

Tuesday 30th August 2022

ASX Ltd
Level 4, 20 Bridge Street
Sydney NSW 2000

Regeneus Ltd (ASX:RGS) – Results for the year ended 30 June 2022

Attached for immediate release to the market are the following documents:

- Regeneus Ltd Appendix 4E - Preliminary final report for the year ended 30 June 2022
- Regeneus Ltd Annual Report for the year ended 30 June 2022

Yours faithfully



Helen Leung
Company Secretary

This announcement was authorised by the Board of Directors of Regeneus Ltd.

Appendix 4E

Preliminary final report for the year ended 30 June 2022

Reporting Period

Report for the full year to 30 June 2022. Corresponding period is for the full year ended 30 June 2021.

Results for announcement to the market			
	Current \$'000	Change \$'000	Change %
Revenue from ordinary activities	-	(7,067)	-100%
Other income	638	(251)	-28%
Profit from ordinary activities after income tax attributable to members	(4,310)	(7,069)	-256%
Net profit for the year attributable to members	(4,310)	(7,069)	-256%

	2021 Cents	2020 Cents
Basic earnings per share	(0.014)	0.009
Diluted earnings per share	(0.014)	0.009
Net tangible asset backing (liabilities) per ordinary share	(0.22)	0.78

Dividends

No dividends are being proposed or have been paid in the current year (2021: Nil).

Audited Annual Accounts

This report is based on the consolidated financial statements that have been audited by Grant Thornton Audit Pty Ltd, with the Independent Auditor's Report included in the financial statements.

The remainder of the information requiring disclosure to comply with listing rule 4.3A is contained in the Operating and Financial Review section of the June 2022 Directors' Report and the audited June 2022 Financial Report, within the Regeneus Ltd Annual Report 2022, lodged with this Appendix 4E.



Annual Report 2022

Regeneus Ltd

ABN 13 127 035 358

WHO WE ARE

Regeneus Ltd (ASX: RGS) is an ASX listed clinical stage regenerative medicine company using stem cell technologies to develop a portfolio of novel cell-based therapies focussed on osteoarthritis, neuropathic pain, and various skin conditions. The Company has two platform technologies, Progenza and Sygenus.

The Company's strategy focuses on bringing Progenza to commercialisation in Japan, targeting osteoarthritis (OA).

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Letter from CEO and Chairman

Dear Shareholders,

We are pleased to share Regeneus' Annual Report for the 2021-22 financial year, a year of strategic importance for the Company's growth and clinical development. Our focus on R&D delivery and business development opportunities during the year continued to deliver clinical milestones and progress our novel stem cell-based regenerative medicine therapies towards commercialisation.

We remain dedicated to bringing our lead stem cell technology platform, Progenza™, to market in Japan for the treatment of knee osteoarthritis through our partnership with Kyocera Corporation. Kyocera has had further consultations with the Pharmaceuticals and Medical Devices Agency (PMDA) in Japan regarding regulatory compliance. The next milestone payment under the Kyocera licence and collaboration agreement of US\$3.0 million is expected in calendar 2023.

Also, we are searching for strategic partners to co-develop Progenza™ in the US, South Korea and China.

In other notable developments during the year, a pre-clinical study of Progenza™ at the Kolling Institute was successfully completed and delivered positive results, representing a significant development milestone for the Company.

We also progressed the development of Sygenus for pain management and dermatological conditions, with various preclinical studies under way.

Our measures to streamline our business and keep a disciplined focus on operating costs has reduced cash burn. The Company remains well capitalised to complete its clinical pipeline, with a cash balance of A\$95,000 and an undrawn credit facility of A\$3.0 million at 30 June 2022.

Further Progress on Progenza™

Our collaboration with Kyocera on Progenza™ in Japan continues to make great progress as we meet partnership milestones and focus on setting up manufacturing of Progenza™. Kyocera has a large, dedicated team to execute this project.

Regeneus achieved a major development milestone in completing a large animal study at the Kolling Institute at Royal North Shore Hospital in Australia. The study has delivered positive results to further support the efficacy of Progenza. The purpose of the study was to demonstrate proof-of-concept efficacy of Progenza™ in the destabilisation of the medial meniscus model in 384 mice. The study explored the disease-modifying effect of different therapeutic formulations and their effect in modulating the inflammatory and immune response in a mouse model of post-traumatic osteoarthritis.

