



2023

**Lumos Diagnostics Holdings Limited
Annual Report**



Innovation at the point-of-care



**Actionable information
in real time
at the point-of-care**

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Vision

To drive impactful health improvements with innovative, rapid, and easy-to-use diagnostic test solutions.

Mission

To develop, manufacture and provide access to rapid, accurate and actionable tests that make diagnostic decisions simple.

Core Values

1

Do the right thing

Provide quality products and services, find solutions, act accordingly to provide exceptional results.

2

Be accountable

Maintain high ethical standards and deliver on our commitments.

3

Collaborate and over communicate

Work together, support our colleagues, and leverage our collective skills to achieve our goals.

4

Speak up and embrace feedback

Respect diversity, participate, listen, and welcome healthy considered debate and differences of opinion.

5

Act with urgency and go the extra mile

Lead through actions and commit to growing, innovating, and improving while still enjoying the ride.

Board of Directors



Sam Lanyon
NON-EXECUTIVE
CHAIR



Doug Ward
CHIEF EXECUTIVE
OFFICER &
MANAGING DIRECTOR



Bronwyn Le Grice
NON-EXECUTIVE
DIRECTOR



Lawrence Mehren
NON-EXECUTIVE
DIRECTOR



Catherine Robson
NON-EXECUTIVE
DIRECTOR

Leadership Team

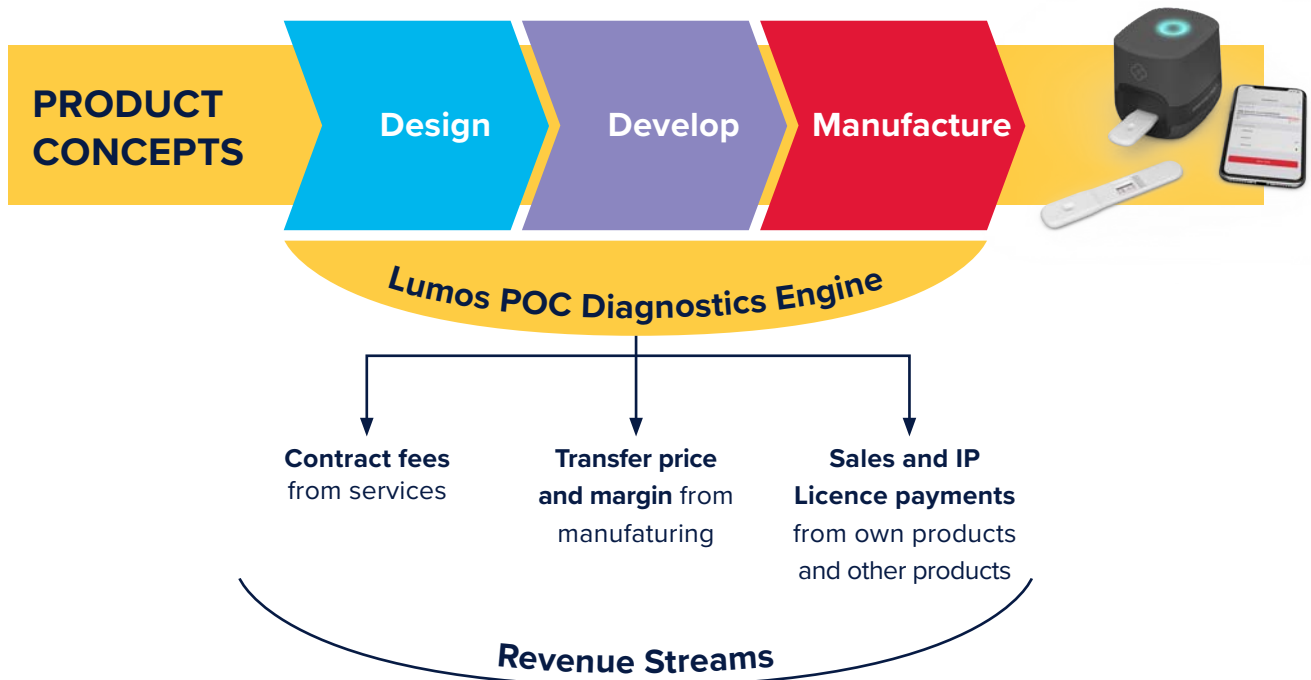
Chief Executive Officer & Managing Director
Chief Technology Officer
Chief Financial Officer
Company Secretary
Senior Vice President Commercial Operations
Senior Director of Human Resources
Senior Director of Medical Affairs
Vice President, Quality and Regulatory Affairs
Vice President of Technology Transfer and Pilot Manufacturing
Director of Research and Development
Director of Research and Development

Doug Ward
Sacha Dopheide
Barrie Lambert
Tracy Weimar
Paul Kase
Sarah Glubka
Annie Bell
Sue Hibbeln
Kepa Oyarbide
Jon Gary
Mike Raymundo

Get to know our leadership team at lumosdiagnostics.com/team

Our Strategic Focus

Lumos is a fully integrated developer, manufacturer and distributor of connected, rapid, point of care tests for the diagnostics and healthcare industries.



Focus Drives Growth



Strategic Innovation

Initial evaluation of a POC diagnostic test product concept and the development of new diagnostic test assay.



Development and Manufacturing Transfer

Development of new POC diagnostic test products, including use of Lumos' technology platform and the customisation and integration of Lumos' digital reader technology when requested by Lumos' clients.



Validation and Commercial Manufacturing

Clinical and product validation and commercial-scale manufacture of test strips and readers.

From the Chair

To our valued shareholders and supporters,

While FY2023 did not start as an easy year for Lumos, under Doug's steady and experienced leadership the Company has focused on delivering a range of important initiatives which have now put Lumos on a firm growth trajectory. Finishing the year with a sooner than anticipated FDA clearance for FebriDx provided the capstone on what has ended up being a transformational year for the Company. The Board and I are extremely grateful for the hard work that Doug and his team have contributed throughout FY2023 which has reshaped the company and set it up for a very exciting future.

It is a testament to Doug and the Lumos team that they were able to grow the revenue from its diagnostic development and contract manufacturing services during a period of significant operational restructuring. This included reducing the Company's headcount by over 60%, closing down our Sarasota FL facility, and the consolidation of our operations to a single site in Carlsbad CA. Despite the inevitable disruptions associated with this, the team at Lumos were able to win new contracts and continue to deliver excellent outcomes for its customers. Furthermore, through prudent and tight fiscal management, Lumos was able to significantly reduce its cost base and achieve its ambitious cash burn target for the year.

During the year, Lumos established its first strategic partnership with the leading global women's health company, Hologic. Lumos and Hologic are now collaborating on several products that leverage Lumos' expertise, capabilities and proprietary reader platform. The benefit of working closely and co-operatively on these projects has been clearly evident for both parties. We look forward to continuing to build this relationship as well as establishing new strategic partnerships in future.

Finally, the recent clearance of FebriDx has opened up additional opportunities for our Company. With certainty of the clearance in hand, the Company is now investing in the materials and components to support increased production of FebriDx, and has established a low-cost sales channel for the US that will also sell other in-licensed tests to the same physician offices and urgent care clinics that are relevant for FebriDx. We are also starting to see renewed interest in FebriDx outside the US, including from Henry Schein who recently expanded its coverage to include Spain and Portugal.

I, and the Board of Lumos, appreciate support from our shareholders during this time. While we fully acknowledge it has been a more challenging journey than any of us would have liked, I am delighted to be going into FY2024 with a very exciting portfolio of options and opportunities ahead of us. Thank you for your patience and support and I look forward to continuing to build on the positive momentum that has now been established for Lumos.



Sam Lanyon
CHAIR



From the CEO

Reflecting on my first year as CEO of the Company, I am immensely proud of the achievements of the Lumos team – and I would like to thank our valued shareholders for their patience during this chapter. We have navigated complex business challenges with care and conviction, and have now set the Company on a solid growth trajectory.

One of my first tasks as CEO was to complete an organisational restructure, which was initiated after a detailed operational review at the beginning of CY2022. This included reducing our headcount by over 60%; closing our facility in Sarasota FL; and consolidating our operations to a single site in Carlsbad CA. This was completed in the first half of FY2023 and, while a painful exercise, I believe Lumos has emerged a more effective, efficient, and focused company – with a clear strategic vision.

In FY23, Lumos was able to generate revenue of US\$10.2 million (A\$15.3 million) from the provision of diagnostic test development services and contract manufacturing to clients – an increase of 8.5% from the preceding year. This is an incredible achievement. We also managed to achieve our target of reducing the average monthly cash burn for FY2023 to below US\$1.0 million per month.

Having spent many years in the diagnostics industry, I believe the most effective way for Lumos to achieve robust, long-term growth is through establishing strategic partnerships with leading industry players. These provide an ongoing source of new projects and are typically longer term engagements, allowing Lumos to work alongside its partners to manage diagnostic products through their evolution and lifecycle.

During FY2023, Lumos laid foundations for its first long-term strategic partnership with leading women's healthcare company, Hologic. This included securing contracts for multiple programs which ranged from working on one of Hologic's existing marketed products, through to developing new diagnostic products. In March 2023, Hologic also provided Lumos with access to US\$4.2 million through the sale and leaseback of some of Lumos' manufacturing equipment. Lumos looks forward to continuing to build this strategic partnership with Hologic, as well as establishing new partnerships that leverage our fully integrated development and manufacturing capabilities alongside its proprietary reader platform.

Following the pandemic, another key growth initiative for Lumos was the diversification of its portfolio of commercial development and manufacturing projects beyond infectious diseases. During FY2023, Lumos provided development and manufacturing services for products to be used for human health, hormone monitoring, nutrition, food safety, animal health and molecular testing. These projects are ongoing, with potential for Lumos to be engaged in future development and manufacturing as these products evolve.



We have navigated complex business challenges with care and conviction, and have now set the Company on a solid growth trajectory.

Doug Ward
CEO & MD

While the sale of Lumos-branded diagnostic products were modest during FY2023, they are expected to make an increasing contribution to future sales following the recent FDA clearance to market FebriDx in the US as an aid to identify acute bacterial respiratory infections. Achieving this clearance is a real credit to the regulatory team at Lumos who were able to incorporate feedback provided by the FDA during the appeal process and pre-submission meeting, into a new application that satisfied the FDA's requirements for a 510(k) clearance. With this decision in hand, Lumos has commenced investing in expanding its commercial production of FebriDx to meet the anticipated demand for FebriDx. Outside of the US, initial orders for FebriDx were received from several other global markets and in July 2023, Lumos' distribution partner for the UK, Henry Schein, expanded its coverage to include Spain and Portugal too.

Towards the end of FY2023, Lumos commenced establishing a US sales channel for point-of-care diagnostic tests by securing distribution rights for diagnostic products for women's health, STIs, and other infectious diseases. This sales channel will target the same physician offices and urgent care clinics that are relevant for Lumos' own products, including FebriDx.

In November 2022, Lumos announced it established a facility to raise up to A\$8.0 million by the issue of two tranches of A\$4.0 million worth of Convertible Notes. While this capital was expensive, it was essential at the time to ensure the viability of Lumos, while our management team executed our plan to scale back overheads and focus our commercial priorities. With the proceeds from the Hologic sale and leaseback agreement, combined with prudent financial management, Lumos has not needed to issue the second tranche of Convertible Notes. In July 2023, Lumos undertook a placement that raised A\$4.75 million, alongside a Share Purchase Plan that raised \$0.69 million, which has provided Lumos with the capital to buy back the remaining Convertible Notes from the first tranche – an important move to secure our financial footing.

I would like to thank our shareholders for their support. As CEO, I acknowledge that it has been a challenging year – but a rewarding one too. We are strategically pursuing a compelling suite of opportunities, with our technology; know how and expertise in the development and production of point of care diagnostic tests; and unique reader platform.

I feel confident and inspired by the future – we have turned a corner and I look forward to keeping you updated with our progress.

With thanks,



Doug Ward
CHIEF EXECUTIVE OFFICER &
MANAGING DIRECTOR



Our partnerships

Partnerships are a key pillar of Lumos' long term growth strategy. Lumos has a unique combination of skills, capabilities, know how and intellectual property that provide a compelling service offering for leading diagnostics companies.

- **Fully-integrated offering**—from concept-to-clinic-to-commercial production
 - **Proprietary reader platform**—integrate POC testing with electronic medical records
 - **Track record**—successful delivery of products to recognised industry leaders
- Strategic partnerships will underpin long-term and durable revenue growth for Lumos
- **Multiple projects**—reduced transaction costs with repeat business
 - **Project extensions**—as products migrate through stages of the development process
 - **New projects**—creating and developing new products for strategic partners
 - **Next gen products**—extending commercial life of partner's products as market evolves
 - **Manufacturing**—ongoing revenue stream from commercial-stage products

Our Reader Platform

Lumos has developed a suite of proprietary readers. As healthcare becomes more connected, electronic readers for diagnostic tests are becoming a key requirement for new point-of-care (POC) tests. Access to our proprietary reader technology and readers has become a highly valued component of Lumos' service offering to our partners. Lumos' family of readers provide flexibility in terms of their size, portability, cost, and complexity, and can be customised for different tests or for use in different settings.

LUMOS' READERS



Disposable Readers

Lumos has developed two disposable reader formats: a single-use disposable reader with the test strip fully integrated with the reader in a single-use, disposable system; and a multi-use disposable reader, in which the device is supplied in kit form with 20-50 disposable tests.



Desktop Readers

Lumos' desktop reader format can be used to read a suite of different POC diagnostic tests using a single reader. It uses high precision camera optics that can analyse an entire test strip. This reader is suitable for qualitative, semi-quantitative and quantitative applications.



Lumos Leelu Reader

The Lumos Leelu Reader is an industrial reader for research or quality control applications. It allows users to set and adjust key parameters for the capture, analysis and reporting of results. Users are able to establish optimal settings for their specific POC diagnostic tests.

Strategic Partnerships

During FY2023, Lumos expanded the breadth and depth of its relationship with leading women's healthcare company, Hologic. This included establishing multiple, new service contracts to work on existing and next generation diagnostic products for Hologic. In March, Lumos also signed a sale and leaseback agreement with Hologic that provided Lumos with US\$4.2 million from the proceeds of the sale, while maintaining ongoing access to equipment.



We are very excited to work in partnership with Hologic, by using our expertise in point-of-care diagnostics to help build and improve their portfolio of innovative women's healthcare products.

Doug Ward

CEO & MD

Hologic: a global leader in women's healthcare

- Hologic is an innovative medical technology company focused on improving women's health and well being through early detection and treatment
- Headquartered in Massachusetts, USA
- Has over 5,500 employees in 15 countries
- Revenue of US\$4.9 billion in FY2022
- 60% of sales revenue from diagnostic products

Our Distribution Partnerships

During the second half of FY2023, Lumos established a sales distribution channel for POC diagnostic products in the US. This will be used to sell Lumos' own products, such as our recently cleared FebriDx test, as well as other relevant products targeting the same customer groups.

Lumos has secured access to and distribution rights for a range of women's health and sexual health diagnostic products from Binx Health and other point of care diagnostic test providers. These products include cleared, CLIA-waived tests for women's health, STIs, and other infectious diseases.

In parallel, Lumos has established a team of contract, commission-only sales representatives that routinely call on the outpatient settings where these tests are used. This provides an efficient and cost-effective approach to growing product revenue and developing a sales channel for our own products.

Outside of the US, Henry Schein, Lumos' distribution partner for FebriDx in the UK, has expanded its coverage to include Spain, Portugal and The Netherlands. Henry Schein is a global distributor of healthcare products with over 22,000 employees and operations or affiliates in 32 countries and territories.

Our people



Catalina Suarez-Senior, Medical Affairs Manager

Catalina works remotely out of Lakeland, FL. Catalina is responsible for managing post-market studies including protocol development, data analysis and report writing for clinical studies.

"I work on clinical trials, conduct research, write documents, and work on publications. My job allows me to learn about multiple topics, interact with our clinicians, and most importantly collaborate with everybody on our different teams."

Miguel Luna-Manage, Quality Assurance

Miguel is based at our Carlsbad site where he oversees the quality management system and quality assurance activities related to requirements in target markets. Miguel ensures that the quality system is established and maintained and monitors the performance of the quality system.

"One thing I like about Lumos is its culture and team members. The culture of any workplace, its values, and what it practices will ultimately out win its strategy and will be the key drivers of its overall success. Looking forward to exciting times ahead"



Francesca Yu, Scientist

Francesca is based at our Carlsbad site and has over eight years of experience in the development and manufacture of point-of-care products. With experience in manufacturing, quality assurance, and quality control, Francesca is involved in the low and high-volume manufacturing required for different phases of product development. She has a BS in biomedical engineering from UC Irvine.

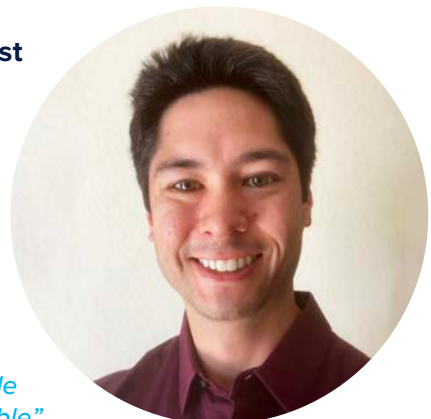
"As someone whose background is in manufacturing, it is exciting to also be involved the R&D aspects of developing a new product. Working on different projects at Lumos gives me an opportunity to learn new skills and gain knowledge in different fields of study. This is a rewarding role, and I enjoy sharing my knowledge and skills with others."

Mitchell Low, Scientist

Mitchell is based in Carlsbad where he is the Project Leader for several client projects that include both regulated and unregulated products.

He coordinates a team of six people across different projects and oversees the development of new POC diagnostic products. Mitchell has a BS in biomedical engineering from UCI, and an MBA from SE.

"I really enjoy working at Lumos due to the opportunities for an industry impact as well as the people that make up the company. The opportunity to make a meaningful downstream impact with the products we develop and the opportunity to build lasting relationships within the biomedical industry makes work fulfilling, while the amazing people make work enjoyable"



Our place



Strategic Innovation

Innovation is at the heart of everything we do at Lumos. Our R&D team includes 12 scientists who specialise in the development of new assays, assay optimisation, and coming up with innovative ways to create or improve point-of-care tests.



Product Development

Customer satisfaction and innovation go hand-in-hand. Whether developing Lumos-branded products or assays for our Service Business clients the ultimate goal is to create or improve point-of-care tests. This comes from a combination of our extensive experience in lateral flow and our cutting-edge reader, app, and data management technologies.



Commercial Manufacturing

Once a product is developed, Lumos has the state-of-the-art equipment, capabilities, and expertise to provide commercial scale manufacturing for our own products and for those of our customers. Our Quality and Regulatory Affairs team ensures our facility is fully compliant and certified, and meets the highest possible standards.

FebriDx[®] – Lumos' Contribution to Antibiotic Stewardship

Lumos' FebriDx Test

FebriDx is Lumos' rapid, point-of-care test that can assist healthcare professionals to identify patients who have a bacterial infection, and thus may require an antibiotic, and those who do not. Patients that have a viral infection or another health issue, do not receive any benefit from taking antibiotics. However, they can still experience side-effects and will contribute to the growing global health problem of antimicrobial resistance (AMR).



FebriDx provides a result in 10 min from a drop of blood. By using a combination of two biomarkers, called MxA and CRP, FebriDx helps establish whether or not a patient has an acute bacterial respiratory infection.

The two biomarkers used in Lumos' FebriDx test are proteins produced by the human body in response to infections:

- **CRP** – increases in response to acute inflammation that is caused by any infection
- **MxA** – host response biomarker that increases in response to acute viral infection

These are called 'host-immune markers' and have the benefit that they are produced by the human body in response to infection, regardless of the strain of bacteria or virus that has infected a patient.

Lumos has an intellectual property estate that covers use of the MxA marker, the combination of CRP and MxA, and the threshold levels that are used to determine a positive result from the test.

