,884 for the period ended 31 December 2023 (period ended 31 December 2022: \$1,523,078).

#### (b) Key management personnel transactions

Key management personnel of the Company control 24.46% (30 June 2023: 24.59%) of the voting shares of the Company.

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

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

Cash based transactions	Transaction value		Balance outstanding at	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	30 Jun 2023
	\$	\$	\$	\$
The Group rents premises from Dr Gordon and Dr Reddell. The lease contract terms are based on market rates and are payable on a monthly basis.	21,029	22,458	-	-
The Group, through its subsidiary EcoBiotics, leases land from an entity related to Dr Ogbourne. The lease completed on 30 June 2023.	-	5,060	-	-



# QBiotics Group Limited

## Notes to the condensed consolidated financial statements (continued)

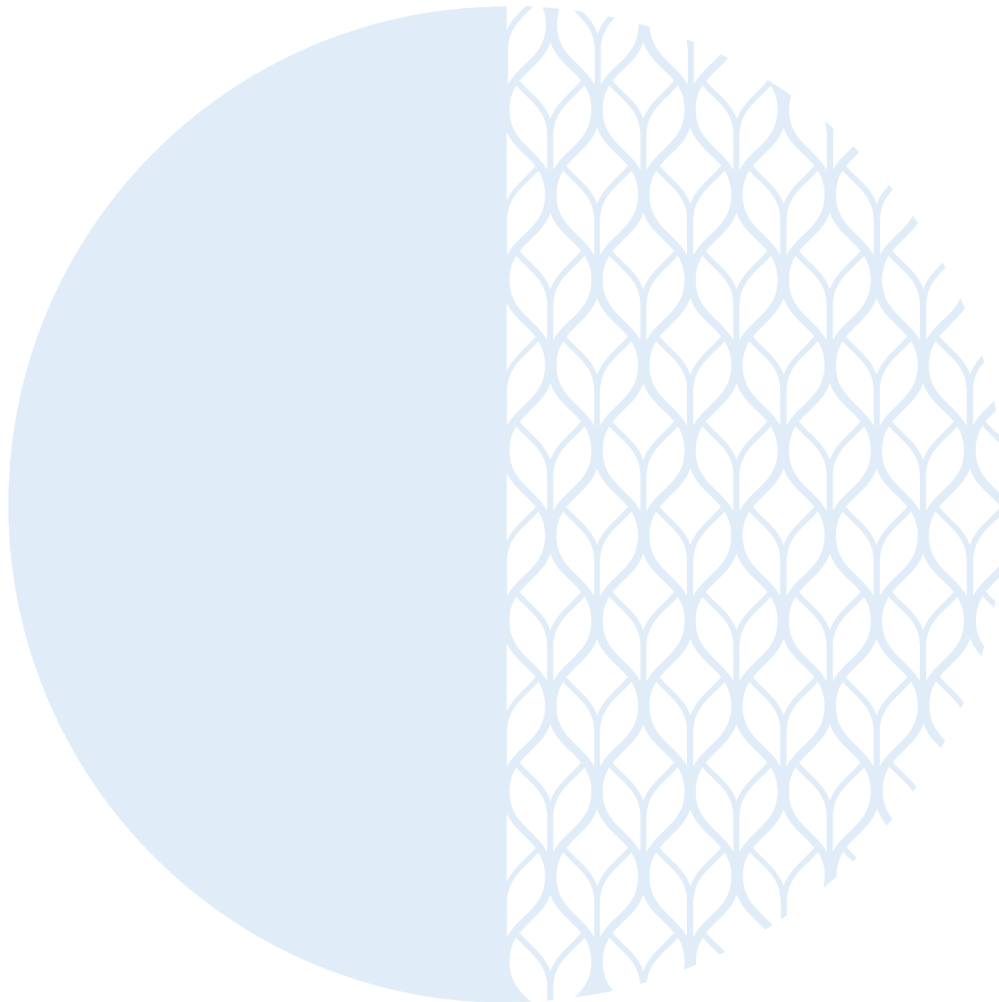
For the period ended 31 December 2023

### 14. New standards and interpretations adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2023, these have been adopted and have not had a significant impact on the Group's consolidated financial statements.

### 15. Subsequent events

There have been no events in the interval between the end of the financial period and the date when these financial statements are authorised for issue which affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.



# QBiotech Group Limited

## Directors' declaration

In the opinion of the directors of QBiotech Group Limited (the "Company"):

- (a) the condensed consolidated interim financial statements and notes that are set out on pages 10 to 23 are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the period ended on that date; and
  - (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:

Dated at Sydney this 23<sup>rd</sup> day of February 2024.



Dr Susan Foden  
*Executive Chair*



Dr Victoria Gordon  
*Executive Director Strategic Alliances and  
Investor Relations*

## Independent Auditor's Review Report

### To the Members of QBiotics Group Limited

#### Report on the interim financial report

##### Conclusion

We have reviewed the accompanying interim financial report of QBiotics Group Limited (the Company) and its subsidiaries (the Group) which comprises the condensed consolidated statement of financial position as at 31 December 2023, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, a summary of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying interim financial report of QBiotics Group Limited does not comply with the *Corporations Act 2001* including:

- a giving a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

##### Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's responsibilities for the review of the interim financial report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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#### Directors' responsibility for the interim financial report

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

#### Auditor's responsibilities for the review of the interim financial report

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Grant Thornton Audit Pty Ltd  
Chartered Accountants



L M Worsley  
Partner – Audit & Assurance

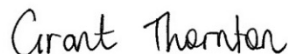
Sydney, 23 February 2024

## Auditor's Independence Declaration

### To the Directors of QBiotics Group Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of QBiotics Group Limited for the half-year ended 31 December 2023, 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 review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.



Grant Thornton Audit Pty Ltd  
Chartered Accountants



L M Worsley  
Partner – Audit & Assurance

Sydney, 23 February 2024

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