The study showed that the effect on structural pathology of the Progenza™ formulation was superior to that seen in mouse MSCs or hyaluronic acid. Progenza™ demonstrated pain reduction effects and structural pathology changes to support Progenza™ becoming the first disease-modifying osteoarthritis drug.

Furthermore, Regeneus completed an mRNA study demonstrating the efficacy of the bioactive secretome, one of the critical components in Progenza™. The results further demonstrate the benefit of secretions and will be used in discussions with various regulators and potential licensing partners globally.

Both studies fulfilled the Company's additional data obligations to Kyocera. Outside of Japan, the Company continues to search for a strategic partner to co-develop Progenza™ for the treatment of knee osteoarthritis in the US and is in discussions with 70 parties. Select companies are conducting detailed due diligence of the Progenza™ non-clinical, CMC, and clinical data. The process is led by Regeneus Board Advisor Dr Scott Bruder and his team at Bruder Consulting and Venture Group. Dr Bruder is a leading US-based physician-scientist, executive, and consultant in the regenerative medicine and orthopaedics industry.

In South Korea, more than 30 companies have been contacted in relation to partnerships for the commercialisation of Progenza™. Discussions are ongoing, and due diligence has commenced with multiple companies. Regeneus has engaged Korea Development Bank to run the process.

In China, the Company has engaged YAFO Capital to run a licensing process for Progenza™. Sixty companies have been contacted, with ongoing due diligence continuing with selected parties. YAFO Capital has previously successfully closed licensing deals for Biosplice's lorecivint osteoarthritis drug and Flexion's Zilretta small molecule osteoarthritis drugs in China and has strong access to pharmaceutical and biotechnology companies interested in osteoarthritis assets.

Sygenus Development

We continue to progress the development of our second stem cell technology platform, Sygenus, through the development partnership entered into with the Department of Defence for combat casualty care.

The development program is progressing well. A preclinical animal study conducted by Prof Mark Hutchinson at the University of Adelaide has been completed.

Further studies are ongoing with preclinical CROs (contract research organisations) to develop Sygenus for topical pain indications.

These include a preclinical study in the post operation pain (POP) model with MD Biosciences in Israel. Regeneus is entitled to receive A\$93,000 in milestone payments from the Department of Defence under the terms of the Collaboration Agreement in respect of this study.

Milestones payments of \$113k were earned in FY2022.

Organisational and financial highlights

In FY 2022, Regeneus reported A\$113k in other income, arising from the partnership with Department of Defence. We maintained optimisation measures from last year to reduce the monthly cash burn rate to A\$200,000-250,000. The Company is highly capital-efficient.

We expect milestone payments from Kyocera to support our operating cash needs without the requirement for an additional equity capital raise. Regeneus has secured a A\$4.0 million credit facility, drawn to only A\$1 million as at 30 June 2022. The undrawn commitment of A\$3 million under this credit facility will support the Company's operations until the next milestone payment is received from Kyocera.

In other developments over FY 2022, Dr Scott Bruder joined our Board as an Advisor. Dr Bruder is assisting the Company on Progenza™ development work in the US following our Pre-IND Consultation with the US Food and Drug Administration in November 2021, and the licensing process for Progenza™ in the US.

Outlook

We remain focused on bringing Progenza™ to market in Japan through our partnership with Kyocera, and securing partners in other major markets.

Japan represents a significant market opportunity given its accelerated approval pathway for Progenza™. The global market for injectable treatments for knee osteoarthritis is US\$6.1 billion, with the Japanese market alone worth US\$1.5 billion.

Regeneus is working with Kyocera on setting up manufacturing in Japan, launching a pivotal Phase II trial of Progenza™ for osteoarthritis, and moving towards application for regulatory approval of Progenza™ for the treatment of knee osteoarthritis in Japan.

Also, the Company is currently running active processes to find strategic licensing partners in the US, South Korea, and China to complete late-stage trials and commercialise Progenza™ in respective markets. Management is actively involved in multiple discussions and due diligence processes.

Furthermore, Regeneus is engaged in various M&A discussions to leverage operational, manufacturing, and clinical development synergies with other biotechnology companies. These discussions are likely to lead to a strategic transaction in FY2023.

We look forward to more solid progress in the year ahead.

The Board would like to thank all shareholders for their ongoing support and the Regeneus team and our clinical and research partners for their work. We look forward to updating you on the progress of the Company.