FebriDx has regulatory clearance in several key markets including Europe, the UK, Australia, Brazil and, most recently, the US. The FDA clearance of FebriDx in July 2023 is particularly exciting for Lumos as the US is the largest market for POC testing due to its higher adoption of these tests in routine patient management.

1. In various global markets based on required regulatory clearances.

Antibiotic Stewardship

Antibiotic stewardship is the effort to measure and improve how antibiotics are prescribed by clinicians and used by patients.

Since their discovery 100 years ago, antibiotics have revolutionised human healthcare and are believed to have extended our average lifespan by 23 years. However, due to their overuse and inappropriate use, existing antibiotics are starting to become less effective as microbes develop resistance to them (known as antimicrobial resistance or AMR).

In 2021, US healthcare professionals issued over 211 million outpatient prescriptions for antibiotics. Despite most acute respiratory infections being caused by viruses that do not respond to antibiotics, they are the most common diagnosis for which antibiotics are prescribed.

It is estimated that over 30% of antibiotic prescriptions are unnecessary—meaning the patient does not have a bacterial infection and thus will receive no benefit from taking them. However, there are consequences both for the patient and for public health, from the overuse of antibiotics, namely:

- Emergence of resistant bacteria
- Risk of side effects

Because of these consequences, most countries and global public health organisations have active Antibiotic Stewardship programs which have clear targets for reducing the overuse of antibiotics. These programs aim to improve infectious disease management through more informed antibiotic prescribing.

Lumo's FebriDx test has the potential to make a valuable contribution to these programs by helping healthcare professionals to identify those patients that are likely to benefit from antibiotics, and those that will not.

FebriDx[®] – Lumos' Contribution to Antibiotic Stewardship

Antimicrobial Resistance (AMR)

The World Health Organisation (WHO) considers AMR to be one of the biggest threats to global health, food security, and development. While many factors are contributing to AMR, there is no doubt that it is being accelerated by the misuse and overuse of human antibiotics.

The consequences of the growing emergence of AMR are potentially very significant. As a result of AMR, we are seeing a growing number of common infections becoming increasingly difficult to manage as the antibiotics used to treat them become less effective. Already, each year in the US alone there are:

- 3 million patients diagnosed with antimicrobial resistant infections
- 35,000 deaths directly attributed to antimicrobial resistant infections

While antibiotic use declined during the pandemic, primarily due to public health interventions, there was a 15% increase in infections and deaths from drug-resistant bacteria in the first year of the COVID-19 pandemic. It has been estimated that, without improved Antibiotic Stewardship, infections by resistant bacteria could be directly responsible for up to 10 million deaths globally by 2050.

While there are a few new antibiotics in development, none are expected to be effective against the most dangerous forms of antibiotic-resistant bacteria that are starting to emerge.

Consequently, without better management of our existing antibiotics, we are potentially heading to a post-antibiotic era in which common infections and minor injuries may result in serious complications or even death.



Adverse Reactions To Antibiotics

Many people experience adverse reactions to taking antibiotics. These may be relatively mild side-effects such as rash, dizziness, nausea, and diarrhea. However, in some cases they can be very severe including allergic reactions, infection with *Clostridium difficile* and colon damage.

As the incidence of adverse reactions is relatively low (0.1% – 0.3% of patients), the risk is considered acceptable when antibiotics are being taken appropriately to treat a genuine bacterial infection. However, with over 30% of patients taking antibiotics unnecessarily, many patients are being exposed to the risk of these adverse reactions without receiving any clinical benefit from taking them.

Furthermore, because of the high number of antibiotics prescriptions issued each year, the number of patients experiencing adverse events is significant. Adverse reactions to antibiotics are the leading cause for medication-related visits to Emergency Departments – accounting for approximately 1 in 5, or over 200,000, such visits in the US each year.

Antibiotic treatment has been shown to be one of the leading risk factors for developing an infection by *Clostridium difficile* which can progress to have major health consequences. One study has estimated that a 10% reduction in overall outpatient antibiotic prescribing could reduce community-associated *C. difficile* infections by 17%.

Lumos believes its FebriDx rapid, point-of-care test has an important role in the management of infectious disease by assisting healthcare professionals to improve antibiotic prescribing so that they are only prescribed and used when needed.

REFERENCES

The core elements of outpatient antibiotic stewardship (2016), Centers for Disease Control and Prevention, MMWR Recomm Rep 2016;65 (No. RR6):1-12
<https://www.who.int/health-topics/antimicrobial-resistance> (accessed July 2023)

<https://www.pewtrusts.org/en/research-and-analysis/data-visualizations/2023/antibiotic-resistant-bacteria-is-a-growing-threat-2023>

National estimates of Emergency Department visits for antibiotic adverse events among adults—United States, 2011–2015 (2018) A. I. Geller et al,
<https://doi.org/10.1007/s11606-018-4430-x>



Financial Year 2023 Highlights



Grew revenue from commercial services by **8.5% to US\$10.2 million**



Established and expanded strategic partnership with leading women's health company **Hologic**



New commercial services projects in human health, animal health, food testing and molecular testing



Completed reorganisation reducing headcount, operating cash burn and consolidating operations to single site



Secured US FDA clearance for FebriDx after appeal and submission of new 510k application



Published 730 patient clinical trial of **FebriDx** in leading, peer-reviewed medical journal JAMA



Lumos Diagnostics Holdings Limited
Financial Statements



Lumos Diagnostics Holdings Limited
Appendix 4E
Preliminary final report

1. Company details

Name of entity: Lumos Diagnostics Holdings Limited
ABN: 66 630 476 970
Reporting period: For the year ended 30 June 2023
Previous period: For the year ended 30 June 2022

2. Results for announcement to the market

| | | | US\$'000 |
|--|------|----------|-----------------|
| Revenues from ordinary activities | down | 9.4% to | 10,535 |
| Loss from ordinary activities after tax attributable to the owners of Lumos Diagnostics Holdings Limited | down | 80.4% to | (8,971) |
| Loss for the year attributable to the owners of Lumos Diagnostics Holdings Limited | down | 80.4% to | (8,971) |

Comments

The loss for the consolidated entity after providing for income tax amounted to \$8,971 thousand (30 June 2022: loss of \$45,724 thousand).

3. Net tangible assets

| | Reporting period US\$ Cents | Previous period US\$ Cents |
|---|--|---------------------------------------|
| Net tangible assets per ordinary security | <u>(0.29)</u> | <u>2.42</u> |

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

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

Previous period

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

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

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

Not applicable. All foreign entities have adopted the same accounting standards as the Australian parent entity.

10. Audit qualification or review

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


The financial statements have been audited and an unmodified opinion has been issued, which includes a paragraph in respect of material uncertainty over the ability to continue as a going concern.

11. Attachments

Details of attachments (if any):

The Annual Report of Lumos Diagnostics Holdings Limited for the year ended 30 June 2023 is attached.

12. Signed

Signed  _____

Date: 29 August 2023

Samuel Lanyon
Non-Executive Chair

Lumos Diagnostics Holdings Limited

ABN 66 630 476 970

Annual Report - 30 June 2023

Lumos Diagnostics Holdings Limited

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30 June 2023

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Lumos Diagnostics Holdings Limited
Corporate directory
30 June 2023

| | |
|-----------------------------|--|
| Directors | Samuel Lanyon (Non-Executive Chair) Lawrence Mehren (Non-Executive Director and Deputy Chair) Bronwyn Le Grice (Non-Executive Director) Catherine Robson (Non-Executive Director) Douglas Ward (Managing Director) |
| Chief Executive Officer | Doug Ward |
| Chief Financial Officer | Barrie Lambert |
| Company Secretary | Tracy Weimar |
| Registered office | Level 4, 96-100 Albert Road SOUTH MELBOURNE VIC 3205 Australia |
| Principal place of business | 2724 Loker Ave West Carlsbad, California 92010 USA |
| Auditor | William Buck Level 20 181 William Street Melbourne VIC 3000 |
| Solicitors (USA) | Wilson Sonsini Goodrich & Rosati 12235 El Camino Real San Diego CA 92130 USA |
| Solicitors (Australia) | Hamilton Locke Level 33, 360 Collins Street Melbourne, VIC, 3000 |
| Stock exchange listing | Lumos Diagnostics Holdings Limited shares are listed on the Australian Securities Exchange (ASX code: LDX) |
| Website | https://lumosdiagnostics.com/ |

Lumos Diagnostics Holdings Limited
Directors' report
30 June 2023

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity' or 'Lumos') consisting of Lumos Diagnostics Holdings Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2023.

Directors

The following persons were directors of Lumos Diagnostics Holdings Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Samuel Lanyon (Non-Executive Chair)
Lawrence Mehren (Non-Executive Director and Deputy Chair)
Bronwyn Le Grice (Non-Executive Director)
Catherine Robson (Non-Executive Director)
Douglas Ward (Managing Director) - appointed a director on 13 July 2023

Principal activities

During the financial period the principal continuing activities of the consolidated entity consisted of providing contract research & development services specialising in the innovation, development, manufacturing and commercialisation of point-of-care (POC) diagnostic solutions for clinical and consumer applications.

Lumos is also developing and commercialising its own suite of rapid, point-of-care diagnostic products which are primarily focused on the diagnosis and management of infectious diseases. These include: FebriDx®, a POC test for detecting and differentiating viral and bacterial respiratory infections and ViraDx™, a three-in-one POC test for influenza A, influenza B and COVID-19.

Dividends

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

Review of operations

Financial performance

During the first half of the financial year, the Company completed the successful restructuring of its operations. This included a reduction in headcount of over 60%, a significant reduction in the operating cash burn, closure of the facility in Sarasota, Florida, and consolidation of the Company's operations to a single site in Carlsbad, California. In addition to relieving the Company from \$3.1 million in future lease obligations, the closure of the Sarasota facility enabled Lumos to access warranty proceeds from the return of some equipment from that facility. As a result, to these initiatives, combined with ongoing cost management, the cash usage for the financial year, excluding proceeds from the Sale and Leaseback agreement with Hologic and other Financing Cash Flows, but including lease payments, was reduced to \$11.6 million (FY2022: \$23.6 million) in line with the Company's target of reducing the average cash burn for the year to below \$1.0 million per month.

| | Consolidated | |
|-----------------------|---------------------|---------------------|
| | 30 June 2023 | 30 June 2022 |
| | US\$'000 | US\$'000 |
| Net cash used* | | |
| Operating cashflows | (9,638) | (18,036) |
| Investing cashflows | (155) | (4,355) |
| Financing cashflows | (1,829) | (1,206) |
| Net cash used | <u>(11,622)</u> | <u>(23,597)</u> |

* Amounts presented exclude the impact of the disposal of property, plant and equipment and capital transactions, including proceeds from the issue of shares or the proceeds/settlement of convertible notes.

As a result of the restructuring and significant cost reduction program that commenced in 2H FY2022, the net loss after tax for the financial year was reduced significantly to \$8.97 million (FY2022: \$45.72 million). The loss for FY2023 included one-off impairment, expenses totalling \$0.65 million (FY22: \$24.06 million), primarily relating to inventory. The underlying operating expenses for FY2023 were \$11.89 million (FY2022: \$22.82 million).

Lumos Diagnostics Holdings Limited
Directors' report
30 June 2023

For the financial year, Lumos recorded revenues of \$10.54 million (FY2022: \$11.63 million), of which \$10.2 million (FY2022: \$9.43 million) was generated from contract development and manufacturing services provided to external clients and \$0.30 million (FY2022: \$2.2 million) was generated from the sale of Lumos' POC diagnostic test products. In FY2023, the majority of revenue was generated in the United States (FY2022: \$11.14 million).

The underlying EBITDA loss for FY2023 was \$5.43 million, which is an improvement of over 69% compared to the \$17.67 million EBITDA loss in FY2022.

| Financial performance | 30 June 2023 US\$'000 | 30 June 2022 US\$'000 | Change US\$'000 | Change % |
|---|--|--|----------------------------------|---------------------------|
| Sale of goods | 302 | 2,200 | (1,898) | (86%) |
| Services income | 10,233 | 9,430 | 803 | 9% |
| Total revenue | 10,535 | 11,630 | (1,095) | |
| Cost of sales | (4,563) | (6,488) | 1,925 | (30%) |
| Gross Profit | 5,972 | 5,142 | 830 | |
| Gross Margin | 56.7% | 44.2% | | 12.5% |
| Other income | 488 | 17 | 471 | 2771% |
| General and administration expenses | (4,707) | (9,593) | 4,886 | (51%) |
| Employee expenses | (6,626) | (9,631) | 3,005 | (31%) |
| Marketing & sales | (135) | (2,270) | 2,135 | (94%) |
| Research & development | (421) | (1,329) | 908 | (68%) |
| Underlying EBITDA | (5,429) | (17,664) | 12,235 | |
| Finance costs | (812) | (610) | (202) | 33% |
| Depreciation & amortisation | (3,671) | (3,017) | (654) | 22% |
| Gain on disposal of property, plant & equipment | 1,589 | 18 | 1,571 | 8728% |
| Impairment of current assets | (648) | (6,015) | 5,367 | (89%) |
| Impairment of non-current assets | - | (16,363) | 16,363 | (100%) |
| Restructuring expenses | - | (1,680) | 1,680 | (100%) |
| Share based payments expense | - | (393) | 393 | (100%) |
| Net profit after income tax | (8,971) | (45,724) | 36,753 | |

*EBITDA is a financial measure which is not prescribed by Australian Accounting Standard ('AAS') and represents the profit under AAS adjusted for depreciation, amortisation, impairments of assets, interest and finance costs and income tax. Underlying EBITDA is EBITDA adjusted to exclude share based payments and one-off impairments and expenses.

Services

During FY2023, Lumos' Services revenue from the provision of diagnostic test development and manufacturing services to its clients was up 8.5% over the prior period to \$10.2 million (FY2022: \$9.4 million). During the first half of FY2023, Lumos completed its operational restructure which included closure of its Sarasota, Florida facility at the end of September and the consolidation of its commercial services and manufacturing operations to its site in Carlsbad, California, USA.

During the year, Lumos diversified its project pipeline beyond infectious disease applications with the signing of several new commercial services agreements. These projects have the potential to extend into future development and manufacturing programs. In August 2022, Lumos secured an initial purchase order for the manufacture of a multi-assay, rapid diagnostic cartridge to be used in combination with a customized Lumos digital reader as part of a novel hormone monitoring platform to be used in clinical studies to support a potential market launch in FY2024. The company also supplied test strips for a nutrition test for a US-based client, secured a commercial contract to develop new tests for food safety testing, commenced work on a novel molecular diagnostics platform, and a pilot project focused on the development of a new animal health product. In July 2023, Lumos announced it had secured a feasibility project with the Burnet Diagnostics Initiative to develop a product concept based on novel companion diagnostic biomarker with utility across a range of human health applications. In addition to providing new clients and projects that can provide a basis for future revenue growth, these have provided a more diversified commercial services pipeline which was previously dominated by projects focused on the development and manufacture of point-of-care diagnostic products for infectious diseases.

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The establishment of deep, long-term strategic partnerships with key players in the diagnostics space is an important area of focus to drive growth for Lumos. In November 2022, Lumos announced it had secured two new service agreements with Massachusetts-based women's health company Hologic. Hologic is a leading innovator in women's health and has engaged Lumos to conduct two programs of work focused on the support of an existing on market product, and the development of a commercial rapid, point-of-care test product. Lumos is entitled to receive up to \$1.5 million in revenue for the provision of its development services on these programs. In December 2022, Lumos signed a third service agreement with Hologic which has the potential to generate up to an additional \$1.0 million for Lumos. In March 2023, Lumos signed two additional agreements with Hologic worth up to \$1.7 million to conduct additional work on existing projects.

Products

During FY2023, Lumos recorded revenues of \$0.3 million (FY2022: \$2.2 million) from the sale of its own point-of-care diagnostic test products, FebriDx[®], ViraDx[™] and its readers in Canada, the UK and Europe. Approximately \$1.7 million of product sales revenue in FY2022 was generated from the sale of Lumos' CoviDx[™] test for public health initiatives during the COVID pandemic. Due to decreased demand, the large number of competing products and declining prices, Lumos is no longer supplying its CoviDx[™] test for sale.

FebriDx[®]

FebriDx[®] is a rapid, POC test for detecting and differentiating bacterial and viral acute respiratory infections in patients. To date, Lumos has received regulatory registrations for the use of FebriDx in the US, the UK, Europe, Canada, UAE, Brazil and Australia and other markets.

In 2021, Lumos filed a 510(k) application for FebriDx with the US FDA. In July 2022, Lumos was advised the FDA had decided that FebriDx did not demonstrate substantial equivalence to the predicate device that was used to support its 510(k) application. In August, Lumos filed an appeal requesting the FDA to review this decision. At the end of September, the FDA advised Lumos that it had completed the requested review and was upholding its initial decision but provided feedback regarding the requirements for a future regulatory submission for FebriDx. Based on this and feedback received from a pre-submission meeting held in January 2023, Lumos filed a new 510(k) application with the US FDA for FebriDx. In early July 2023, Lumos was informed that, based on this new application, FebriDx was cleared to be marketed in the US for use by healthcare professionals as an aid to diagnosing acute bacterial respiratory infections.

During the year, Lumos received initial orders for FebriDx from distributors in certain European markets and the UK. In July, Henry Schein, Lumos' distributor for FebriDx in the UK, expanded its distribution coverage for FebriDx to include Spain and Portugal.

ViraDx[™]

ViraDx[™] is a three-in-one COVID-19/Flu A/Flu B point-of-care, rapid antigen test which has Interim Order authorization for use in Canada.

US Product Sales Channel

During the second half of FY2023, Lumos commenced activities directed at establishing a US sales channel for point-of-care diagnostic tests. These activities include securing distribution rights for market-ready or in market products and establishing a network of independent sales representatives. The sales channel will target the same physician offices and urgent care clinics that are relevant for Lumos' own products, including FebriDx. The additional test menu offering will improve the relevance and efficiency of the sales channel and make it economically more attractive, particularly in the early stages of developing Lumos' own product portfolio. Lumos expects to earn industry-standard distribution margins on the external party's products that it sells through this channel.

In addition to its own products Lumos is securing distribution rights for point-of-care products for women's health, STIs, and other infectious diseases. In May, Lumos secured the distribution rights for CLIA-waived, molecular, point-of-care tests for the rapid detection of chlamydia and gonorrhoea from Binx Health. It has also secured distribution rights for additional STI tests as well as influenza and COVID from three other US organisations. Lumos intends to leverage this channel to stimulate customer adoption and incorporate those same customers into its US sale strategy for FebriDx.

Corporate developments

As part of Lumos' ongoing program to reduce its cash burn, in August 2022 the Company announced the closure of its facility in Sarasota, FL, and the consolidation of its development and manufacturing operations to Carlsbad, CA. This closure was completed within the short timeframe set internally and released Lumos from further lease obligations for the Sarasota site from 30 September 2022. Lumos was able to negotiate termination of the lease with a single, final payment of \$0.3 million which relieved the Company from more than \$3.1 million in future lease payment obligations plus the additional costs for running the facility. Equipment and key personnel for Lumos' manufacturing production line have been transferred and installed in Carlsbad and provide sufficient capacity, for the foreseeable future, to meet the needs of Lumos' services and products business.

In November, Lumos announced it had entered into a binding Convertible Note Agreements to raise up to A\$8.0 million in two tranches from two US-based institutional investors—SBC Global Investment Fund and Lind Global Fund II, LP. Shareholder approval to proceed with the issue of these notes was secured at the General Meeting held in December 2022. Following this approval, the first tranche of A\$4.0 million of Convertible Notes were issued in early January 2023 with the second tranche of A\$4.0 million of Convertible Notes to be issued subject to Lumos's capital needs and mutual agreement between Lumos and the Investors.

Subsequent to the end of the financial year, in July 2023, Lumos conducted a Placement that raised A\$4.75 million and a Share Purchase Plan that raised A\$0.69 million at \$0.07 per share. Some of the proceeds from this capital raise (A\$1.58 million) were used to buy back the remaining Convertible Notes held by SBC Global Investment Fund and Lind Global Fund II, LP with the balance of proceeds to provide additional working capital for the Company.

Risks and uncertainties

The Company is subject to risks that are specific to the Company and the Company's business activities, as well as general risks.

Regulatory Approvals and Responsibilities

For each country in which Lumos wishes to distribute its Products, Lumos may be required to obtain manufacturing permissions, product clearances or approvals prior to marketing the product and is required to maintain an up to date product registration with appropriate governmental authorities and regulatory bodies, for example, by the FDA.

Unsuccessful applications for or the revocation of these approvals, accreditations, registrations or listings (or a failure to obtain additional required clearances of this nature) would likely materially impact Lumos' ability to fulfil its contracts and produce or distribute its own products or services, which would have a negative impact on Lumos' financial performance, position and prospects.

Successful commercialisation

Lumos' operating and financial performance is dependent on its ability to develop and successfully commercialise its product portfolio. Lumos will need to manage and optimally develop its business model and global presence to support the commercialisation of its existing and future portfolio. Should Lumos not be materially successful in one or more of these areas, there is risk of a loss of commercial opportunities essential for the achievement of the long-term strategy which may lead to the inability to realise, or the inability to retain, value.

Competition

Lumos operates in a competitive market against a number of other diagnostic technology companies, with the market being further disrupted by new technologies and products. Many of Lumos' existing competitors have significantly more resources and greater market access than Lumos. These competitors may use aggressive marketing campaigns, new product formats, product improvements, acquisitions or price discounting to secure market share which could impact on Lumos' revenue and margins.

Lumos' competitors or new market entrants may develop or market devices and products that are more effective than Lumos' products and new therapies or diagnostic devices could be developed that replace or reduce the need for Lumos' products. Lumos may also fail to anticipate or adequately respond to changing opportunities, technology, or standards, or more broadly to customer requirements, as quickly as Lumos' competitors.

Lumos' commercial success is dependent on the continued advancement of existing products and the generation and acceptance of new products that utilise Lumos' technology through its investment in research and development. Developing new products is expensive and often involves an extended period of time to achieve a return on investment, if a return is achieved at all.

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Reliance on Distributors

The success of Lumos' Products division relies on its ability to attract, retain, support and motivate distributors. The loss of, or any significant decrease in business from these distributors may negatively impact Lumos' financial performance.

If product distributors or end clients do not continue to purchase Lumos' products, terminate the existing contracts or do not increase their usage over time, the growth in Lumos' revenue may slow or decline, which will have an adverse impact on Lumos' operating and financial performance.

Reliance on suppliers

Lumos is reliant on some third-party suppliers for the development and manufacture of outsourced commercial services clients' products and the manufacture of some components within Lumos' own product portfolio, including some specific single source parts. Many of these suppliers are located outside of the United States, whilst the raw materials Lumos requires may be in high demand globally. A number of single source parts may be difficult to replace with alternative parts and may require significant development, time and effort to remediate. Any disruption to third party businesses or supply chains or in the supply of single source parts that Lumos relies on for its development and manufacturing activities could have a material impact on the availability of Lumos' products for distribution.

Early termination of customer contracts

A number of Lumos' direct contracts with Commercial Services clients allow for termination based on a specified notice period. While Lumos has established relationships with many of these clients, should a customer decide to terminate its contract with Lumos for convenience (i.e. by providing the requisite prior notice), Lumos will suffer a loss of the customer revenue associated with that contract, and would need to sign up additional clients to replace that revenue.

Reliance on key personnel

Lumos relies heavily on the existing senior leadership team who have intimate knowledge of the business and its products. If a member of Lumos' senior leadership team were to resign or leave the business there is no certainty that Lumos could attract a suitable replacement, or how long it may take to do so.

Lumos' internal policies governing recruitment, succession planning and incentive programs to assist recruitment and staff retention may not be sufficient to retain key personnel or to attract new personnel in a timely manner. Lumos has included non-competition and non-solicitation clauses in certain employee's contracts where the applicable jurisdictions permit such restrictive covenants, however these may not always be enforceable, and the movement of any key personnel to a competitor may negatively impact Lumos' competitive advantage.

Intellectual Property

The value of Lumos' own Products depends in part on its success in obtaining and maintaining issued patents, trademarks and other intellectual property rights and protecting Lumos' proprietary technology. If Lumos' intellectual property and proprietary technology are not adequately protected, competitors may be able to use the technologies and replicate Lumos' Products or Commercial Services offering and consequently erode or negate any competitive advantage Lumos may have, which could harm Lumos' commercial position and viability.

The issue of a patent is not conclusive as to its validity or its enforceability and it may not provide Lumos with adequate proprietary protection or competitive advantages against competitors with similar products. The granting of a patent does not guarantee that competitors will not develop competing intellectual property that misappropriates, circumvents or works around the patent. Lumos' competitors may have applied for or obtained, or may in the future apply for and obtain, patents that will prevent, limit or otherwise interfere with Lumos' ability to make, use and sell its products.

Reimbursement and coverage

Third-party payers, whether U.S. or non-U.S., or governmental or commercial, are developing increasingly sophisticated methods of controlling rising healthcare costs. These include, evaluating the cost-effectiveness and economic impact of using different procedures, products and services when making coverage and payment decisions. Payers continually review new and existing technologies and can, without notice, deny or reverse coverage or alter pre-authorisation requirements for new or existing procedures, products or services.

The significant adoption of tests (including those offered by Lumos) requires either government payment or third-party reimbursement payments including governmental payers (such as the Medicare and Medicaid programs in the U.S.), managed care organisations and private health insurers, particularly for example in the U.S, Germany and other countries in Europe. In other countries with national health services, a material cost saving may be required in order for the tests to be readily adopted.

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Sufficiency of funding

Lumos' financial resources are limited and Lumos may be required to raise additional funds from time to time to finance the development of its Products and Commercial Services divisions. The ability to raise additional funding is subject to factors beyond Lumos' control and Lumos can give no assurance that it will be able to secure future funding on favourable terms, or at all.

Currency movements may be unfavourable

Lumos currently conducts the majority of its business in the United States with a majority of revenue and costs denominated in USD, with capital raisings being made predominantly in Australia in AUD. As such, unfavourable movements in the exchange rate between the Australian dollar and the U.S. dollar, or other foreign currencies in which Lumos conducts business, may cause Lumos to incur foreign currency losses.

IT system failure and cyber security risks

Any information technology system is potentially vulnerable to interruption and/or damage from a number of sources, including but not limited to computer viruses, cyber security attacks and other security breaches, power, systems, internet and data network failures, and natural disasters.

Litigation risk

In the ordinary course of its business, Lumos may be subject to the risk of litigation and other disputes with its clients, employees, consultants, lessors, regulators and other third parties. Proceedings may result in high legal costs, adverse monetary judgements and/or damage to Lumos' reputation, which ultimately is likely to have an adverse effect on Lumos' financial performance.

Significant changes in the state of affairs

On 26 August 2022, 7,500,000 unquoted options were issued, exercisable over fully paid ordinary shares and are exercisable at A\$0.30, expiring 18 July 2029;

On 26 August 2022, 2,995,000 unquoted options were issued, exercisable over fully paid ordinary shares and are exercisable at A\$0.0589, expiring 26 August 2027;

On 2 September 2022, 2,320,925, 250,000 and 105,000 unquoted options were issued on 29 August 2023, exercisable over fully paid ordinary shares and are exercisable at A\$0.0589, expiring 31 August 2026, 31 August 2027 and 28 February 2026, respectively;

On 30 September 2022 (as amended on 16 January 2023), 1,150,000 and 26,525 unquoted options were issued on 23 September 2022 and are exercisable at A\$0.0589, expiring 31 August 2027 and 31 August 2026, respectively;

On 1 December 2022, 2,246,500 unquoted options were issued on 30 November 2022, exercisable over fully paid ordinary shares and are exercisable at A\$0.0589, expiring 26 August 2027;

On 16 December 2022, 1,036,822 unquoted options were issued, exercisable over fully paid ordinary shares and are exercisable at A\$0.0474, expiring 11 December 2027;

On 2 March 2023, 100,000 options over fully paid ordinary shares were issued, exercisable at A\$0.0313 per fully paid ordinary share, expiring 30 January 2028;

On 9 May 2023, 10,100,000 options over fully paid ordinary shares were issued, exercisable at A\$0.0243 per fully paid ordinary share, expiring 8 May 2028;

In November 2022, the Company announced it had entered into a binding Convertible Note Agreements to raise up to A\$8.0 million in two tranches of A\$4.0 million from two US-based institutional investors—SBC Global Investment Fund and Lind Global Fund II, LP. Shareholder approval to proceed with the issue of these notes was secured at the General Meeting held in December 2022. Following this approval, the first tranche of A\$4.0 million Convertible Notes, less commissions and other expenses, as defined in the Convertible Note Agreements, were issued and the cash received on 5 January 2023.

In accordance with the terms of the Convertible Note Agreements, a total of 12.0 million placement shares were issued on 9 January 2023 (6.0 million to each Noteholder), on a deferred payment basis and a total of 41,666,668 attaching options were issued over fully paid ordinary shares expiring on 8 January 2027 (20,833,334 to each Noteholder), with an exercise price of A\$0.072 (7.2 Australian cents) per fully paid ordinary share. In July 2023 the noteholders paid cash to the Company for the 12.0 million placement shares.

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During the year ended 30 June 2023, conversion of the Convertible Notes in the following amounts occurred in accordance with the Convertible Note Agreements between the Company and Lind Global Fund II and SBC Global Investment Fund respectively:

- on 17 February 2023, converted \$450,000 of debt for consideration of a total of 17,307,694 fully paid ordinary shares issued, being 8,653,847 fully paid ordinary shares to each of Lind Global Fund II and SBC Global Investment Fund respectively, for \$0.026 (2.6 cents) per fully paid ordinary share;
- on 14 March 2023, converted \$225,000 of debt for consideration of 8,333,334 fully paid ordinary shares issued to SBC Global Investment Fund for \$0.027 (2.7 cents) per fully paid ordinary share;
- on 17 March 2023, converted \$225,000 of debt for consideration of 7,758,621 fully paid ordinary shares issued to Lind Global Fund II LP for \$0.029 (2.9 cents) per fully paid ordinary share;
- on 4 April 2023, converted \$225,000 of debt for consideration of 9,000,000 fully paid ordinary shares issued to SBC Global Investment Fund for \$0.025 (2.5 cents) per fully paid ordinary share;
- on 12 April 2023, converted \$225,000 of debt for consideration of 9,000,000 fully paid ordinary shares issued to Lind Global Fund II LP for \$0.025 (2.5 cents) per fully paid ordinary share;
- on 3 May 2023, converted \$225,000 of debt for consideration of 9,000,000 fully paid ordinary shares issued to SBC Global Investment Fund for \$0.025 (2.5 cents) per fully paid ordinary share;
- on 4 May 2023, converted \$225,000 of debt for consideration of 9,000,000 fully paid ordinary shares issued to Lind Global Fund II LP for \$0.025 (2.5 cents) per fully paid ordinary share;
- on 2 June 2023, converted \$225,000 of debt for consideration of 9,000,000 fully paid ordinary shares issued to SBC Global Investment Fund for \$0.025 (2.5 cents) per fully paid ordinary share;
- on 6 June 2023, converted \$225,000 of debt for consideration of 9,000,000 fully paid ordinary shares issued to Lind Global Fund II LP for \$0.025 (2.5 cents) per fully paid ordinary share;

The second tranche of A\$4.0 million of Convertible Notes that is available is to be issued subject to the Company's capital needs and mutual agreement between the Company and the Investors. It is not anticipated that this second tranche will be utilised by the Company.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year

On 3 July 2023 the Company received clearance from the US Food and Drug Administration (FDA) to market its FebriDx® rapid, point-of-care test in the United States. The clearance allows FebriDx to be marketed in the US for use by healthcare professionals as an aid in the diagnosis of bacterial acute respiratory infection and differentiation from non-bacterial etiology in patients presenting in urgent care or emergency care settings. FebriDx is intended to be used in conjunction with clinical signs and symptoms, including other clinical and laboratory findings, to evaluate patients for acute respiratory infection.

On 4 July 2023, the Company converted \$225,000 of debt for consideration of 22,500,000 fully paid ordinary shares issued to Lind Global Fund II LP for \$0.01 (1.0 cent) per fully paid ordinary share.

On 5 July 2023, the Company converted \$225,000 of debt for consideration of 22,500,000 fully paid ordinary shares issued to SBC Global Investment Fund for \$0.01 (1.0 cent) per fully paid ordinary share.

On 10 July 2023 the Company announced that it has received firm commitments from institutional investors to raise A\$4.75 million in gross proceeds (before costs) via a Placement. The Placement resulted in the issue of 67.9 million new fully paid ordinary shares at A\$0.07 per share, which is within the Company's existing placement capacity under ASX Listing Rules. Completion of the Placement occurred on 14 July 2023.

On 10 July 2023, the Company also announced an offer to eligible shareholders (being those holders of shares with an address in Australia or New Zealand as at Friday, 7 July 2023), the opportunity to participate in a Share Purchase Plan (SPP). Eligible shareholders will be entitled to apply for up to A\$30,000 of new fully paid ordinary shares at the same issue price as the Placement (A\$0.07 per share) to raise up to an additional A\$4.75 million (before costs). Completion of the SPP occurred on 3 August 2023, with the amount raised of A\$0.69 million resulting in the issue of 9,891,394 new fully paid ordinary shares at A\$0.07 per share.

On 3 August 2023, the Company issued Early Redemption Notices to the two Convertible Note holders.

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On 10 August 2023 the Company completed the early redemption of all the remaining outstanding Convertible Notes previously issued to each of Lind Global Fund II (Lind) and SBC Global Investment Fund (SBC) for a total cash payment of A\$1,575,000. In the case of Lind, the face value of the outstanding Convertible Notes was A\$1,050,000, which was settled by way of a cash payment of A\$750,000 and conversion of 300,000 convertible notes resulting in the issue of 6,382,979 ordinary shares in Lumos at \$0.047 per share. In the case of SBC, the face value of the outstanding Convertible Notes was A\$825,000, which was settled by way of a cash payment of A\$825,000.

On 11 August 2023, 4,025,000 unquoted options were issued to employees, exercisable over fully paid ordinary shares and are exercisable at A\$0.0138, expiring 10 August 2028.

No other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

Refer to the Review of Operations report preceding the directors report for additional information on the likely developments and expected results of operations.

Further information has not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental regulation

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

Information on directors

| | |
|--------------------------------------|--|
| Name: | Samuel Lanyon |
| Title: | Non-Executive Chair |
| Experience and expertise: | Sam Lanyon has more than 25 years of experience in strategy, sales and operations with a demonstrated track record in the global commercialization of technology rich healthcare products. Mr. Lanyon currently serves as Executive Director and co-founder of Planet Innovation and a Non-Executive Director of Paragon Funds Management. He also serves as a Non-Executive Director of Visus Therapeutics, a clinical-stage company focused on developing innovation medicines to improve vision. Previously, Mr. Lanyon held international executive roles with Leica Microsystems, part of Danaher Corporation, and ASX listed Vision Systems Ltd where he was responsible for establishing Vision Biosystem's sales, marketing, and service operations throughout the EU, Middle East, Latin America, and Asia Pacific. |
| | Mr. Lanyon holds an Honours degree in Mechanical Engineering from the University of Melbourne, a Post Graduate Diploma in Management from Melbourne Business School and has completed strategy training from London Business School. |
| Other current directorships: | None |
| Former directorships (last 3 years): | None |
| Special responsibilities: | Board Chair, Member of the Disclosure Committee, Member of the Audit and Risk Committee |
| Interests in shares: | 341,401 |
| | 637,966 (shares are held by spouse) |
| Interests in options: | 2,246,500 (options are held by spouse) |

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Name: Lawrence Mehren
Title: Non-Executive Director and Deputy Chair
Experience and expertise: Lawrence Mehren served as President and Chief Executive Officer as well as a Director of Accelerate Diagnostics from 2012 to 2020. During his tenure, the company developed and launched its groundbreaking Accelerate Pheno™ instrument. Prior to this, Mr. Mehren was the Head of Global Business for Ventana Medical Systems and Roche Tissue Diagnostics managing its four business units. He also held various global leadership positions with Ventana including Senior Vice President of Emerging Businesses and Chief Financial Officer. Mr. Mehren was also Managing Director, Partner and Head of P&M Corporate Finance's life sciences practice.

Mr. Mehren holds an MBA from Northwestern University's Kellogg Graduate School of Management and a BA in Political Science from the University of Arizona.

Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: Member of the Remuneration and Nomination Committee
Interests in shares: 80,000
Interests in options: None

Name: Bronwyn Le Grice
Title: Non-Executive Director
Experience and expertise: Bronwyn Le Grice has more than 18 years of executive experience in the health technology sector spanning commercialization, venture capital, corporate development, capital raising and industry advocacy.

Formerly an Investment Director with leading healthcare investment firm, BioScience Managers, Ms. Le Grice managed over \$65M of private and public equity capital raisings and was actively involved in over \$30M of portfolio investments. In 2017, she founded ANDHealth, Australia's only dedicated digital health accelerator and commercialization support organization which has led to significant growth within Australia's nascent digital health sector. Ms. Le Grice holds a number of health, technology and innovation advisory roles both in Australia and internationally, and is a Director of ANDHealth Pty Ltd.

Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: Chair of the Disclosure Committee, Member of the Remuneration and Nomination Committee and Member of the Audit and Risk Committee
Interests in shares: 110,966
Interests in options: None

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Name: Catherine Robson
Title: Non-Executive Director
Experience and expertise: Catherine Robson has more than 20 years of experience in management, finance and investment. Ms. Robson currently serves as a Non-Executive Director for ASX listed Equity Trustees (EQT Holdings Limited), where she is the chair of the Risk Committee and member of the Audit and Remuneration, Human Resources and Nominations Committees. Ms. Robson currently chairs the Board of fully owned subsidiary Equity Trustees Superannuation Limited.

Ms. Robson's other Board appointments include serving as a Non-Executive Director for Australia's largest customer owned bank, Newcastle Greater Mutual Group, where she chairs the Audit Committee.

Ms. Robson holds a Master of Laws, majoring in Tax, from Melbourne University as well as a Bachelor of Laws and BA in Asian Studies from The Australian National University. She has a Graduate Diploma in Applied Finance and is a graduate of the Australian Institute of Company Directors Course.

Other current directorships: Non-executive director of EQT Holdings Limited (ASX: EQT)
Former directorships (last 3 years): None
Special responsibilities: Chair of the Audit and Risk Committee and Chair of the Remuneration and Nomination Committee
Interests in shares: 1,025,091 (share held by Capir Pty Ltd ATF Capir Family Trust)
Interests in options: None

Name: Douglas Ward
Title: Chief Executive Officer and Managing Director - appointed as Managing Director on 23 July 2023
Experience and expertise: Doug Ward has more than 30 years of biotech and medical technology experience at notable global healthcare companies including Roche, GE, Siemens, Bayer, Chiron and Hologic.

During his career, Mr. Ward has held executive positions where he developed and implemented novel business strategies and introduced transformational products to the practice of medicine. Prior to joining Lumos, he served as Vice President, Strategy and Business Development at Hologic where he led a global team responsible for fostering innovation in women's healthcare to improve clinical results. Mr. Ward also served as the CEO of Personal Genome Diagnostics (PGDx) where he led the organization's transformation from a clinical laboratory testing service into a fully functional molecular invitro diagnostics (IVD) company.

With a deep understanding of the life sciences ecosystem, Mr. Ward excels at setting the strategic direction for global companies. He brings experience across all company functions, including Commercial Leadership, R&D, Operations, Quality, Regulatory, Service, and Support.

Mr. Ward earned his Bachelor of Arts in Pre-medicine Studies from Ohio Wesleyan University.

Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: Managing Director
Mr. Ward was named CEO of Lumos Diagnostics in June 2022.

Interests in shares: 225,000
Interests in options: 20,595,000

'Other current directorships' quoted above are current directorships for ASX listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for ASX listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Lumos Diagnostics Holdings Limited
Directors' report
30 June 2023

Shareholdings and Options shown are as at the date of the Directors' Report.