Barry Sechos
Chairman



Karolis Rosickas
Chief Executive Officer

Directors' report

Your Directors present their report for Regeneus Ltd and its controlled entities (the Group) for the financial year ended 30 June 2022.

Directors

The names of the Directors in office at any time during or since the end of the year are:

Barry Sechos

Non-executive Chairman

Professor Graham Vesey

CSO and Executive Director

Leo Lee

Non-executive Director

Dr John Chiplin

Non-executive Director

Resigned 1 March 2022

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

Chairman

Barry Sechos has served on the Board since 2012 and has over 35 years experience as a director, business executive and corporate lawyer with particular experience in investment and asset management. Barry is Executive Director of the Sherman Group (an early-stage investor in the Company) and sits on the board of many Sherman Group companies and investee companies.

Other current directorships

Phoslock Environmental Technologies Ltd

Previous directorships (last 3 years)

Concentrated Leaders Fund Ltd (resigned 31 August 2021)

Interests in shares

7,700,000

Interests in options

Nil

Interests in options

Nil

CSO - Executive Director

Professor Graham Vesey is a co-founder and founding CEO of the Company and has served on the Board since incorporation. He was appointed Chief Scientific Officer in November 2014. Graham is a successful biotechnology entrepreneur, technology innovator and inventor and a highly regarded scientist. Graham was a co-founder and Executive Director of the successful biotech company, BTF, which was sold to bioMerieux in 2007. Graham is an Adjunct Professor at Macquarie University.

Other current directorships

None

Previous directorships (last 3 years)

None

Interests in shares

14,771,042

Interests in options

1,029,500

Non-executive Directors

Leo Lee joined the Board in December 2017 and was appointed CEO in January 2019. Leo then resigned from his role as CEO in November 2020 and has remained as a Non-executive Director. Leo brings more than 20 years experience in pharmaceutical innovation, commercialisation, regulation and policy development and has worked extensively in North America and Asia. Mr. Lee currently serves as Country President, Japan, for Novartis and prior to his CEO role at Regeneus, he was President, Japan, for Merck KGaA. Prior to this, he served as President, Japan, for Allergan plc, a global pharmaceutical company. Leo has held sales and commercial roles in Merck & Co., IQVIA and Accelrys, Inc.

Leo received a Bachelor of Science in Molecular Genetics and Microbiology from the University of California.

Other current directorships

None

Previous directorships (last 3 years)

None

Interests in shares

15,890,893

Interests in options

1,250,000

Dr. John Chiplin joined the Board in April 2019. Dr. Chiplin is Managing Director of Newstar Ventures Ltd and has significant operational, investment and transaction experience in the international life science and technology industries and has served on a number of ASX, NASDAQ and LSE listed boards.

Based in London, Dr Chiplin is Chairman of Scancell Holdings plc (LSE: SCLP), N4Pharma plc (LSE: N4P), and Biotherapy Services Ltd.

Other current directorships

Adalta Ltd

Scancell Holdings plc

N4Pharma plc

Biotherapy Services Ltd

Previous directorships (last 3 years)

Adalta Ltd

Cynata Therapeutics Ltd

Interests in shares

Nil

Interests in options

333,333

Principal activities

Regeneus Ltd (ASX: RGS) is a Sydney-based clinical-stage regenerative medicine company using stem cell technologies to develop a portfolio of novel cell-based therapies to address significant unmet medical needs in the human health markets with a focus on osteoarthritis and other musculoskeletal disorders, neuropathic pain and dermatology.