Company secretary

Tracy Weimar – GAICD FGIA

Tracy has over 20 years of commercial experience in the pharmaceutical/biotech industry in both the large and small cap sectors as well as over 10 years of Board level experience as a Company Secretary and a non-executive director, including as Vice President Operations & Finance and Company Secretary at ImmuPharma plc, a UK AIM-listed pharmaceutical drug development company.

Prior to this Tracy had several roles at GlaxoSmithKline plc including worldwide business development/licensing, sales and marketing. Prior to joining GlaxoSmithKline, Tracy was a consultant in the tax practice of Arthur Andersen in San Francisco and London. Tracy has a BA in Economics from the University of California, Berkeley and an MBA from London Business School. She is also a Graduate of the Australian Institute of Company Directors (GAICD) and a Fellow of the Governance Institute of Australia (FGIA).

Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2023, and the number of meetings attended by each director were:

| | Full Board | | Remuneration and Nomination Committee | | Audit and Risk Committee | |
|--|------------|------|--|------|--------------------------|------|
| | Attended | Held | Attended | Held | Attended | Held |
| Samuel Lanyon | 16 | 17 | - | - | 2 | 4 |
| Lawrence Mehren | 12 | 17 | 4 | 4 | - | - |
| Bronwyn Le Grice | 17 | 17 | 4 | 4 | 3 | 4 |
| Catherine Robson | 17 | 17 | 4 | 4 | 4 | 4 |
| Douglas Ward (appointed 13 July 2023) | - | - | - | - | - | - |

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

Remuneration report (audited)

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

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

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

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

Principles used to determine the nature and amount of remuneration

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

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

Lumos Diagnostics Holdings Limited
Directors' report
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The Remuneration and Nomination Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:

- having economic profit as a core component of plan design
- focusing on sustained growth in shareholder wealth and delivering increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracting and retaining high calibre executives

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-executive directors remuneration

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Remuneration and Nomination Committee. The Remuneration and Nomination Committee may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The Chair's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The Chair is not present at any discussions relating to the determination of his own remuneration. Non-executive directors do not receive share options or other incentives.

Under the ASX Listing Rules, the total amount or value of remuneration paid to Non-executive Directors in any year may not exceed the amount approved by Shareholders at Lumos' general meeting. This amount is currently fixed at A\$600,000 per annum (US\$400,000).

| Fee Type | Amount AUD | Amount USD |
|-------------------------|-----------------------|-----------------------|
| Non-Executive Directors | 55,000 | 37,000 |
| Committee Chair | 15,000 | 10,000 |
| Committee Member | 10,000 | 7,000 |

Executive remuneration

The consolidated entity aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits
- short-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave (as applicable)

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Remuneration and Nomination Committee based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and provides additional value to the executive.

Lumos Diagnostics Holdings Limited
Directors' report
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The short-term incentives ('STI') program is designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved. KPI's include profit contribution, customer satisfaction, leadership contribution and product management.

The LTI include share-based payments. Shares are awarded to executives over a period of three years based on long-term incentive measures. The LTI award will be based on metrics such as continuity of employment, financial performance and market capitalisation, or other commonly used metrics as determined by the Board. The LTI are to be reviewed annually and paid at the discretion of the Board.

Consolidated entity performance and link to remuneration

Remuneration for certain individuals is directly linked to the performance of the consolidated entity. A portion of cash bonus and incentive payments are dependent on defined earnings per share targets being met. The remaining portion of the cash bonus and incentive payments are at the discretion of the Remuneration and Nomination Committee. Refer to the section 'Additional information' below for details of the earnings and total shareholders return for the last five years.

Details of remuneration

Amounts of remuneration

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

The key management personnel of the consolidated entity consisted of the following directors of Lumos Diagnostics Holdings Limited:

- Samuel Lanyon (Non-Executive Chair)
- Lawrence Mehren (Non-Executive Director and Deputy Chair)
- Bronwyn Le Grice (Non-Executive Director)
- Catherine Robson (Non-Executive Director)

And the following persons:

- Doug Ward (Chief Executive Officer and Managing Director) - appointed as Managing Director on 13 July 2023
- Barrie Lambert (Chief Financial Officer)

| | Short-term benefits | | | STI US\$ | Post-employment benefits | Long-term benefits | Share- based payments | Total US\$ |
|--|---------------------------------|-----------------------|-------------------------|-------------|-----------------------------|----------------------------------|-----------------------------|---------------|
| | Cash salary and fees US\$ | Cash bonus US\$ | Annual leave US\$ | | Super- annuation US\$ | Long service leave US\$ | Equity- settled US\$ | |
| 30 June 2023 | | | | | | | | |
| <i>Non-Executive Directors:</i> | | | | | | | | |
| Lawrence Mehren | 87,000 | - | - | - | - | - | - | 87,000 |
| Bronwyn Le Grice | 64,693 | - | - | - | 6,793 | - | - | 71,486 |
| Catherine Robson | 59,275 | - | - | - | 6,224 | - | - | 65,499 |
| Samuel Lanyon* | 99,966 | - | - | - | 10,496 | - | 5,007 | 115,469 |
| <i>Executive Directors:</i> | | | | | | | | |
| Doug Ward** | 415,000 | 120,000 | 46,421 | - | 21,400 | - | 62,004 | 664,825 |
| <i>Other Key Management Personnel:</i> | | | | | | | | |
| Barrie Lambert | 235,620 | 82,467 | 7,951 | - | 33,497 | 8,871 | 3,827 | 372,233 |
| | 961,554 | 202,467 | 54,372 | - | 78,410 | 8,871 | 70,838 | 1,376,512 |

Lumos Diagnostics Holdings Limited
Directors' report
30 June 2023

* In November 2022, 2,246,500 options in the Company were issued to Samuel Lanyon as settlement of his compensation in a prior period, with the amount shown being the accrued expense for the vesting in the current period.

** Doug Ward was appointed to the Board on 13 July 2023.

| 30 June 2022 | Short-term benefits | | | STI US\$ | Post-employment benefits | Long-term benefits | Share- based payments | Total US\$ |
|--|---------------------------------|-----------------------|-------------------------|-------------|-----------------------------|----------------------------------|-----------------------------|------------------|
| | Cash salary and fees US\$ | Cash bonus US\$ | Annual leave US\$ | | Super- annuation US\$ | Long service leave US\$ | Equity- settled US\$ | |
| <i>Non-Executive Directors:</i> | | | | | | | | |
| Lawrence Mehren | 85,667 | - | - | - | - | - | - | 85,667 |
| Bronwyn Le Grice | 63,069 | - | - | - | 6,307 | - | - | 69,376 |
| Catherine Robson | 60,567 | - | - | - | 6,057 | - | - | 66,624 |
| | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - |
| <i>Executive Directors:</i> | | | | | | | | |
| Samuel Lanyon | 110,398 | - | (4,589) | - | 11,040 | - | 152,841 | 269,690 |
| Robert Sambursky* | 220,539 | 72,500 | 6,762 | - | 7,351 | - | 91,827 | 398,979 |
| <i>Other Key Management Personnel:</i> | | | | | | | | |
| Doug Ward** | 14,366 | - | 1,534 | - | - | - | - | 15,900 |
| Barrie Lambert*** | 72,513 | - | 3,917 | - | 7,251 | - | - | 83,681 |
| Robert Sambursky* | 114,331 | - | 2,042 | - | 4,573 | - | 36,228 | 157,174 |
| | <u>741,450</u> | <u>72,500</u> | <u>9,666</u> | <u>-</u> | <u>42,579</u> | <u>-</u> | <u>280,896</u> | <u>1,147,091</u> |

* Robert Sambursky resigned from the Board on 11 February 2022 and remained as a key management personnel until 20 June 2022.

** Doug Ward was appointed as Chief Executive Officer on 20 June 2022.

*** Barrie Lambert was appointed as Chief Financial Officer on 16 February 2022.

Lumos Diagnostics Holdings Limited
Directors' report
30 June 2023

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

| Name | Fixed remuneration | | At risk - STI | | At risk - LTI | |
|--|--------------------|--------------|---------------|--------------|---------------|--------------|
| | 30 June 2023 | 30 June 2022 | 30 June 2023 | 30 June 2022 | 30 June 2023 | 30 June 2022 |
| <i>Non-Executive Directors:</i> | | | | | | |
| Lawrence Mehren | 100% | 100% | - | - | - | - |
| Bronwyn Le Grice | 100% | 100% | - | - | - | - |
| Catherine Robson | 100% | 100% | - | - | - | - |
| Samuel Lanyon | 96% | 43% | - | - | 4% | 57% |
| | - | - | - | - | - | - |
| | - | - | - | - | - | - |
| <i>Executive Directors:</i> | | | | | | |
| Doug Ward | 73% | 100% | 18% | - | 9% | - |
| Rob Sambursky | - | 64% | - | 13% | - | 23% |
| <i>Other Key Management Personnel:</i> | | | | | | |
| Barrie Lambert | 76% | 100% | 23% | - | 1% | - |

Executive Service agreements

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

| | |
|----------------------|---|
| Name: | Samuel Lanyon |
| Title: | Non-Executive Chair* |
| Agreement commenced: | 7 December 2018 |
| Term of agreement: | Mr. Lanyon's role as Non-Executive Chair is open-ended |
| Details: | Sam Lanyon is employed as Non-Executive Chair and the terms of his employment are contractually governed by an employment agreement with Lumos. |

Sam's total fixed remuneration is currently A\$148,493 (exclusive of super) for services provided on a part time basis (equivalent to 2.5 days per week). Sam's agreement as Non-Executive Chair does not provide for the award of an STI or LTI.

Sam's employment agreement includes a restraint of trade period of one year post termination of employment within Australia (subject to enforceability). The agreement can be terminated by either party by providing six months' written notice.

**In relation to the FY2022 remuneration, Sam Lanyon was appointed as Interim CEO on 11 April 2022 until the new CEO Doug Ward was appointed on 20 June 2022.*

The role of Interim CEO attracted a monthly salary of US\$17,500, payable entirely in shares on a post-superannuation, after-tax basis (subject to shareholder approval). The amount accrued for the Interim CEO period is US\$40,341 in total and this has been included in the remuneration report for the year ended on 30 June 2023 under the share-based payments column. This will be paid in addition to Mr Lanyon's Directors' fees as Executive Chair. The monthly salary will apply throughout the employment period as interim CEO, including a short transition period following the appointment of a new CEO. There are no termination benefits associated with the Interim CEO role.

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Directors' report
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Name: Douglas Ward
Title: Chief Executive Officer and Managing Director
Agreement commenced: 20 June 2022
Term of agreement: Mr. Ward's roles as Chief Executive Officer and Managing Director is open-ended.
Details: Fixed Remuneration: starting base salary of US\$415,000 per annum which increased to US\$485,000 per annum in July 2023 on the achievement of key commercial catalysts as set by the Board of Directors.

One-off payment: US\$120,000 was paid during FY2023 for lost bonus remuneration from Mr Ward's previous employer due to early resignation to take up the CEO role with Lumos.

Short Term Incentives: Annual allocation of short-term incentives conditional on achievement of key commercial milestones as determined by the Board of Lumos.

Long Term Incentives: Options package of (a) 7.5 million options each over on ordinary share with 40% vesting after 2 years employment and the remaining 60% vesting pro-rata over the subsequent 2 years (4 years total vesting period). All unexercised options will expire after 7 years post issue. The exercise price of the options is A\$0.30 each (b) 2.995 million options each over on ordinary share with 50% vesting after 1 year of employment and the remaining 50% vesting pro-rata over the subsequent 1 year (2 years total vesting period). All unexercised options will expire after 5 years post issue. The exercise price of the options is A\$0.0589 each. (c) 10.1 million options each over on ordinary share with 50% vesting after 1 year of employment and the remaining 50% vesting pro-rata over the subsequent 1 year (2 years total vesting period). All unexercised options will expire after 5 years post issue. The exercise price of the options is A\$0.0243 each.

Termination: 90-day notice period for resignation to be provided by Mr Ward. 12-month's severance for termination without cause by Lumos and other termination benefits subject to shareholder approval.

Name: Barrie Lambert
Title: Chief Financial Officer
Agreement commenced: 16 February 2022
Term of agreement: Mr. Lambert's role as Chief Financial Officer is open-ended.
Details: Fixed Remuneration: base salary of A\$350,000 per annum plus superannuation.

Short Term Incentives: Annual allocation of short-term incentives of 35% of base salary conditional on achievement of key milestones as determined by the Board of Lumos.

Long Term Incentives: (a) 1.0 million options each over on ordinary share with 50% vesting after 1 year of employment and the remaining 50% vesting pro-rata over the subsequent 1 year (2 years total vesting period). All unexercised options will expire after 5 years post issue. The exercise price of the options is A\$0.0589 each. (b) 1.5 million options each over on ordinary share with 50% vesting after 1 year of employment and the remaining 50% vesting pro-rata over the subsequent 1 year (2 years total vesting period). All unexercised options will expire after 5 years post issue. The exercise price of the options is A\$0.0138 each.

Termination: 90-day notice period for resignation by Mr Lambert or termination by Lumos.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Lumos Diagnostics Holdings Limited
Directors' report
30 June 2023

Share-based compensation

Issue of shares

Details of shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2023 are set out below:

| Name | Date | Shares | Issue price | US\$ |
|------------|------------------|--------|-------------|-------|
| Sam Lanyon | 30 November 2022 | 22,264 | US\$0.2272 | 5,058 |
| Sam Lanyon | 30 November 2022 | 38,969 | US\$0.1941 | 6,389 |
| Sam Lanyon | 30 November 2022 | 52,752 | US\$0.0963 | 5,080 |

These shares were issued to Mr Lanyon in his capacity as interim CEO during the prior year. However, these shares required approval at the Company's annual general meeting in November 2022. The services rendered for receipt of these shares were performed in the year ended 30 June 2022.

Options

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

| Grant date | Number of Options | Vesting date and exercisable date | Expiry date | Exercise price | Fair value per option at grant date |
|-------------------|-------------------|-----------------------------------|----------------|----------------|-------------------------------------|
| 26 August 2022 | 7,500,000 | 18 July 2026 | 18 July 2029 | US\$0.2087 | US\$0.0150 |
| 26 August 2022 | 2,995,000 | 25 August 2024 | 26 August 2027 | US\$0.0409 | US\$0.0243 |
| 30 November 2022 | 2,246,500 | 26 August 2027 | 26 August 2027 | US\$0.0395 | US\$0.0181 |
| 30 September 2022 | 1,000,000 | 26 August 2024 | 31 August 2027 | US\$0.0390 | US\$0.0243 |
| 9 May 2023 | 10,100,000 | 1 June 2025 | 8 May 2028 | US\$0.0165 | US\$0.0857 |
| 11 August 2023 | 1,500,000 | 10 August 2025 | 10 August 2028 | US\$0.0089 | US\$0.0446 |

Options granted carry no dividend or voting rights.

Performance rights

There were no performance rights over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2023.

Additional information

The earnings of the consolidated entity for the five years to 30 June 2023 are summarised below:

| | 2023 US\$'000 | 2022 US\$'000 | 2021 US\$'000 | 2020 US\$'000 | 2019 US\$'000 |
|-----------------------|------------------|------------------|------------------|------------------|------------------|
| Sales revenue | 10,535 | 11,630 | 18,854 | 5,637 | 4,567 |
| Loss after income tax | (8,971) | (45,724) | (15,030) | (9,028) | (4,684) |

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

| | 2023 | 2022 |
|---|--------|---------|
| Share price at financial year end (AU\$) | 0.01 | 0.14 |
| Basic loss per share (us\$ cents per share) | (3.82) | (30.02) |
| Diluted loss per share (us\$ cents per share) | (3.82) | (30.02) |

Lumos Diagnostics Holdings Limited
Directors' report
30 June 2023

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the company at the date of the report by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

| | Balance at the start of the year | Received as part of remuneration | Additions | Forfeited/ Lapsed | Balance at the end of the year |
|------------------------|--|--|----------------|----------------------|--------------------------------------|
| <i>Ordinary shares</i> | | | | | |
| Samuel Lanyon | 579,719 | 113,934 | - | - | 693,653 |
| Lawrence Mehren | 80,000 | - | - | - | 80,000 |
| Bronwyn Le Grice | 39,538 | - | - | - | 39,538 |
| Catherine Robson | 388,188 | - | 208,332 | - | 596,520 |
| | <u>1,087,445</u> | <u>113,934</u> | <u>208,332</u> | <u>-</u> | <u>1,409,711</u> |

Option holding

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

| | Balance at the start of the year* | Granted | Exercised | Forfeited/ Lapsed | Balance at the end of the year |
|-------------------------------------|---|-------------------|-----------|----------------------|--------------------------------------|
| <i>Options over ordinary shares</i> | | | | | |
| Samuel Lanyon | 163,302 | 2,246,500 | - | (163,302) | 2,246,500 |
| Lawrence Mehren | - | - | - | - | - |
| Bronwyn Le Grice | 11,138 | - | - | (11,138) | - |
| Catherine Robson | 109,349 | - | - | (109,349) | - |
| Barrie Lambert | - | 1,000,000 | - | - | 1,000,000 |
| Doug Ward | - | 20,595,000 | - | - | 20,595,000 |
| | <u>283,789</u> | <u>23,841,500</u> | <u>-</u> | <u>(283,789)</u> | <u>23,841,500</u> |

This concludes the remuneration report, which has been audited.

Lumos Diagnostics Holdings Limited
Directors' report
30 June 2023

Shares under option

Unissued ordinary shares of Lumos Diagnostics Holdings Limited under option at the date of this report are as follows:

| Grant date | Expiry date | Exercise price | Number under option |
|-------------------|------------------|----------------|---------------------|
| 12 August 2019 | 12 August 2026 | US\$0.3850 | 2,689,698 |
| 30 September 2021 | 1 June 2024 | US\$0.9010 | 120,000 |
| 24 December 2021 | 15 November 2026 | US\$0.5790 | 10,000 |
| 24 December 2021 | 30 June 2025 | US\$0.9040 | 1,296,673 |
| 1 April 2022 | 30 June 2025 | US\$0.9346 | 321,514 |
| 15 July 2022 | 18 July 2029 | US\$0.0417 | 7,500,000 |
| 25 August 2022 | 26 August 2027 | US\$0.0417 | 2,995,000 |
| 30 November 2022 | 26 August 2027 | US\$0.0300 | 2,246,500 |
| 29 August 2022 | 31 August 2026 | US\$0.0377 | 2,139,014 |
| 29 August 2022 | 28 February 2026 | US\$0.0377 | 15,000 |
| 12 December 2022 | 11 December 2027 | US\$0.0300 | 1,036,822 |
| 29 August 2022 | 31 August 2027 | US\$0.0377 | 250,000 |
| 23 September 2022 | 31 August 2027 | US\$0.0400 | 1,000,000 |
| 9 January 2023 | 8 January 2027 | US\$0.0499 | 41,666,688 |
| 2 March 2023 | 31 January 2028 | US\$0.0211 | 100,000 |
| 2 June 2023 | 8 May 2028 | US\$0.0161 | 10,100,000 |
| 11 August 2023 | 10 August 2028 | US\$0.0089 | 4,025,000 |
| | | | 77,511,909 |

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate.

Shares under performance rights

There were no unissued ordinary shares of Lumos Diagnostics Holdings Limited under performance rights outstanding at the date of this report.

Shares issued on the exercise of options

There were no ordinary shares of Lumos Diagnostics Holdings Limited issued on the exercise of options during the year ended 30 June 2023 and up to the date of this report.

Shares issued on the exercise of performance rights

There were no ordinary shares of Lumos Diagnostics Holdings Limited issued on the exercise of performance rights during the year ended 30 June 2023 and up to the date of this report.

Indemnity and insurance of officers

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The Company has not, during or since the end of 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 entity.

Lumos Diagnostics Holdings Limited
Directors' report
30 June 2023

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 24 to the financial statements.

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

The directors are of the opinion that the services as disclosed in note 24 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

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

Officers of the company who are former partners of William Buck

There are no officers of the Company who are former partners of William Buck.

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

Auditor

William Buck continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors.



Samuel Lanyon
Non-Executive Chair

29 August 2023

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF LUMOS DIAGNOSTICS HOLDINGS LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2023 there have been:

- no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

William Buck

William Buck Audit (Vic) Pty Ltd
ABN 59 116 151 136

Alan Finnis

A. A. Finnis
Director
Melbourne, 29 August 2023

Lumos Diagnostics Holdings Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2023

| | | Consolidated | |
|--|-------------|---------------------|---------------------|
| | Note | 30 June 2023 | 30 June 2022 |
| | | US\$'000 | US\$'000 |
| Revenue | 5 | 10,535 | 11,630 |
| Cost of sales | | <u>(4,563)</u> | <u>(6,488)</u> |
| Gross profit | | 5,972 | 5,142 |
| Other income | 6 | 488 | 17 |
| Expenses | | | |
| Marketing and sales | | (135) | (2,270) |
| General and administration | 7 | (4,707) | (9,593) |
| Research and development | | (421) | (1,329) |
| Employee expenses | | (6,626) | (10,024) |
| Depreciation and amortisation | | (3,671) | (3,017) |
| Finance costs | 8 | (812) | (610) |
| Gain/(loss) on disposal of assets | 12 | 1,589 | 18 |
| Impairment of accounts receivable | | - | (2,545) |
| Impairment of inventory | 10 | (648) | (3,267) |
| Impairment of plant and equipment | 12 | - | (3,801) |
| Impairment of intangibles | 13 | - | (12,562) |
| Impairment of financial assets | | - | (203) |
| Restructuring expenses | | <u>-</u> | <u>(1,680)</u> |
| Loss before income tax expense | | (8,971) | (45,724) |
| Income tax expense | | <u>-</u> | <u>-</u> |
| Loss after income tax expense for the year attributable to the owners of Lumos Diagnostics Holdings Limited | | (8,971) | (45,724) |
| Other comprehensive income | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | |
| Foreign currency translation | | <u>(477)</u> | <u>(2,831)</u> |
| Other comprehensive income for the year, net of tax | | (477) | (2,831) |
| Total comprehensive income for the year attributable to the owners of Lumos Diagnostics Holdings Limited | | <u>(9,448)</u> | <u>(48,555)</u> |
| | | US\$ Cents | US\$ Cents |
| Basic loss per share | 31 | (3.82) | (30.02) |
| Diluted loss per share | 31 | (3.82) | (30.02) |

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Lumos Diagnostics Holdings Limited
Consolidated statement of financial position
As at 30 June 2023

| | | Consolidated | |
|--------------------------------|-------------|---------------------|---------------------|
| | Note | 30 June 2023 | 30 June 2022 |
| | | US\$'000 | US\$'000 |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | | 3,015 | 7,978 |
| Trade and other receivables | 9 | 1,489 | 1,890 |
| Inventories | 10 | 1,063 | 2,526 |
| Prepayments and other assets | | 397 | 1,048 |
| Total current assets | | <u>5,964</u> | <u>13,442</u> |
| Non-current assets | | | |
| Plant and equipment | 12 | 611 | 3,495 |
| Right-of-use assets | 11 | 7,953 | 7,476 |
| Intangibles | 13 | 10,891 | 12,527 |
| Total non-current assets | | <u>19,455</u> | <u>23,498</u> |
| Total assets | | <u>25,419</u> | <u>36,940</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 14 | 2,882 | 4,115 |
| Convertible notes | 15 | 1,346 | - |
| Lease liabilities | 16 | 692 | 968 |
| Employee benefits | | 1,540 | 1,087 |
| Contract liabilities | 17 | 1,714 | 6,659 |
| Total current liabilities | | <u>8,174</u> | <u>12,829</u> |
| Non-current liabilities | | | |
| Lease liabilities | 16 | 7,747 | 6,226 |
| Total non-current liabilities | | <u>7,747</u> | <u>6,226</u> |
| Total liabilities | | <u>15,921</u> | <u>19,055</u> |
| Net assets | | <u>9,498</u> | <u>17,885</u> |
| Equity | | | |
| Issued capital | 18 | 92,468 | 92,139 |
| Reserves | 19 | (678) | 280 |
| Accumulated losses | | (82,292) | (74,534) |
| Total equity | | <u>9,498</u> | <u>17,885</u> |

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

Lumos Diagnostics Holdings Limited
Consolidated statement of changes in equity
For the year ended 30 June 2023

| Consolidated | Issued capital US\$'000 | Foreign currency translation reserve US\$'000 | Share based payments reserve US\$'000 | Accumulated losses US\$'000 | Total equity US\$'000 |
|---|--|--|--|--|----------------------------------|
| Balance at 1 July 2021 | 84,222 | 1,044 | 1,825 | (28,810) | 58,281 |
| Loss after income tax expense for the year | - | - | - | (45,724) | (45,724) |
| Other comprehensive income for the year, net of tax | - | (2,831) | - | - | (2,831) |
| Total comprehensive income for the year | - | (2,831) | - | (45,724) | (48,555) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | |
| Contributions of equity, net of transaction costs (note 18) | 7,777 | - | - | - | 7,777 |
| Vesting of share-based payments (note 32) | 140 | - | 242 | - | 382 |
| Balance at 30 June 2022 | <u>92,139</u> | <u>(1,787)</u> | <u>2,067</u> | <u>(74,534)</u> | <u>17,885</u> |
| Consolidated | Issued capital US\$'000 | Foreign currency translation reserve US\$'000 | Share based payments reserve US\$'000 | Accumulated losses US\$'000 | Total equity US\$'000 |
| Balance at 1 July 2022 | 92,139 | (1,787) | 2,067 | (74,534) | 17,885 |
| Loss after income tax expense for the year | - | - | - | (8,971) | (8,971) |
| Other comprehensive income for the year, net of tax | - | (477) | - | - | (477) |
| Total comprehensive income for the year | - | (477) | - | (8,971) | (9,448) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | |
| Equity settled directors' fees (note 32) | 18 | - | - | - | 18 |
| Shares issued on settlement of convertible notes, net of transaction costs incurred (note 15) | 231 | - | - | - | 231 |
| Issue of options to convertible note holders (note 19) | - | - | 732 | - | 732 |
| Vesting of share based payments (note 32) | - | - | 255 | - | 255 |
| Forfeiture of share based payments (note 32) | - | - | (255) | - | (255) |
| Lapsing of share based payments (note 32) | - | - | (1,213) | 1,213 | - |
| Issue of placement shares (note 18) | 80 | - | - | - | 80 |
| Balance at 30 June 2023 | <u>92,468</u> | <u>(2,264)</u> | <u>1,586</u> | <u>(82,292)</u> | <u>9,498</u> |

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Lumos Diagnostics Holdings Limited
Consolidated statement of cash flows
For the year ended 30 June 2023

| | | Consolidated | |
|--|-------------|---------------------|---------------------|
| | Note | 30 June 2023 | 30 June 2022 |
| | | US\$'000 | US\$'000 |
| Cash flows from operating activities | | | |
| Receipts from customers (inclusive of GST) | | 6,985 | 12,456 |
| Payments to employees and suppliers (inclusive of GST) | | (15,846) | (30,337) |
| Proceeds from government grant | | - | 15 |
| | | <u> </u> | <u> </u> |
| | | (8,861) | (17,866) |
| Interest received | | 21 | 2 |
| Interest and other finance costs paid | | (798) | (172) |
| | | <u> </u> | <u> </u> |
| Net cash used in operating activities | 30 | <u>(9,638)</u> | <u>(18,036)</u> |
| Cash flows from investing activities | | | |
| Payments for plant and equipment | 12 | (125) | (2,523) |
| Payments for clinical trials and development | 13 | (30) | (1,832) |
| Proceeds from disposal of property, plant and equipment | 12 | 4,462 | - |
| | | <u> </u> | <u> </u> |
| Net cash from/(used in) investing activities | | <u>4,307</u> | <u>(4,355)</u> |
| Cash flows from financing activities | | | |
| Proceeds from issue of shares, net of costs | 18 | - | 7,870 |
| Payment of proceeds from sell-down of shares | | - | (17,583) |
| Proceeds from issue of convertible notes | | 2,615 | - |
| Costs of issuing convertible notes | | (134) | - |
| Payment of lease liabilities | | (1,829) | (1,206) |
| | | <u> </u> | <u> </u> |
| Net cash from/(used in) financing activities | | <u>652</u> | <u>(10,919)</u> |
| Net decrease in cash and cash equivalents | | (4,679) | (33,310) |
| Cash and cash equivalents at the beginning of the financial year | | 7,978 | 44,890 |
| Effects of exchange rate changes on cash and cash equivalents | | (284) | (3,602) |
| | | <u> </u> | <u> </u> |
| Cash and cash equivalents at the end of the financial year | | <u><u>3,015</u></u> | <u><u>7,978</u></u> |

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

Lumos Diagnostics Holdings Limited
Notes to the consolidated financial statements
30 June 2023

Note 1. General information

The financial statements cover Lumos Diagnostics Holdings Limited as a consolidated entity consisting of Lumos Diagnostics Holdings Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in US dollars, which is Lumos Diagnostics Holdings Limited's presentation currency. The functional currency for Lumos Diagnostics Holdings Limited is US dollars, except for the Australian entities, which is Australian dollars.

Lumos Diagnostics Holdings Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

| Registered office | Principal place of business |
|--|--|
| Level 4, 96-100 Albert Road South Melbourne VIC 3205 Australia | 2724 Loker Ave West Carlsbad, California 92010 USA |

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 29 August 2023. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

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

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

Going concern

The 2023 Annual Report has been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

As disclosed in the financial statements, the net current assets position as at 30 June 2023 of the consolidated entity was a deficit of \$2,210 thousand (30 June 2022: surplus of \$613 thousand). The consolidated entity made a loss after tax of \$8,971 thousand during the year ended 30 June 2023 (30 June 2022: \$45,724 thousand). Excluding one-off charges and impairments of \$648 thousand, the loss for the year ended 30 June 2023 was \$8,323 thousand (30 June 2022: \$21,666 thousand). The net operating cash outflow was \$9,638 thousand (30 June 2022: outflow of \$18,036 thousand). Cash and cash equivalents as at 30 June 2023 were \$3,015 thousand (30 June 2022: \$7,978 thousand).

These factors indicate a material uncertainty which may cast significant doubt as to whether the consolidated entity will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Lumos Diagnostics Holdings Limited
Notes to the consolidated financial statements
30 June 2023

Note 2. Significant accounting policies (continued)

The Directors believe there are reasonable grounds to expect the consolidated entity will be able to continue as a going concern, after consideration of a range of factors, not limited to, but including the following:

- As detailed in note 8, the consolidated entity has executed convertible note agreements, in accordance with which A\$3,798,000, net of costs, was received on 5 January 2023. This is Tranche 1 of the convertible notes, and there is an additional A\$4,000,000 (before costs) available under Tranche 2, subject to the Company's capital needs and mutual agreement between the Company and the investors;
- Management continues to assess and identify operating and capital expenditures which may be optimised and which accordingly will reduce the expense base, capital expenditure and monthly cash outflows of the group;
- The group continues to explore revenue growth opportunities, across its commercial services business, contract manufacturing, and Lumos branded products, including FebriDx and ViraDx in the US;
- On 3 July 2023 the Company received clearance from the US Food and Drug Administration (FDA) to market its FebriDx® rapid, point-of-care test in the United States. The clearance allows FebriDx to be marketed in the US for use by healthcare professionals as an aid in the diagnosis of bacterial acute respiratory infection and differentiation from non-bacterial etiology in patients presenting in urgent care or emergency care settings. FebriDx is intended to be used in conjunction with clinical signs and symptoms, including other clinical and laboratory findings, to evaluate patients for acute respiratory infection. This FDA clearance will allow commercialisation activities for FebriDx in the US to commence; and
- In July 2023 the Company announced that it has received A\$4.75 million (before costs) from institutional investors via a Placement. Also in July 2023, the Company announced an offer to eligible shareholders to participate in a Share Purchase Plan with an additional A\$0.69 million received (before costs).

The Directors will continue to monitor the ongoing funding requirements of the consolidated entity.

As a consequence of the above, the directors believe that, notwithstanding the consolidated entity's operating results for the year, the consolidated entity will be able to continue as a going concern for the foreseeable future and therefore Directors consider it is appropriate to prepare the financial statements on a going concern basis.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the consolidated entity does not continue as a going concern.

Comparative Information

The consolidated financial statements provide comparative information in respect of the previous period. There can be a restatement of comparatives through either a correction of error, a change in accounting policy or a reclassification. The consolidated entity has made a number of reclassifications to comparative information, as a result of which neither is there an impact on the consolidated entity's net profit after tax for the year ended 30 June 2022 nor its net assets at 30 June 2022 as previously reported.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Principles of consolidation

For the current year, the consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Lumos Diagnostics Holdings Limited ('company' or 'parent entity') as at 30 June 2023 and the results of all subsidiaries for the year then ended. Lumos Diagnostics Holdings Limited and its subsidiaries together are referred to in these financial statements as the 'Consolidated Entity'.

Note 2. Significant accounting policies (continued)

Subsidiaries are all those entities over which the combined entity has control. The combined entity controls an entity when the combined entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the combined entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Foreign currency translation

The financial statements are presented in US dollars, which is Lumos Diagnostics Holdings Limited's presentation currency. The functional currency for Lumos Diagnostics Holdings Limited is US dollars, except for the Australian entities, which is Australian dollars.

Foreign currency transactions

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

Foreign operations

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

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Note 2. Significant accounting policies (continued)

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2022. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations. However, they are not expected to be material.

The comparative financial information presented in the statement of profit or loss and other comprehensive income has been restated to reflect the internal reclassification of certain amounts in the financial statements and notes thereto. There is no impact of these reclassifications on the previously reported net loss after tax.

Note 3. Critical accounting judgements, estimates and assumptions

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

Capitalisation of development costs

Costs that are directly associated with the development of products are recognised as intangible assets where the relevant criteria under the accounting standards are met.

These capitalised development costs are reviewed to determine if:

- it is probable that the asset associated will be commercially viable,
- the consolidated entity is able to use or sell the asset;
- the consolidated entity has sufficient resources to do so, and
- the intent to complete the development and costs can be measured reliably.

This requires a degree of estimation and judgement.

Share-based payment transactions

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

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

Fair value measurement hierarchy

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

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

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Lumos Diagnostics Holdings Limited
Notes to the consolidated financial statements
30 June 2023

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

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

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the consolidated entity's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The consolidated entity reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Convertible Notes

The Company has convertible notes (CNs) on issue at the reporting date, including the CN host debt and the CN embedded derivate. The determination of the fair value of the host debt and embedded derivative is based on certain assumptions, including but not limited to the expected execution of the conversion elements of the CNs, the Company's share price used to calculate the daily volume weighted average prices (VWAPs) during the 20 trading days prior to maturity, volatility and those macroeconomic factors which influence the aforementioned inputs.

Note 4. Operating segments

Identification of reportable operating segments

The consolidated entity has one operating segment, being the provision of point of care diagnostics goods and services, however it operates across two geographical regions, being the United States and Australia. The operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

Major customers

During the year ended 30 June 2023 approximately 67.6% (30 June 2022: 52.1%) of the consolidated entity's external revenue was derived from sales to customers as follows:

| | | |
|------------|--------------|--------------|
| Customer A | 30.5% | 10.2% |
| Customer B | 24.5% | 15.0% |
| Customer C | 10.0% | 1.5% |
| Customer D | 2.6% | 13.9% |
| Customer E | - | 11.5% |
| Total | <u>67.6%</u> | <u>52.1%</u> |

Lumos Diagnostics Holdings Limited
Notes to the consolidated financial statements
30 June 2023

Note 4. Operating segments (continued)

Geographical information

| | Sales to external customers | | Geographical non-current assets | |
|---------------|-----------------------------|--------------------------|---------------------------------|--------------------------|
| | 30 June 2023 US\$'000 | 30 June 2022 US\$'000 | 30 June 2023 US\$'000 | 30 June 2022 US\$'000 |
| United States | 10,535 | 11,143 | 8,715 | 11,153 |
| Australia | - | 487 | 10,840 | 12,345 |
| | <u>10,535</u> | <u>11,630</u> | <u>19,555</u> | <u>23,498</u> |

Accounting policy for operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Note 5. Revenue

| | Consolidated | |
|-----------------|--------------------------|--------------------------|
| | 30 June 2023 US\$'000 | 30 June 2022 US\$'000 |
| Sales of goods | 302 | 2,200 |
| Services income | <u>10,233</u> | <u>9,430</u> |
| | <u>10,535</u> | <u>11,630</u> |

The consolidated entity has reclassified comparative information for the year ended 30 June 2022. Revenue from the sale of goods has decreased from \$3,880 thousand as previously reported to \$2,200 thousand and services income has increased from \$7,750 thousand as previously reported to \$9,430 thousand. The reclassification of the comparative information best reflects the application of the consolidated entity's policy on revenue recognition and disclosure as outlined herein.

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Sale of goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Lumos Diagnostics Holdings Limited
Notes to the consolidated financial statements
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Note 5. Revenue (continued)

Rendering of services

Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate. Services revenue includes contract research and development services (including both labour and materials used for such projects) and contract manufacturing services provided to third party customers where the end product is owned by the customer.

Note 6. Other income

| | Consolidated | |
|-------------------|---------------------|---------------------|
| | 30 June 2023 | 30 June 2022 |
| | US\$'000 | US\$'000 |
| Government grants | 467 | 15 |
| Interest income | 21 | 2 |
| | <hr/> | <hr/> |
| Other income | 488 | 17 |
| | <hr/> <hr/> | <hr/> <hr/> |

Government grants

Government grant is recognised when there is reasonable assurance that conditions attached to the grant will be complied with and that the grant will be received. The majority of the FY2023 government grants consists of an R&D tax credit of \$460 thousand related to the FY2022 income tax year.

Interest income

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Note 7. General and administration

| | Consolidated | |
|--|---------------------|---------------------|
| | 30 June 2023 | 30 June 2022 |
| | US\$'000 | US\$'000 |
| Insurance | 891 | 1,922 |
| Rent and related expenses | 593 | 804 |
| Information technology | 463 | 599 |
| Accounting, audit & company secretarial expenses | 455 | 1,199 |
| Legal expenses | 409 | 661 |
| Medical affairs & quality control | 322 | 584 |
| Consulting expenses | 319 | 1,300 |
| Computer, IT & website costs | 265 | 621 |
| Regulatory affairs | 219 | 83 |
| Travel and associated expenses | 166 | 268 |
| Foreign exchange gains/losses | 61 | (615) |
| Other general and administration expenses | 544 | 2,167 |
| | <hr/> | <hr/> |
| | 4,707 | 9,593 |
| | <hr/> <hr/> | <hr/> <hr/> |

The consolidated entity has made a number of reclassifications to comparative information as previously reported which do not impact the consolidated entity's net profit after tax as previously reported.

Lumos Diagnostics Holdings Limited
Notes to the consolidated financial statements
30 June 2023

Note 8. Finance costs

| | Consolidated | |
|---|---------------------|---------------------|
| | 30 June 2023 | 30 June 2022 |
| | US\$'000 | US\$'000 |
| Interests on lease liabilities | 441 | 574 |
| Convertible notes - cost of amortisation of finance costs (note 15) | 1,946 | - |
| Convertible notes - change in fair value of derivative (note 15) | (1,617) | - |
| Other | 42 | 36 |
| | <u>812</u> | <u>610</u> |

Refer to note 15 for further details of the Convertible Notes.