Operating and financial review

Review of operations

- The Company's strategy focuses on bringing its lead stem cell technology platform Progenza™ to commercialisation, through its partnership with Kyocera Corporation (Kyocera) to treat knee OA in Japan. Regeneus progressed positively with this strategy in the first half of FY2022, with initial clinical development and manufacturing preparations continuing, in order to progress to Phase 2 and move toward application for regulatory approval.
- In September 2021, a variation agreement to the licence and collaboration agreement was entered into and the Company and Kyocera continue collaborating on commencing manufacturing of Progenza in Japan and launching a pivotal Phase 2 trial. The variation agreement reduces Regeneus's future financial commitment under the licence and collaboration agreement and provides more clarity on specific responsibilities of both the Company and Kyocera under the development program.
- Further to the execution of the variation agreement, the Company anticipates receipt of the next milestone payment of US\$3 million in CY2023 under the licence and collaboration agreement with Kyocera.
- The Company's second stem cell technology platform, Sygenus, is also a priority, and Regeneus continues to progress the development partnership entered into with the Australian Department of Defence for combat casualty care with research conducted by the University of Adelaide, with the first in human study anticipated in CY 2023.
- Regeneus will continue to explore co-development and licensing options for Sygenus to treat burns and wounds, neuropathic pain, inflammatory skin conditions, and rare/orphan skin diseases globally.
- Research collaboration with Raymond Purves Bone and Joint Research Laboratories at the Kolling Institute of Medical Research, Australia concluded. This study results will be used in regulatory filings for Phase 2 clinical trials in Japan and other geographies.
- Feedback was received from the FDA Office of Tissues and Advanced Therapies, advancing the Company's preparation for the IND Application submission in the United States.

- A new patent, focusing on product composition, was allowed in Japan protecting the Company's Progenza™ product until September 2036.
- As part of the Company's US strategy and focus on prioritizing securing a strategic partner in the US, the Company announced the appointment of Scott Bruder MD, PhD as a Board Advisor. Dr Bruder is a leading US based physician-scientist executive in the regenerative medicine and orthopedics industry.
- The Company also entered into a strategic partnering agreement with Bruder Consulting & Venture Group during the period.
- In December 2021, the Company's Board of Directors, together with New Life Sciences mutually agreed to terminate the Institutional Placement Agreement. As such, no further investments are to be made by, or shares issued to, New Life Sciences. Under the termination arrangements, Regeneus repaid AU\$1.26M to New Life Sciences in respect of the balance of the prepayment amount received by Regeneus on 12 May 2021, after netting the 1.9 million shares issued to New Life Sciences on 7 May 2021 against Regeneus's obligations, at a deemed issue price of \$0.067 cents per share.
- The AU\$1.26M was repaid to New Life Sciences by the Company on 4 January 2022.
- On 25 February 2022, the Group signed a loan facility agreement with Paddington St Finance Pty Ltd. The maximum loan value of the facility is the lesser of (i) AUD\$4 million; and (ii) USD\$3 million. The loan forward funds the receipt of the next milestone payment of US\$3million receivable under the licence and collaboration agreement with Kyocera, expected to be received by Regeneus in CY2023. First drawdown under this facility of \$1,000,000 was made on 25 February 2022.

Financial review

Operating results

The Group's operating results for the year was a loss of \$4.3 million (FY21: Profit of \$2.8 million). The result is reflective of the reduction in income for the year. Revenue for the year is Nil (FY21: \$7.1 million milestone payments received from Kyocera). Income for the year is \$113k (FY21: \$38k) relates to the partnership entered into by the Company with the Australian Department of Defence to develop Sygenus, Regeneus' stem cell bioactive secretome technology, for combat casualty care. The next Kyocera milestone payment is due in CY2023.

Revenue and Other income

	2022 \$'000	2021 \$'000	Movement \$'000
Revenue from contracts with customers			
Revenue	-	-	-
Licence & Other fee	-	7,067	(7,067)
Total revenue	-	7,067	(7,067)
Other income			
Grant and other income	113	38	76
R&D incentive	525	851	(326)
Total other income	638	889	(251)
Total Revenue and other income	638	7,956	(7,318)

Expenses

	2022 \$'000	2021 \$'000	Movement \$'000
Research and development	1,861	1,578	272
Corporate	2,788	3,853	(1,065)
Finance costs	73	405	(332)
Expenses from operations	4,722	5,836	(1,114)
Other expenses	-	-	-
Realised foreign exchange loss on contract liability	-	141	(141)
Total expenses	4,722	5,977	(1,255)

Research and development expenses

Research and development activities include staff and other costs associated with product research, GMP manufacture and the conduct of clinical trials for the Company's products. R&D expenditure for the year was \$1.86 million (FY21 \$1.58 million).

In line with the Group's policy and to comply with the accounting standards, all costs associated with research and development are fully expensed in the period in which they are incurred. The Directors do not consider the Group can demonstrate all the requirements of the accounting standards to capitalise development expenditure.

Corporate expenses

Corporate expenses at \$2.79 million reduced from prior year expenses (FY21 \$3.85 million). This category of expenditure includes: corporate employees, Directors, IP, compliance, depreciation and business development costs.