Note 9. Trade and other receivables

| | Consolidated | |
|--|---------------------|---------------------|
| | 30 June 2023 | 30 June 2022 |
| | US\$'000 | US\$'000 |
| <i>Current assets</i> | | |
| Trade receivables | 3,203 | 4,146 |
| Less: Allowance for expected credit losses | (2,325) | (2,439) |
| | <u>878</u> | <u>1,707</u> |
| Other receivables | 611 | 183 |
| | <u>1,489</u> | <u>1,890</u> |

Other receivables as at 30 June 2023 includes a receivable for the refund from an R&D tax credit of \$460 thousand related to the FY2022 income tax year. The cash payment was received by the Company in August 2023.

Allowance for expected credit losses

| Consolidated | Expected credit loss rate | | Carrying amount | | Allowance for expected credit losses | |
|-----------------------|----------------------------------|---------------------|------------------------|---------------------|---|---------------------|
| | 30 June 2023 | 30 June 2022 | 30 June 2023 | 30 June 2022 | 30 June 2023 | 30 June 2022 |
| | % | % | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Not overdue | - | - | 806 | 990 | - | - |
| 0 to 3 months overdue | 15% | - | 85 | 275 | (13) | - |
| 3 to 6 months overdue | 100% | 64% | 77 | 1,233 | (77) | (791) |
| Over 6 months overdue | 100% | 100% | 2,235 | 1,648 | (2,235) | (1,648) |
| | | | <u>3,203</u> | <u>4,146</u> | <u>(2,325)</u> | <u>(2,439)</u> |

Movements in the allowance for expected credit losses are as follows:

| | Consolidated | |
|--|---------------------|---------------------|
| | 30 June 2023 | 30 June 2022 |
| | US\$'000 | US\$'000 |
| Opening balance | (2,439) | (169) |
| Additional provisions recognised | (77) | (2,281) |
| Receivables written off during the year as uncollectable | 191 | 11 |
| Closing balance | <u>(2,325)</u> | <u>(2,439)</u> |

Lumos Diagnostics Holdings Limited
Notes to the consolidated financial statements
30 June 2023

Note 9. Trade and other receivables (continued)

Accounting policy for trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue. Lumos reserve for 100% of any receivable over 90 days past due and 50% of any receivable between 60 and 90 days past due. On top of this approach, if the consolidated entity knows for specific individual customer that the debtors are not collectable, Lumos reverse for 100% of any receivables of that individual customer.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Note 10. Inventories

| | Consolidated | |
|-------------------------------|---------------------|---------------------|
| | 30 June 2023 | 30 June 2022 |
| | US\$'000 | US\$'000 |
| Raw materials | 1,716 | 3,711 |
| Work in progress | 144 | 950 |
| Finished goods | 130 | 882 |
| Provision for impairment | (927) | (3,017) |
| | <hr/> | <hr/> |
| Carrying value of inventories | <u>1,063</u> | <u>2,526</u> |

Movement in the provision for impairment of inventories for the year ended 30 June 2023 is as follows:

| | 30 June 2023 |
|-----------------|---------------------|
| | US\$'000 |
| Opening balance | (3,017) |
| Disposals | 2,738 |
| Impairment | <hr/> (648) |
| Closing balance | <hr/> <u>(927)</u> |

Accounting policy for inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The consolidated entity incurred an inventory impairment of US\$648 thousand during the year ended 30 June 2023, driven predominantly by the expiry of certain inventory items which were then unable to be used in manufacturing or sold to customers.

Lumos Diagnostics Holdings Limited
Notes to the consolidated financial statements
30 June 2023

Note 11. Right-of-use assets

| | Consolidated | |
|------------------------------------|---------------------|---------------------|
| | 30 June 2023 | 30 June 2022 |
| | US\$'000 | US\$'000 |
| <i>Non-current assets</i> | | |
| Land and buildings - right-of-use | 4,623 | 6,939 |
| Less: Accumulated depreciation | (764) | (578) |
| | <u>3,859</u> | <u>6,361</u> |
| Plant and equipment - right-of-use | 4,249 | 1,858 |
| Less: Accumulated depreciation | (155) | (743) |
| | <u>4,094</u> | <u>1,115</u> |
| | <u><u>7,953</u></u> | <u><u>7,476</u></u> |

Reconciliations

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

| | Land and buildings - right-of-use | Plant and equipment - right-of-use | Total |
|-------------------------|--|---|---------------------|
| | US\$'000 | US\$'000 | US\$'000 |
| Consolidated | | | |
| Balance at 1 July 2021 | 6,882 | 1,775 | 8,657 |
| Depreciation expense | (521) | (660) | (1,181) |
| Balance at 30 June 2022 | 6,361 | 1,115 | 7,476 |
| Additions | - | 4,249 | 4,249 |
| Disposals | (1,902) | - | (1,902) |
| Depreciation expense | (600) | (1,270) | (1,870) |
| Balance at 30 June 2023 | <u><u>3,859</u></u> | <u><u>4,094</u></u> | <u><u>7,953</u></u> |

Disposals, Additions and Sale and leaseback

During the year the consolidated entity terminated its lease for the property in Sarasota, Florida and returned some leased plant and equipment under warranty to the supplier. During the year ended 30 June 2023, the consolidated entity executed a sale and leaseback arrangement in accordance with which certain plant and equipment was sold to a strategic partner for US\$4.2 million and leased back to the Company, with the lease period covering 8 years.

Accounting policy for right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Lumos Diagnostics Holdings Limited
Notes to the consolidated financial statements
30 June 2023

Note 12. Plant and equipment

| | Consolidated | |
|----------------------------------|---------------------|---------------------|
| | 30 June 2023 | 30 June 2022 |
| | US\$'000 | US\$'000 |
| <i>Non-current assets</i> | | |
| Construction in progress* | 158 | 1,381 |
| Leasehold improvements - at cost | 57 | 3,521 |
| Less: Accumulated depreciation | (43) | (783) |
| Less: Accumulated impairment | - | (2,735) |
| | <u>14</u> | <u>3</u> |
| Plant and equipment - at cost | 1,235 | 2,846 |
| Less: Accumulated depreciation | (922) | (963) |
| | <u>313</u> | <u>1,883</u> |
| Computer equipment - at cost | 411 | 570 |
| Less: Accumulated depreciation | (333) | (346) |
| | <u>78</u> | <u>224</u> |
| Office equipment - at cost | 105 | 505 |
| Less: Accumulated depreciation | (57) | (131) |
| Less: Accumulated impairment | - | (370) |
| | <u>48</u> | <u>4</u> |
| | <u>611</u> | <u>3,495</u> |

Reconciliations

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

| Consolidated | Leasehold improvements US\$'000 | Plant and equipment US\$'000 | Computer equipment US\$'000 | Office equipment US\$'000 | Construction in progress US\$'000 | Total US\$'000 |
|-------------------------|--|---|--|--------------------------------------|--|---------------------------|
| Balance at 1 July 2021 | 20 | 539 | 219 | 40 | 5,405 | 6,223 |
| Additions | 359 | 279 | 74 | 409 | 1,402 | 2,523 |
| Disposals | - | (28) | - | - | (233) | (261) |
| Exchange differences | - | - | (3) | - | - | (3) |
| Impairment of assets | (2,735) | - | - | (370) | (696) | (3,801) |
| Transfers in/(out) | 3,110 | 1,358 | - | 29 | (4,497) | - |
| Depreciation expense | (751) | (265) | (66) | (104) | - | (1,186) |
| Balance at 30 June 2022 | 3 | 1,883 | 224 | 4 | 1,381 | 3,495 |
| Additions | 29 | 3 | 23 | 70 | - | 125 |
| Disposals | (16) | (1,150) | (39) | - | (1,223) | (2,428) |
| Exchange differences | - | - | (1) | - | - | (1) |
| Depreciation expense | (2) | (423) | (129) | (26) | - | (580) |
| Balance at 30 June 2023 | <u>14</u> | <u>313</u> | <u>78</u> | <u>48</u> | <u>158</u> | <u>611</u> |

Lumos Diagnostics Holdings Limited
Notes to the consolidated financial statements
30 June 2023

Note 12. Plant and equipment (continued)

Disposals

During the year ended 30 June 2023, the consolidated entity executed a sale and leaseback arrangement in accordance with which certain plant and equipment was sold to a strategic partner for US\$4.2 million and leased back to the Company, with the lease period covering 8 years. The consolidated entity also completed the return of some leased plant and equipment under warranty to the manufacturer which resulted in net proceeds of US\$0.3 million being received. Total net proceeds received were \$4,462 thousand, as shown in the Statement of Cash Flows. The combined net book value of these assets, taken from right-of-use assets and plant and equipment, was \$2,834 thousand, which resulted in a gain on sale of \$1,628 thousand. After accounting for some other disposals of plant and equipment of \$39 thousand loss, the net gain on sale recorded in the statement of profit or loss is \$1,589 thousand.

Accounting policy for plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of plant and equipment (excluding land) over their expected useful lives as follows:

| | |
|------------------------|-----------|
| Office Equipment | 3-5 years |
| Leasehold improvements | 10 years |
| Plant and equipment | 3-7 years |
| Motor Vehicles | 3-5 years |
| Computer equipment | 3 years |

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

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of plant and equipment is derecognised upon disposal or when there is no future economic benefit to the combined entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

The consolidated entity incurred a plant and equipment impairment of nil thousand during the year ended on 30 June 2023 (30 June 2022: \$3.80 million).

Note 13. Intangibles

| | Consolidated | |
|---------------------------------|----------------------|----------------------|
| | 30 June 2023 | 30 June 2022 |
| | US\$'000 | US\$'000 |
| <i>Non-current assets</i> | | |
| Development - at cost | 9,675 | 10,063 |
| Less: Accumulated amortisation | (1,283) | (670) |
| Less: Accumulated impairment | (1,199) | (1,247) |
| | <u>7,193</u> | <u>8,146</u> |
| Intellectual property - at cost | 14,443 | 15,172 |
| Less: Accumulated amortisation | (1,043) | (491) |
| Less: Accumulated impairment | (9,702) | (10,300) |
| | <u>3,698</u> | <u>4,381</u> |
| | <u><u>10,891</u></u> | <u><u>12,527</u></u> |

Lumos Diagnostics Holdings Limited
Notes to the consolidated financial statements
30 June 2023

Note 13. Intangibles (continued)

Reconciliations

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

| Consolidated | Goodwill US\$'000 | Capitalised development US\$'000 | Intellectual property US\$'000 | Total US\$'000 |
|-------------------------|------------------------------|---|---|---------------------------|
| Balance at 1 July 2021 | 1,102 | 8,763 | 15,983 | 25,848 |
| Additions | - | 1,768 | 64 | 1,832 |
| Impairment of assets | (1,015) | (1,247) | (10,300) | (12,562) |
| Exchange differences | (87) | (732) | (1,316) | (2,135) |
| Amortisation expense | - | (406) | (50) | (456) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Balance at 30 June 2022 | - | 8,146 | 4,381 | 12,527 |
| Additions | - | - | 30 | 30 |
| Exchange differences | - | (314) | (161) | (475) |
| Amortisation expense | - | (639) | (552) | (1,191) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Balance at 30 June 2023 | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

Impairment of intangibles

All intangible assets are assessed at each reporting period for indicators of impairment. Lumos operates as a single operating segment and cash generating unit being 'provision of point of care diagnostics goods and services'. Intangible assets with an indefinite useful life, or not yet ready for use, are assessed for impairment under this cash generating unit.

The recoverable amount of the cash-generating unit is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections for the next five years. The cash flows are discounted using estimated discount rate based on Capital Asset Pricing Model adjusted to incorporate risks associated with the Point of Care Diagnostics segment.

Management has based the value-in-use calculations on five-year budget forecasts and a terminal value of the Point of Care Diagnostics business. Revenue has been projected on the below mentioned assumptions. Costs are calculated taking into account historical gross margins as well as estimated weighted inflation rates over the period which is consistent with inflation rates applicable to the locations in which the unit operates. Discount rates are pre-tax and reflect risks associated with the Point of Care Diagnostics business.

The following assumptions were used in the value-in-use-calculations:

- a. The CAGR for revenue across the five year forecast period is 26%. This is derived based on a combination of historical performance references, market outlooks and current expansion and development plans of the business.
- b. Projected cash flows have been discounted using a pre-tax discount rate of 16.16% (2022: 14.10%). The pre-tax discount rate represents the current market assessment of the risks specific to the CGU, taking into consideration the time value of money and individual risks of the underlying asset that have not be incorporated in the cash flows model. The discount rate calculation is based on the specific circumstances of the CGU, and is derived from its weighted average cost of capital ('WACC'). The WACC includes both cost of debt and equity. The cost of debt is based on the interest-bearing borrowings the CGU is obliged to service. The cost of equity is based on the expected return on investment by the consolidated entity's shareholders. In calculation of the cost of equity, management has accounted for the segment-specific risk by applying the beta factor, which is publicly available market data.
- c. Gross profit margins are forecast to be in a range of 54-61% (2022: 48-50%). This is mainly derived based on historical performance references and expected revenue mix over the five year forecast period.
- d. An annual growth rate of 2.5% (2022: 2.5%) has been estimated in the calculation of terminal value.

Sensitivity to changes in assumptions:

Lumos Diagnostics Holdings Limited
Notes to the consolidated financial statements
30 June 2023

Note 13. Intangibles (continued)

Based on the above assumptions, the recoverable amount of the cash generating unit has been determined to be in excess of its carrying amount as at 30 June 2023 and as a result, the consolidated entity did not recognise an impairment of intellectual property nor capitalised development during the year ended 30 June 2023.

Accounting policy for intangible assets

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

Research and development

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the consolidated entity is able to use or sell the asset; the consolidated entity has sufficient resources and intent to complete the development; and its costs can be measured reliably. Capitalised development costs begin amortisation once the associated assets are in service. These assets are then amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Intellectual property

Significant costs associated with intellectual property are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Note 14. Trade and other payables

| | Consolidated | |
|-----------------------------|---------------------|---------------------|
| | 30 June 2023 | 30 June 2022 |
| | US\$'000 | US\$'000 |
| <i>Current liabilities</i> | | |
| Trade payables | 1,137 | 1,451 |
| Other payables and accruals | 1,745 | 2,664 |
| | <u>2,882</u> | <u>4,115</u> |

Refer to note 21 for further information on financial instruments.

Accounting policy for trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature, they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Note 15. Convertible notes

The Company issued 4,800,000 convertible notes to two investors (Noteholders) at a face value of A\$1.00 per convertible note in January 2023, in respect of which the Group received A\$4,000 thousand gross proceeds (A\$3,798 thousand net funds after costs) at the time of issue. Upon issue of the Convertible Notes (Notes), the Company also issued 12,000,000 placement shares for the purpose of meeting its potential obligations upon conversion.

As per the Convertible Note agreement, along with the entitlement for conversion of Notes into fully paid ordinary shares, Noteholders were also issued 41,666,668 options over fully paid ordinary shares, which have not been exercised as at 30 June 2023. The options issued over fully paid ordinary shares had an exercise price of A\$0.072 and expire on 8 January 2027.

The convertible notes can be converted into shares on the following terms being:

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Notes to the consolidated financial statements
30 June 2023

Note 15. Convertible notes (continued)

the lesser of

- (a) 90% of the average of the 5 lowest daily VWAPs during the 20 Actual Trading Days prior to the relevant Conversion Notice Date, rounded down to the lowest A\$0.001; and
- (b) The fixed conversion price.

Where the fixed conversion price is defined as 200% of the average of the 5 daily VWAPs for the 5 Actual Trading Days immediately prior to the relevant Purchase Date, rounded down to the lowest A\$0.1 cents, provided that the Fixed Conversion Price cannot be less than the Floor Price. Where the floor price is A\$2.5 cents.

As a result of the above a conversion option exists which has resulted in an embedded derivative being recognised on initial recognition of the convertible notes in the financial statements of A\$2.7 million.

The convertible notes are secured by way of a General Security Agreement provided by the parent Company and interlocking deed of guarantee and indemnity provided by subsidiaries, non-interest bearing and no related parties participated.

During the year ended 30 June 2023, 2,250,000 Notes were converted into equity, as a result of which 87,399,649 fully paid ordinary shares were issued to the relevant Noteholders. As at 30 June 2023 the number of remaining Notes is 2,550,000 with a face value of A\$1.00 each.

Valuation methodology applied in valuing Convertible Notes

Upon issue of the Convertible Notes on 5 January 2023, the consolidated entity valued the Convertible Notes using the Black Scholes option pricing model to determine the value of the Convertible Notes. The Black Scholes option pricing model assumes the option holder will exercise at expiry (i.e. the note will be converted on maturity) and have used a Monte Carlo simulation to predict Lumos' possible future share prices to determine the Variable Conversion Price.

Significant unobservable inputs in applying this technique include the Company's future share price, exercise price, expiry date and volatility used to calculate the 5 lowest daily volume weighted average prices (VWAPs) during the 20 trading days prior to maturity.

A Binomial option valuation methodology has been used to determine the value of the Options issued to the noteholders and the spot price used in valuing the Placement Shares.

| | Consolidated | |
|---|---------------------|---------------------|
| | 30 June 2023 | 30 June 2022 |
| | US\$'000 | US\$'000 |
| <i>Current liabilities</i> | | |
| Convertible notes - host debt | 1,316 | - |
| Convertible notes - embedded derivative | 162 | - |
| Convertible notes - cost of debt | (132) | - |
| | 1,346 | - |
| | 1,346 | - |

Reconciliation of movements in convertible notes:

| | |
|--|---------|
| Face value of convertible notes upon issue | 3,178 |
| Cost of issuance of convertible notes | (142) |
| Discount to face value of convertible notes upon issue | (529) |
| Amortisation of convertible notes, net of gains on change in fair value of embedded derivatives - note 8 | 329 |
| Settlements of convertible notes | (1,490) |
| Value of convertible notes at 30 June | 1,346 |

The Directors of the Group appointed an external valuation expert to perform a fair value valuation on the convertible notes and the related embedded derivatives at inception and 30 June 2023. The table below demonstrates the value of the embedded derivative and host liability:

Lumos Diagnostics Holdings Limited
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30 June 2023

Note 15. Convertible notes (continued)

| | Consolidated | |
|--|---------------------|---------------------|
| | 30 June 2023 | 30 June 2022 |
| | US\$'000 | US\$'000 |
| Current liabilities | | |
| Convertible note – host liability at amortised cost | 1,184 | - |
| Convertible note – fair value of embedded derivative | 162 | - |
| Balance of convertible notes at 30 June | <u>1,346</u> | <u>-</u> |
| Face value of convertible notes | <u>1,689</u> | <u>-</u> |

As at 30 June 2023, the group has \$nil thousand liabilities where the fair value measurement is based on quoted prices in active markets (Level 1 hierarchy) or significant unobservable inputs (Level 2 hierarchy). As at 30 June 2023 the fair value of the embedded derivative is measured using significant unobservable inputs (Level 3 hierarchy). There has been no change in the Group's valuation process, valuation techniques and types of inputs used in the fair value measurement at the end of the reporting period in comparison to the methodology upon inception. There have been no transfers between levels of fair value hierarchy during the period ended 30 June 2023.

Refer to note 21 for further information on financial instruments.

Accounting policy for borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

The face value of the Convertible Note is deemed to be the value of the Conversion Right (the derivative liability) and residual debt liability component. The debt liability component of the Convertible Notes is amortised at each reporting period using the effective interest method. The derivative liability component is revalued at each reporting date over the life of the Convertible Notes.

Along with the entitlement for conversion of Notes into fully paid ordinary shares, Noteholders were also issued 41,666,668 options over fully paid ordinary shares, which have not been exercised as at 30 June 2023. The options issued over fully paid ordinary shares had an exercise price of A\$0.072 and expire on 8 January 2027 and the valuation of which was performed in accordance with the consolidated entity's accounting policy as detailed in note 19.

The Options represent a contractual obligation to issue a fixed number of shares and are considered a component of equity. As such we have assessed the fair value of the Options as at grant date on 5 January 2023 and they do not require revaluation at subsequent reporting dates.

The Company also issued 12,000,000 placement shares for the purpose of meeting its potential obligations upon conversion. These placement shares were also considered a derivative, although not material to the financial results. The placement shares were paid for by the noteholders during July 2023.

Note 16. Lease liabilities

| | Consolidated | |
|--------------------------------|---------------------|---------------------|
| | 30 June 2023 | 30 June 2022 |
| | US\$'000 | US\$'000 |
| <i>Current liabilities</i> | | |
| Lease liability | <u>692</u> | <u>968</u> |
| <i>Non-current liabilities</i> | | |
| Lease liability | <u>7,747</u> | <u>6,226</u> |
| | <u><u>8,439</u></u> | <u><u>7,194</u></u> |

Refer to note 21 for further information on financial instruments.

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Note 18. Issued capital (continued)

Movements in ordinary share capital

| Details | Date | Shares | Issue price | US\$'000 |
|--|------------------|--------------------|-------------|---------------|
| Balance | 1 July 2021 | 150,152,413 | | 84,222 |
| Issue of shares to directors of the Company | 28 October 2021 | 144,000 | US\$0.9388 | 135 |
| Issue of shares to employees of the Company | 28 October 2021 | 130,577 | US\$0.9388 | 122 |
| Issue of shares to employees of the Company | 24 December 2021 | 121,273 | US\$0.9040 | 110 |
| Issue of shares on execution of options | 9 February 2022 | 228,715 | US\$0.6121 | 140 |
| Issue of shares to institutional and sophisticated investors | 14 June 2022 | 41,890,708 | US\$0.1323 | 5,544 |
| Issue of shares to retail investors | 30 June 2022 | 17,238,760 | US\$0.1309 | 2,256 |
| Costs of shares issued | | - | US\$0.0000 | (390) |
| Balance | 30 June 2022 | 209,906,446 | | 92,139 |
| Issue of shares to directors of the Company | 28 November 2022 | 113,985 | US\$0.1554 | 18 |
| Issue of Placement Shares | 9 January 2023 | 12,000,000 | US\$0.0066 | 80 |
| Issue of shares to Convertible Noteholders | 17 February 2023 | 17,307,694 | US\$0.0178 | 308 |
| Issue of shares to Convertible Noteholders | 14 March 2023 | 8,333,334 | US\$0.0180 | 150 |
| Issue of shares to Convertible Noteholders | 17 March 2023 | 7,758,621 | US\$0.0195 | 151 |
| Issue of shares to Convertible Noteholders | 4 April 2023 | 9,000,000 | US\$0.0169 | 152 |
| Issue of shares to Convertible Noteholders | 12 April 2023 | 9,000,000 | US\$0.0167 | 150 |
| Issue of shares to Convertible Noteholders | 3 May 2023 | 9,000,000 | US\$0.0167 | 150 |
| Issue of shares to Convertible Noteholders | 4 May 2023 | 9,000,000 | US\$0.0167 | 150 |
| Issue of shares to Convertible Noteholders | 2 June 2023 | 9,000,000 | US\$0.0167 | 150 |
| Issue of shares to Convertible Noteholders | 6 June 2023 | 9,000,000 | US\$0.0167 | 150 |
| Costs of shares issued* | | - | US\$0.0000 | (1,280) |
| Balance | 30 June 2023 | <u>309,420,080</u> | | <u>92,468</u> |

* *Shares issued in accordance on conversion of convertible notes and other share issue costs.*

In accordance with the terms of the Convertible Note Agreements, 12.0 million placement shares were issued on 9 January 2023, on a deferred payment basis and 41,666,668 attaching options were issued over fully paid ordinary shares expiring on 8 January 2027, with an exercise price of A\$0.072 (7.2 Australian cents) per fully paid ordinary share.

On early conversion a proportion of the financial liability held at amortised cost has been transferred to share capital to reflect the cost in issuing the shares to the noteholders.

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

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

Capital risk management

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

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

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Note 18. Issued capital (continued)

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current Company's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The consolidated entity is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

Accounting policy for issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Note 19. Reserves

| | Consolidated | |
|------------------------------|---------------------|---------------------|
| | 30 June 2023 | 30 June 2022 |
| | US\$'000 | US\$'000 |
| Foreign currency reserve | (2,264) | (1,787) |
| Share-based payments reserve | 1,586 | 2,067 |
| | <u>(678)</u> | <u>280</u> |

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

| | Foreign currency reserve | Share-based payments reserve | Total |
|---|---|---|-----------------|
| Consolidated | US\$'000 | US\$'000 | US\$'000 |
| Balance at 1 July 2021 | 1,044 | 1,825 | 2,869 |
| Foreign currency translation | (2,831) | - | (2,831) |
| Cost of share-based payments | - | 387 | 387 |
| Transfer of exercised options to issued capital | - | (47) | (47) |
| Options forfeited | - | (98) | (98) |
| Balance at 30 June 2022 | (1,787) | 2,067 | 280 |
| Foreign currency translation | (477) | - | (477) |
| Cost of share-based payments | - | 255 | 255 |
| Options forfeited during the year | - | (255) | (255) |
| Options lapsed during the year | - | (1,213) | (1,213) |
| Cost of options issued for convertible notes | - | 732 | 732 |
| Balance at 30 June 2023 | <u>(2,264)</u> | <u>1,586</u> | <u>(678)</u> |

Options issued in accordance with the Convertible Note Agreement

In accordance with the terms of the Convertible Note Agreement, on 9 January 2023, 41,666,688 options over fully paid ordinary shares were issued, with an exercise price of US\$0.0499 (4.99 US cents), which expire on 8 January 2027.

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Note 19. Reserves (continued)

The fair value of the options issued in conjunction with the convertible notes were valued using the Binomial option valuation methodology, the key inputs to the valuation were the following: grant date 5 January 2023, expiry date of 8 January 2027, spot price of US\$0.0334, exercise price of US\$0.0491, volatility of 80% and risk free rate of 3.36% and a value per option of US\$0.0175.

Expected volatility is based on a benchmark for the company, using ASX Listed Biotechnology and Medical Research companies for the most recent 12 months, and is designed to be indicative of future trends, which may also not necessarily be the actual outcome.

Note 20. Dividends

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

Note 21. Financial instruments

Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The combined entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity does not use derivative financial instruments or actively hedge financial positions.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board') and monitored by the Audit & Risk Committee. These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and, if necessary, hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

Market risk

Foreign currency risk

The consolidated entity undertakes the majority of transactions in USD, the consolidated entity's reporting currency, and as a result foreign currency risk is limited, however certain transactions, such as capital raisings in Australia, are denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. For example, the non-USD financial assets and financial liabilities held by Australian entities and non-USD financial assets and financial liabilities held by the US entities. The consolidated entity is most exposed to fluctuations in the AUD to USD foreign exchange rate. Given most financial assets and financial liabilities held by the Lumos entities are the same as the entity's presentation currency USD, and the majority of the revenue earned and most of the expenses incurred are in USD, therefore foreign currency risk is concluded as not significant,

Price risk

The consolidated entity is not exposed to any significant price risk.

Interest rate risk

In the current year the consolidated entity does not have any exposure to interest rate risk as the consolidated entity does not hold any debt obligations which stipulate a variable interest rate.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a code of credit including, where necessary, obtaining agency credit information, confirming references and setting appropriate credit limits. In some cases the consolidated entity obtains pre-payments by customers where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

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Note 21. Financial instruments (continued)

The combined entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the combined entity based on recent sales experience, historical collection rates and forward-looking information that is available. The expected credit loss calculated by management is not expected to be material.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

Liquidity risk

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

| Consolidated - 30 June 2023 | Weighted average interest rate % | 1 year or less US\$'000 | Between 1 and 2 years US\$'000 | Between 2 and 5 years US\$'000 | Over 5 years US\$'000 | Remaining contractual maturities US\$'000 |
|------------------------------------|----------------------------------|-------------------------|--------------------------------|--------------------------------|-----------------------|---|
| Non-derivatives | | | | | | |
| <i>Non-interest bearing</i> | | | | | | |
| Trade payables | - | 1,137 | - | - | - | 1,137 |
| Other payables | - | 1,745 | - | - | - | 1,745 |
| Lease liabilities | 7.00% | 692 | 763 | 2,970 | 4,014 | 8,439 |
| <i>Interest-bearing</i> | | | | | | |
| Convertible Notes | - | - | 1,689 | - | - | 1,689 |
| Total non-derivatives | | 3,574 | 2,452 | 2,970 | 4,014 | 13,010 |

| Consolidated - 30 June 2022 | Weighted average interest rate % | 1 year or less US\$'000 | Between 1 and 2 years US\$'000 | Between 2 and 5 years US\$'000 | Over 5 years US\$'000 | Remaining contractual maturities US\$'000 |
|------------------------------------|----------------------------------|-------------------------|--------------------------------|--------------------------------|-----------------------|---|
| Non-derivatives | | | | | | |
| <i>Non-interest bearing</i> | | | | | | |
| Trade payables | - | 1,451 | - | - | - | 1,451 |
| Other payables | - | 2,664 | - | - | - | 2,664 |
| Lease liabilities | 6.10% | 968 | 533 | 3,687 | 2,006 | 7,194 |
| Total non-derivatives | | 5,083 | 533 | 3,687 | 2,006 | 11,309 |

As detailed in note 28, on 10 August 2023 the Company completed the early redemption of all the remaining outstanding Convertible Notes previously issued to each of Lind Global Fund II (Lind) and SBC Global Investment Fund (SBC) for a total cash payment of A\$1,575,000. In the case of Lind, the face value of the outstanding Convertible Notes was A\$1,050,000, which was settled by way of a cash payment of A\$750,000 and conversion of 300,000 convertible notes resulting in the issue of 6,382,979 ordinary shares in Lumos at \$0.047 per share. In the case of SBC, the face value of the outstanding Convertible Notes was A\$825,000, which was settled by way of a cash payment of A\$825,000.

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Note 21. Financial instruments (continued)

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

Fair value of financial instruments

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

Note 22. Fair value measurement

Fair value hierarchy

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

| Consolidated - 30 June 2023 | Level 1 US\$'000 | Level 2 US\$'000 | Level 3 US\$'000 | Total US\$'000 |
|---|---------------------|---------------------|---------------------|-------------------|
| <i>Liabilities</i> | | | | |
| Convertible notes - embedded derivative | - | - | 162 | 162 |
| Total liabilities | - | - | 162 | 162 |
| | | | | |
| Consolidated - 30 June 2022 | Level 1 US\$'000 | Level 2 US\$'000 | Level 3 US\$'000 | Total US\$'000 |
| <i>Liabilities</i> | | | | |
| Convertible notes - embedded derivative | - | - | - | - |
| Total liabilities | - | - | - | - |

The sensitivity analysis undertaken on the unobservable inputs identified no material impact to the valuation at 30 June 2023.

There were no transfers between levels during the financial year.

As detailed in note 8, during the period from inception in January 2023 through 30 June 2023, the fair value of the convertible note derivatives decreased by \$1,617 thousand from \$1,779 thousand to \$162 thousand.

Accounting policy for fair value measurement

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

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

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

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Note 22. Fair value measurement (continued)

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Note 23. Key management personnel disclosures

Directors

The following persons were directors of Lumos Diagnostics Holdings Limited during the financial year:

Samuel Lanyon
Lawrence Mehren
Bronwyn Le Grice
Catherine Robson

Other key management personnel

The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, during the financial year:

Doug Ward
Barrie Lambert

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

| | Consolidated | |
|------------------------------|---------------------|---------------------|
| | 30 June 2023 | 30 June 2022 |
| | US\$ | US\$ |
| Short-term employee benefits | 1,218,393 | 823,616 |
| Post-employment benefits | 78,410 | 42,579 |
| Long-term benefits | 8,871 | - |
| Share-based payments | 70,838 | 280,896 |
| | <u>1,376,512</u> | <u>1,147,091</u> |

Note 24. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by the auditor of the company:

| | Consolidated | |
|--|---------------------|---------------------|
| | 30 June 2023 | 30 June 2022 |
| | US\$ | US\$ |
| <i>Audit and assurance services - William Buck</i> | | |
| Audit and review of the financial statements | 55,806 | 46,088 |
| Other assurance services | 26,052 | - |
| | <u>81,858</u> | <u>46,088</u> |

Note 25. Contingent liabilities

The consolidated entity had no contingent liabilities as at 30 June 2023 and 30 June 2022.

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Note 26. Related party transactions

Parent entity

Lumos Diagnostics Holdings Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 28.

Key management personnel

Disclosures relating to key management personnel are set out in note 23 and the remuneration report included in the directors' report.

Transactions with related parties

The consolidated entity receives a range of services from entities owned by its major shareholder, Planet Innovation Holdings Limited. The services are provided on an arm's length basis pursuant to a Master Services Agreement dated 1 April 2021 at commercial rates.

The services provided include the following:

- research & development services
- contract manufacturing services

Receivable from and payable to related parties

As at 30 June 2023 the combined entity had the following balances with the Planet Innovation Group:

- Accounts payable owing to the Planet Innovation Group: US\$236,567 (30 June 2022: US\$698,127)
- Accounts receivable owed by the Planet Innovation Group: US\$63,500 (30 June 2022: US\$400,913)

Note 27. Parent entity information

Financial information relating to the parent entity, Lumos Diagnostics Holdings Limited.

Statement of profit or loss and other comprehensive income

| | Parent | |
|----------------------------|---------------------|---------------------|
| | 30 June 2023 | 30 June 2022 |
| | US\$'000 | US\$'000 |
| Loss after income tax | (247) | (2,314) |
| Total comprehensive income | (247) | (2,314) |

Lumos Diagnostics Holdings Limited
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Note 27. Parent entity information (continued)

Statement of financial position

| | Parent | |
|------------------------------|---------------------|---------------------|
| | 30 June 2023 | 30 June 2022 |
| | US\$'000 | US\$'000 |
| Total current assets | 5,797 | 65,765 |
| Total assets | 21,633 | 82,237 |
| Total current liabilities | (58,109) | 173 |
| Total liabilities | (58,109) | 173 |
| Equity | | |
| Issued capital | 92,468 | 92,139 |
| Foreign currency reserve | (7,002) | (3,806) |
| Share-based payments reserve | 1,586 | 2,067 |
| Accumulated losses | (7,309) | (8,336) |
| Total equity | <u>79,743</u> | <u>82,064</u> |

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2023 and 30 June 2022.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2023 and 30 June 2022.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2023 and 30 June 2022.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 28. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

| Name | Principal place of business / Country of incorporation | Ownership interest | |
|--------------------------------|---|---------------------------|---------------------|
| | | 30 June 2023 | 30 June 2022 |
| | | % | % |
| Lumos Diagnostics Pty Ltd | Australia | 100.0% | 100.0% |
| Lumos Diagnostics IP Pty Ltd | Australia | 100.0% | 100.0% |
| Lumos Diagnostics, Inc. | USA | 100.0% | 100.0% |
| Rapid Pathogen Screening, Inc. | USA | 100.0% | 100.0% |
| Lumos Diagnostics (NL) B.V. | Netherlands | 100.0% | 100.0% |

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Note 29. Events after the reporting period

On 3 July 2023 the Company received clearance from the US Food and Drug Administration (FDA) to market its FebriDx® rapid, point-of-care test in the United States. The clearance allows FebriDx to be marketed in the US for use by healthcare professionals as an aid in the diagnosis of bacterial acute respiratory infection and differentiation from non-bacterial etiology in patients presenting in urgent care or emergency care settings. FebriDx is intended to be used in conjunction with clinical signs and symptoms, including other clinical and laboratory findings, to evaluate patients for acute respiratory infection.

On 4 July 2023, the Company converted \$225,000 of debt for consideration of 22,500,000 fully paid ordinary shares issued to Lind Global Fund II LP for \$0.01 (1.0 cent) per fully paid ordinary share.

On 5 July 2023, the Company converted \$225,000 of debt for consideration of 22,500,000 fully paid ordinary shares issued to SBC Global Investment Fund for \$0.01 (1.0 cent) per fully paid ordinary share.

On 10 July 2023 the Company announced that it has received firm commitments from institutional investors to raise A\$4.75 million in gross proceeds (before costs) via a Placement. The Placement resulted in the issue of 67.9 million new fully paid ordinary shares at A\$0.07 per share, which is within the Company's existing placement capacity under ASX Listing Rules. Completion of the Placement occurred on 14 July 2023.

On 10 July 2023, the Company also announced an offer to eligible shareholders (being those holders of shares with an address in Australia or New Zealand as at Friday, 7 July 2023), the opportunity to participate in a Share Purchase Plan (SPP). Eligible shareholders will be entitled to apply for up to A\$30,000 of new fully paid ordinary shares at the same issue price as the Placement (A\$0.07 per share) to raise up to an additional A\$4.75 million (before costs). Completion of the SPP occurred on 3 August 2023, with the amount raised of A\$0.69 million resulting in the issue of 9,891,394 new fully paid ordinary shares at A\$0.07 per share.

On 3 August 2023, the Company issued Early Redemption Notices to the two Convertible Note holders.

On 10 August 2023 the Company completed the early redemption of all the remaining outstanding Convertible Notes previously issued to each of Lind Global Fund II (Lind) and SBC Global Investment Fund (SBC) for a total cash payment of A\$1,575,000. In the case of Lind, the face value of the outstanding Convertible Notes was A\$1,050,000, which was settled by way of a cash payment of A\$750,000 and conversion of 300,000 convertible notes resulting in the issue of 6,382,979 ordinary shares in Lumos at \$0.047 per share. In the case of SBC, the face value of the outstanding Convertible Notes was A\$825,000, which was settled by way of a cash payment of A\$825,000.

On 11 August 2023, 4,025,000 unquoted options were issued to employees, exercisable over fully paid ordinary shares and are exercisable at A\$0.0138, expiring 10 August 2028.

No other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Lumos Diagnostics Holdings Limited
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30 June 2023

Note 30. Reconciliation of loss after income tax to net cash used in operating activities

| | Consolidated | |
|---|---------------------|---------------------|
| | 30 June 2023 | 30 June 2022 |
| | US\$'000 | US\$'000 |
| Loss after income tax expense for the year | (8,971) | (45,724) |
| Adjustments for: | | |
| Depreciation and amortisation | 3,671 | 2,823 |
| Impairment of inventory | 648 | 3,267 |
| Impairment of accounts receivable | - | 2,545 |
| Impairment of property, plant and equipment | - | 3,801 |
| Impairment of intangibles | - | 12,562 |
| Impairment of investments | - | 203 |
| Net amortisation expense and fair value movement on convertible notes | 329 | - |
| Gain on sale of property, plant and equipment | (1,589) | - |
| Share-based payments | - | 289 |
| Foreign exchange differences and other items | 204 | 3,170 |
| Restructuring expenses | - | 1,680 |
| Interest on lease liabilities | - | 438 |
| Change in operating assets and liabilities: | | |
| Decrease/(increase) in trade and other receivables | 929 | (180) |
| Decrease/(increase) in inventories | 815 | (1,354) |
| Decrease/(increase) in other operating assets | 51 | 2,427 |
| Decrease in trade and other payables | (1,233) | (4,101) |
| Increase/(decrease) in employee benefits | 453 | (888) |
| Increase/(decrease) in deferred income | (4,945) | 1,006 |
| Net cash used in operating activities | <u>(9,638)</u> | <u>(18,036)</u> |

Note 31. Loss per share

| | Consolidated | |
|--|---------------------|---------------------|
| | 30 June 2023 | 30 June 2022 |
| | US\$'000 | US\$'000 |
| Loss after income tax attributable to the owners of Lumos Diagnostics Holdings Limited | <u>(8,971)</u> | <u>(45,724)</u> |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic loss per share | <u>234,843,354</u> | <u>152,323,840</u> |
| Weighted average number of ordinary shares used in calculating diluted loss per share | <u>234,843,354</u> | <u>152,323,840</u> |
| | US\$ Cents | US\$ Cents |
| Basic loss per share | (3.82) | (30.02) |
| Diluted loss per share | (3.82) | (30.02) |

As at 30 June 2023, the consolidated entity has 73,806,388 unlisted options at (30 June 2022: 32,139,790) and nil listed options (30 June 2022: nil) on issue. These options are considered to be non-dilutive whilst the consolidated entity is in a loss position.