Finance costs

Finance costs of \$73k (FY21 \$405k) relate to costs associated with the fee and interest of the commercial loan from a related party, Paddington St Finance Pty Ltd.

Financial Position

The Consolidated Statement of Financial Position net assets is equal to \$1.1 million (FY21: net assets \$4.1 million).

In December 2021, the Company and New Life Sciences Capital, LLC (New Life Sciences) mutually agreed to terminate the Subscription Agreement signed in May 2021. The Company repaid AU\$1.26M to New Life Sciences in respect of the balance of the prepayment amount received by Regeneus on 12 May 2021, after netting the 1.9 million shares issued to New Life Sciences on 7 May 2021.

Subsequently the Company secured a cashflow facility from Paddington St Finance Pty Ltd, a related party. The facility forward funds, via a loan, the next milestone payment of US\$3.0 million to be received by Regeneus under the licence and collaboration agreement with Kyocera, expected to be received in CY2023. First drawdown under the facility of \$1,000,000 was made on 25 February 2022.

Cash flows

The net cash inflows for the period were:

	2022 \$'000	2021 \$'000
Net cash (used in) provided by operating activities	(3,591)	2,419
Net cash used in investing activities	(9)	(8)
Net cash (used in) provided by financing activities	(98)	400
Net change in cash and cash equivalents held	(3,698)	2,811

Operating activities

A decrease in revenue to \$0.1 million (FY21: \$7.1 million) results from the receipt of two milestone payments from Department of Defence. The next milestone payment receivable from Kyocera is due in CY2023.

Financing activities

Shareholders approved the institutional placement agreement with New Life Sciences Capital, LLC at the FY2021 AGM. The Company entered into a Subscription Agreement with New Life Sciences on 7 May 2021 which would raise up to \$4,500,000 of funding.

On 14 October 2021, Regeneus Ltd (the "Company") issued 2,898,551 fully paid ordinary shares in accordance with the terms of its Subscription Agreement with New Life Sciences.

In December 2021, the Company's Board of Directors, together with New Life Sciences mutually agreed to terminate the Institutional Placement Agreement. As such, no further investments are to be made by, or shares issued to, New Life Sciences. Under the termination arrangements, Regeneus repaid AU\$1.26M to New Life Sciences in respect of the balance of the prepayment amount received by Regeneus on 12 May 2021, after netting the 1.9 million shares issued to New Life Sciences on 7 May 2021 against Regeneus' obligations, at a deemed issue price of \$0.067 cents per share.

The AU\$1.26M was repaid to New Life Sciences by the Company on 4 January 2022.

On 25 February 2022, the Group signed a loan facility agreement with Paddington St Finance Pty Ltd. The maximum loan value of the facility is the lesser of (i) AU\$4 million; and (ii) US\$3 million. The loan forward funds the receipt of the next milestone payment of US\$3 million to be received under the licence and collaboration agreement with Kyocera, expected to be received by Regeneus in CY2023. First drawdown under the facility of \$1,000,000 was made on 25 February 2022.

Significant changes in state of affairs

There were no other changes in the state of affairs of the Group during the reporting period.

Changes in accounting policy

There were no changes in accounting policy during the reporting period.

Events subsequent to the reporting period

In the period from 30 June 2022 through to the signing of the financial report, the following important events have occurred:

On 19 July 2022, the Company drew a further \$500,000 under the loan facility provided by Paddington St Finance Pty Ltd. The undrawn balance of the loan facility is reduced to \$2.5 million.

Apart from the above, there are no other matters or circumstances that have arisen since the end of the year that have significantly affected or may significantly affect either the entity's operations in future financial years, the results of those operations in future financial years or the entity's state of affairs in future financial years.

Likely developments, business strategies and prospects

Looking ahead to FY2023, business operations are now fully optimised to focus on R&D, clinical development, and potential business development opportunities while keeping a strict focus on operating costs. We look forward to continued success in progressing our collaboration with Kyocera for the development of Progenza™ for knee osteoarthritis in Japan. The Company is preparing to launch a Progenza™ OA Phase 2 trial in the United States after the product manufacture is completed and regulatory approvals obtained. Our partnership with the Australian Department of Defence is expected to advance to animal and human trials.