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Note 31. Loss per share (continued)

Accounting policy for loss per share

Basic loss per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Lumos Diagnostics Holdings Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted loss per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Note 32. Share-based payments

The company has an Employee Share Option Plan which have been established to encourage employees of the consolidated entity and its subsidiaries, including directors, to share in the ownership of the consolidated entity and its subsidiaries, in order to promote their long-term success. The Plans offer selected employees of the consolidated entity and its subsidiaries, including directors, an opportunity to share in the growth and profits of the consolidated entity and its subsidiaries alongside the consolidated entity's shareholders.

During the year ended 30 June 2023, US\$272 thousand in share based payment expenses were incurred on vesting of options granted, offset by US\$272 thousand in reversals in respect of options forfeited during the year ended 30 June 2023.

In the year ended 30 June 2023, there were 27,837,050 options issued to employees (30 June 2022: 3,990,938) at a market value of US\$1,212,079 (30 June 2022: US\$307,000).

Set out below are summaries of options granted under the plan:

| | Number of options 30 June 2023 | Number of options 30 June 2022 |
|---|---|---|
| Outstanding at the beginning of the financial year | 13,893,479 | 10,694,140 |
| Granted | 27,837,050 | 3,990,938 |
| Exercised | - | (228,715) |
| Forfeited | (9,910,308) | (562,884) |
| Outstanding at the end of the financial year | <u>31,820,221</u> | <u>13,893,479</u> |
| | Consolidated 30 June 2023 US\$'000 | 30 June 2022 US\$'000 |
| Opening balance of equity settled employee expenses | 2,067 | 1,825 |
| Vesting of share based payments | 255 | 387 |
| Options forfeited during the year | (255) | (98) |
| Options lapsed during the year | (1,213) | (47) |
| Closing balance of equity settled employee expenses | <u>854</u> | <u>2,067</u> |

Lumos Diagnostics Holdings Limited
Notes to the consolidated financial statements
30 June 2023

Note 32. Share-based payments (continued)

30 June 2023

| Grant date | Expiry date | Exercise price | Balance at the start of the year | Granted | Exercised | Forfeited | Balance at the end of the year |
|------------|-------------|----------------|----------------------------------|-------------------|-----------|--------------------|--------------------------------|
| 12/08/2019 | 12/08/2026 | US\$0.0000 | 8,513,988 | - | - | (5,824,290) | 2,689,698 |
| 04/11/2019 | 04/11/2026 | US\$0.3850 | 457,431 | - | - | (457,431) | - |
| 02/03/2020 | 02/03/2027 | US\$0.3920 | 320,202 | - | - | (320,202) | - |
| 04/03/2020 | 04/03/2027 | US\$0.3700 | 137,229 | - | - | (137,229) | - |
| 01/10/2020 | 01/10/2027 | US\$0.4080 | 728,602 | - | - | (728,602) | - |
| 30/11/2020 | 01/10/2027 | US\$0.4190 | 125,000 | - | - | (125,000) | - |
| 30/09/2021 | 01/06/2024 | US\$0.9010 | 120,000 | - | - | - | 120,000 |
| 24/12/2021 | 15/11/2026 | US\$0.5790 | 10,000 | - | - | - | 10,000 |
| 24/12/2021 | 30/06/2025 | US\$0.9040 | 3,159,513 | - | - | (1,862,840) | 1,296,673 |
| 01/04/2022 | 30/06/2025 | US\$0.9346 | 321,514 | - | - | - | 321,514 |
| 15/07/2022 | 18/07/2029 | US\$0.0417 | - | 7,500,000 | - | - | 7,500,000 |
| 25/08/2022 | 26/08/2027 | US\$0.0417 | - | 2,995,000 | - | - | 2,995,000 |
| 30/11/2022 | 26/08/2027 | US\$0.0300 | - | 2,246,500 | - | - | 2,246,500 |
| 29/08/2022 | 31/08/2026 | US\$0.0377 | - | 2,503,728 | - | (364,714) | 2,139,014 |
| 29/08/2022 | 28/02/2026 | US\$0.0377 | - | 105,000 | - | (90,000) | 15,000 |
| 12/12/2022 | 11/12/2027 | US\$0.0300 | - | 1,036,822 | - | - | 1,036,822 |
| 29/08/2022 | 31/08/2027 | US\$0.0377 | - | 250,000 | - | - | 250,000 |
| 23/09/2022 | 31/08/2027 | US\$0.0400 | - | 1,000,000 | - | - | 1,000,000 |
| 02/03/2023 | 30/01/2028 | US\$0.0211 | - | 100,000 | - | - | 100,000 |
| 02/06/2023 | 08/05/2028 | US\$0.0161 | - | 10,100,000 | - | - | 10,100,000 |
| | | | <u>13,893,479</u> | <u>27,837,050</u> | <u>-</u> | <u>(9,910,308)</u> | <u>31,820,221</u> |

Weighted average exercise price US\$0.5216 US\$0.0305 US\$0.0000 US\$0.4684 US\$0.1085

30 June 2022

| Grant date | Expiry date | Exercise price | Balance at the start of the year | Granted | Exercised | Forfeited | Balance at the end of the year |
|------------|-------------|----------------|----------------------------------|------------------|------------------|------------------|--------------------------------|
| 12/08/2019 | 12/08/2026 | US\$0.3850 | 8,925,676 | - | (228,715) | (182,973) | 8,513,988 |
| 04/11/2019 | 04/11/2026 | US\$0.3920 | 457,431 | - | - | - | 457,431 |
| 02/03/2020 | 02/03/2027 | US\$0.3700 | 320,202 | - | - | - | 320,202 |
| 04/03/2020 | 04/03/2027 | US\$0.3740 | 137,229 | - | - | - | 137,229 |
| 01/10/2020 | 01/10/2027 | US\$0.4080 | 728,602 | - | - | - | 728,602 |
| 30/11/2020 | 01/10/2027 | US\$0.4190 | 125,000 | - | - | - | 125,000 |
| 30/09/2021 | 01/06/2024 | US\$0.9010 | - | 120,000 | - | - | 120,000 |
| 24/12/2021 | 15/11/2026 | US\$0.5790 | - | 10,000 | - | - | 10,000 |
| 24/12/2021 | 30/06/2025 | US\$0.9040 | - | 3,539,424 | - | (379,911) | 3,159,513 |
| 01/04/2022 | 30/06/2025 | US\$0.9346 | - | 321,514 | - | - | 321,514 |
| | | | <u>10,694,140</u> | <u>3,990,938</u> | <u>(228,715)</u> | <u>(562,884)</u> | <u>13,893,479</u> |

Weighted average exercise price US\$0.3867 US\$0.9056 US\$0.3850 US\$0.7353 US\$0.5216

The weighted average remaining contractual life of options outstanding at 30 June 2023 was 4.56 years (30 June 2022: 3.92 years).

Lumos Diagnostics Holdings Limited
Notes to the consolidated financial statements
30 June 2023

Note 32. Share-based payments (continued)

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

| Grant date | Expiry date | Share price at grant date | Exercise price | Expected volatility | Dividend yield | Risk-free interest rate | Fair value at grant date |
|------------|-------------|---------------------------|----------------|---------------------|----------------|-------------------------|--------------------------|
| 15/07/2022 | 18/07/2029 | US\$0.0417 | US\$0.0287 | 70.58% | - | 3.28% | US\$0.0160 |
| 25/08/2022 | 26/08/2027 | US\$0.0417 | US\$0.0409 | 70.58% | - | 3.28% | US\$0.0254 |
| 30/11/2022 | 26/08/2027 | US\$0.0300 | US\$0.0395 | 70.58% | - | 3.28% | US\$0.0181 |
| 29/08/2022 | 31/08/2026 | US\$0.0377 | US\$0.0404 | 70.58% | - | 3.48% | US\$0.0229 |
| 29/08/2022 | 28/02/2026 | US\$0.0377 | US\$0.0404 | 70.58% | - | 3.48% | US\$0.0190 |
| 29/08/2022 | 31/08/2027 | US\$0.0377 | US\$0.0404 | 70.58% | - | 3.48% | US\$0.0224 |
| 23/09/2022 | 31/08/2027 | US\$0.0400 | US\$0.0390 | 70.58% | - | 3.72% | US\$0.0243 |
| 12/12/2022 | 11/12/2027 | US\$0.0300 | US\$0.0314 | 70.58% | - | 3.18% | US\$0.0250 |
| 02/03/2023 | 30/01/2028 | US\$0.0300 | US\$0.0211 | 98.00% | - | 3.64% | US\$0.0240 |
| 02/06/2023 | 01/06/2028 | US\$0.0300 | US\$0.0161 | 106.77% | - | 3.43% | US\$0.0857 |

Accounting policy for share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

Note 32. Share-based payments (continued)

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Lumos Diagnostics Holdings Limited
Directors' declaration
30 June 2023

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2023 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors.

On behalf of the directors.



Samuel Lanyon
Non-Executive Chair

29 August 2023

Lumos Diagnostics Holdings Limited Independent auditor's report to members

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Lumos Diagnostics Holdings Limited (the Company and its subsidiaries (the consolidated entity)), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and
- ii. 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 consolidated entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2 of the financial report which indicates that the consolidated entity incurred a net loss after income tax of US\$8.97 million and net operating cash outflows of US\$9.64 million for the year ended 30 June 2023. Note 2 also states that the consolidated entity had a current assets deficiency of \$2.21 million as at 30 June 2023. These conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists which may cast significant doubt about the consolidated entity's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

| Convertible Note | |
|---|---|
| Area of focus Refer also to notes 2, 3, and 15 | How our audit addressed it |
| <p>During the year, the consolidated entity entered into a convertible note arrangement with SBC Global Investment Fund and Lind Global Fund II for an investment of up to A\$8.0 million. On initial recognition A\$4.0 million was received in cash by the consolidated entity.</p> <p>On review of the conversion features, it was determined that there was a value associated to the host liability and additionally a value associated with the embedded derivative which is accounted for at fair value through the statement of profit or loss and other comprehensive income.</p> <p>The accounting for the convertible notes and related derivatives is a key audit matter due to the complex nature, including judgemental estimates used in determining the valuation of the convertible notes at initial recognition, and at year end.</p> | <p>Our procedures focused on the appropriateness of the accounting treatment as well as the judgements made in determining the valuation methodology. Our procedures included, amongst others:</p> <ul style="list-style-type: none"> – Assessing the requirements of <i>AASB 9 Financial Instruments</i> and <i>AASB 132 Financial instruments: Presentation</i> to consider whether the convertible debt was appropriately recognised as a hybrid arrangement. – Utilising an external valuation specialist to assist with assessing the reasonableness of the valuation method and model used to value the embedded derivative the key inputs into the model and the resulting valuation amounts recognised by management; – Assessing the accuracy of the calculation of the interest expense; and – Involving our technical accounting specialists to assist in considering the appropriateness of the adopted accounting treatment. <p>We also considered the adequacy of the consolidated entity's disclosures in the notes to the financial report.</p> |
| Revenue recognition | |
| Area of focus Refer also to notes 2 and 5 | How our audit addressed it |
| <p>The consolidated entity's revenue is generated through the commercialising and sale of point of care diagnostics products and services. We note that the consolidated entity's revenue has decreased by approximately 9.4% to US\$10.5 million in the year ended 30 June 2023 (US\$11.6 million: 30 June 2022).</p> | <p>Our audit procedures included:</p> <ul style="list-style-type: none"> – Enquiring with management to confirm that there have not been any significant or material changes during the current year in respect of how the consolidated entity recognises revenue under <i>AASB 15 Revenue from Contracts with Customers</i>; – Performing analytical review procedures over the revenue balance in comparison to the prior period and managements budget and |

| Revenue recognition | |
|---|--|
| Area of focus Refer also to notes 2 and 5 | How our audit addressed it |
| <p>These revenue arrangements have invoicing, and payment milestones included within their terms, which may or may not be directly aligned with the performance obligations under the contract.</p> <p>In order to accrue revenue appropriately in the correct accounting period, management have developed a model which identifies the period in which revenue is accrued, adjusted for invoicing milestones.</p> <p>There is potential for subjectivity in determining which period revenue should be attributed and recognised and is thus a key area of focus for our audit.</p> | <ul style="list-style-type: none"> – Performing a test of details of the revenue balance recognised during the period including testing of sales cut-off and additional testing of any material contract liabilities that existed as at 30 June 2023. <p>We also considered the adequacy of the consolidated entity's disclosures in the notes to the financial report.</p> |
| Share based payments | |
| Area of focus Refer also to notes 2, 3, 32 and the remuneration report | How our audit addressed it |
| <p>In the current year the consolidated entity has issued share options to the Executive Management team and other employees. The share option plan includes service-based, market and non-market vesting conditions.</p> <p>Each of the arrangements which form part of the plan required significant judgments and estimations by management, including the following:</p> <ul style="list-style-type: none"> – Determination of the grant date of each arrangement, and the evaluation of the fair value of the underlying share price of the consolidated entity as at that grant date; – The evaluation of the vesting charge taken to the profit and loss in-respect of the vesting conditions attached to those share-based payment arrangements; and – The evaluation of key inputs into the binomial model, including the significant judgment of the forecast volatility of the share option over its vesting period. <p>The value of these share-based payment arrangements materially affects the disclosures in the financial report, including disclosures of key management personnel remuneration and has been deemed a key area of focus for our audit.</p> | <p>Our audit procedures included:</p> <ul style="list-style-type: none"> – Evaluating the fair values of share-based payment arrangements issued during the year. In determining the grant dates, we evaluated what were the most appropriate dates based on the terms and conditions of the share-based payment arrangements; – Evaluating the progress of the vesting of share-based payments within the service period; – For the specific application of the binomial model, we assessed the experience of the expert used to advise the value of the arrangement. We retested some of the assumptions used in the model and recalculated those fair values; and – Confirming that the share options granted as part of the capital raising in June 2023 do not meet the definition of a share-based payment under <i>AASB 2 – share based payments</i>. <p>We also considered the adequacy of the consolidated entity's disclosures in the notes to the financial report.</p> |

Other Information

The directors are responsible for the other information. The other information comprises the information in the consolidated entity's annual report for the year ended 30 June 2023 but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the consolidated entity 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 consolidated entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of these financial statements is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our independent auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Lumos Diagnostics Holdings Limited, for the year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

William Buck

William Buck Audit (Vic) Pty Ltd
ABN 59 116 151 136

Alan Finnis

A. A. Finnis

Director

Melbourne, 29 August 2023

Lumos Diagnostics Holdings Limited
Shareholder information
30 June 2023

Distribution of equitable securities

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

| Ordinary shares | Number of holders of ordinary shares | Number of ordinary shares | % of ordinary shares |
|---|---|--------------------------------|---------------------------|
| 1 to 1,000 | 514 | 347,776 | 0.08% |
| 1,001 to 5,000 | 607 | 1,775,368 | 0.40% |
| 5,001 to 10,000 | 411 | 3,280,718 | 0.74% |
| 10,001 to 100,000 | 900 | 34,037,742 | 7.68% |
| 100,001 and over | 409 | 404,001,297 | 91.11% |
| | <u>2,841</u> | <u>443,442,901</u> | |
| Holding less than a marketable parcel | <u>1,129</u> | <u>2,163,909</u> | 0.49% |
| Unquoted options | Number of holders of unquoted options | Number of unquoted options | % of unquoted options |
| 1 - 1,000 | - | - | - |
| 1,001 - 5,000 | 2 | 10,000 | 0.36% |
| 10,001 to 100,000 | 25 | 1,158,664 | 1.49% |
| 100,001 and over | 27 | 76,343,228 | 98.49% |
| | <u>54</u> | <u>77,511,892</u> | |

Lumos Diagnostics Holdings Limited
Shareholder information
30 June 2023

Equity security holders

Twenty largest quoted equity security holders

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

| | Ordinary shares | |
|--|------------------------|---------------------------------|
| | Number held | % of total shares issued |
| 1 PLANET INNOVATION HOLDINGS LIMITED | 68,021,060 | 21.98 |
| 2 NATIONAL NOMINEES LIMITED | 59,260,190 | 19.15 |
| 3 GZ FAMILY HOLDINGS PTY LTD (GZ FAMILY A/C) | 21,930,614 | 7.09 |
| 4 J P MORGAN NOMINEES AUSTRALIA PTY LIMITED | 18,765,171 | 6.06 |
| 5 HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 14,161,707 | 4.58 |
| 6 PALM BEACH NOMINEES PTY LIMITED | 9,169,876 | 2.96 |
| 7 H&G INVESTMENT MANAGEMENT LTD (H&G VAIL LANE FUND A/C) | 9,000,000 | 2.91 |
| 8 HGL INVESTMENTS PTY LTD | 6,000,000 | 1.94 |
| 9 COMSEC NOMINEES PTY LIMITED | 5,827,821 | 1.88 |
| 10 MR JAMES STIRLING WHYTE | 5,000,000 | 1.62 |
| 11 BOWVALE INVESTMENTS PTY LIMITED (BOWVALE INVESTMENTS S/F A/C) | 4,312,095 | 1.39 |
| 12 PARANJI SUPER FUND PTY LTD (PARANJI SUPERFUND A/C) | 4,000,000 | 1.29 |
| 13 LIND GLOBAL FUND II LP | 3,982,979 | 1.29 |
| 14 MR KAH CHOON WAI | 3,500,000 | 1.13 |
| 15 MORSEC NOMINEES PTY LTD (ACCUMULATION ACCOUNT) | 2,897,241 | 0.94 |
| 16 PINELEAF PTY LIMITED (SMITHERS SUPER FUND A/C) | 2,782,792 | 0.90 |
| 17 WARBONT NOMINEES PTY LTD (UNPAID ENTREPOT A/C) | 2,757,355 | 0.89 |
| 18 OCEANVIEW VICTORIA PTY LTD (OCEANVIEW FAMILY A/C) | 2,000,000 | 0.65 |
| 19 NETSHARE NOMINEES PTY LTD | 2,656,571 | 0.86 |
| 20 THIRD PARTY NOMINEES PTY LTD (ACCUMULATION A/C) | 2,494,084 | 0.81 |
| Top 20 holders of ORDINARY FULLY PAID SHARES | 248,519,556 | 80.32 |
| Remaining Holders Balance | 194,923,345 | 19.68 |
| Total ORDINARY FULLY PAID SHARES | 443,442,901 | 100.00 |

Unquoted equity securities

| | Number on issue | Number of holders |
|-------------------------------------|------------------------|--------------------------|
| Options over ordinary shares issued | 77,511,892 | 54 |

Substantial holders

Substantial holders in the Company are set out below:

| | Ordinary shares | |
|--------------------------------------|------------------------|---------------------------------|
| | Number held | % of total shares issued |
| 1 Planet Innovation Holdings Limited | 68,021,060 | 21.98 |
| 2 Lumos Diagnostics Holdings Limited | 40,124,915 | 12.97 |
| 3 Perennial Value Management | 15,455,135 | 4.99 |

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Lumos Diagnostics Holdings Limited
Shareholder information
30 June 2023

There are no other classes of equity securities.

Voluntary Escrowed Securities

The number and class of escrowed securities are as follows:

| | |
|--|------------|
| SHARES ESCROWED TO RELEASE OF FY23 RESULTS (ES5) | 40,124,915 |
|--|------------|

Statement in accordance with ASX Listing Rule 4.10.19

The Company confirms that since its Admission to the ASX on 1 July 2021, it has used the cash and assets (in a form readily convertible to cash) at the time of admission in a way consistent with its business objectives.

Annual General Meeting

The Annual General Meeting will be held in Melbourne on or around 2 November 2023. The time and other details relating to the meeting will be advised in the Notice of Meeting to be sent to all shareholders and released to the ASX immediately upon dispatch.

The Closing date for receipt of nomination for the position of Director is 14 September 2023. Any nominations must be received in writing no later than 5:00 pm (Melbourne time) on 14 September 2023, at the Company's Registered Office.

The Company notes that the deadline for the nominations for the position of Director is separate to voting on Director elections. Details of the Directors to be elected will be provided in the Company's Notice of Annual General Meeting in due course.



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