Corporate Governance Statement

The Board is committed to achieving and demonstrating the highest standards of corporate governance. As such, Regeneus Ltd and its controlled entities (the Group) have adopted the fourth edition of the Corporate Governance Principles and Recommendations which was released by the ASX Corporate Governance Council in February 2019 and became effective for financial years beginning on or after 1 January 2020.

The Group's corporate governance statement for the financial year ending 30 June 2022 is dated as at 30 June 2022 and was approved by the Board on 30 August 2022. The corporate governance statement is available on Regeneus' website at: regeneus.com.au/investors/corporate-governance

Directors' meetings

The number of meetings of Directors (including committees of Directors) held during the year and the number of meetings attended by each Director were as follows:

Directors' name	Board meetings		Audit and risk committee		Remunerations and nominations charter	
	A	B	A	B	A	B
Barry Sechos	6	6	2	2	1	1
Leo Lee	6	6	2	2	1	1
Graham Vesey	6	6	2	2	1	1
John Chiplin ¹	4	4	2	2	-	-

Column A is the number of meetings the director was entitled to attend

Column B is the number of meetings the director did attend.

Where a Director joined the Board during the year or resigned their position during the year then the number of meetings entitled to attend is for the relevant period.

1. Leo Lee was appointed Chair of the Rem & Nom committee and appointed as a member of the Audit & Risk committee on 23 June 2022.
2. John Chiplin resigned from the Board 1 March 2022.

Dividends paid or recommended

No dividends have been paid or declared since the start of the financial year (FY21: Nil).

Unissued shares under option

Unissued ordinary shares of Regeneus Ltd under option at the date of this report are:

Date of granting	Expiry date	Exercise price of option \$	Number under option
31/01/2019	30/01/2024	0.2000	1,250,000
01/09/2019	01/10/2024	0.1000	400,000
01/07/2020	30/06/2025	0.1000	1,511,310

14/10/2020	14/10/2025	0.1075	333,333
14/10/2020	14/10/2025	0.1400	1,029,500
07/05/2021	11/05/2024	0.1651	3,800,000
24/05/2021	24/05/2026	0.1000	5,000,000
24/05/2021	24/05/2026	0.1000	5,000,000
24/05/2021	24/05/2026	0.1000	15,000,000

Of the balance of 33.3m options, 29.5m relate to options issued to staff as part of the Employee Share Option Plan and Option Trust Share plans and 3.8m options were issued under the recent subscription agreement with the institutional investor, New Life Sciences, LLC.

Of the 29.5m options issued to staff 1.3m options were approved at the FY20 AGM and no new option were issued (FY21: 25m). 28.27m options were issued to staff under the employee share option plan and 1.25m options were issued to directors under the Option Share Trust.

All unexercised, vested options expire on the earlier of their expiry date or within a period set out in the plans. 29.5m of the options issued are under the Employee Share Option Plan and Option Trust Share plans, and have been allotted to individuals on condition that they meet the agreed milestones before the options vest.

As part of the IPO, 12,740,252 employee options, that had an exercise price of less than 20 cents, were exercised prior to the listing on 19 September 2013. The exercise price payable in respect of this exercise of options was financed by a full recourse loan provided by the Company to the option holders. Loans associated with almost 8 million of these shares were outstanding as at 30 June 2021.

In May 2022, a letter was sent to each shareholder to whom the Company had provided a loan, advising them the full amount of the loan was due and payable on 30 June 2022. Participants were given the option to either repay the loan in full or transfer their shares the subject of the loans to Regeneus, who would then sell the shares on market, and apply the proceeds of such sale in repayment of the loans owing. On completion of this sales process undertaken by the Company, a total of 7.563 million RGS shares were sold, with total net proceeds of \$369,000 being received by the Company and applied in repayment of loans owing. The balance of the Shareholder loans owing after completion of this sales process has been written off by the Company, other than the loan extended to Graham Vesey, Executive Director of Regeneus.

Shares issued during or since the end of the year as a result of exercise of options

During or since the end of the year, no shares were issued by the Company as a result of the exercise of options (FY21: nil).

Remuneration report (audited)

The Directors of the Group present the Remuneration Report for Executive Directors, Non-Executive Directors and other key management personnel prepared in accordance with the Corporations Act 2001 and the Corporations Regulations 2001.

The Remuneration Report is set out under the following main headings:

- a. Principles used to determine the nature and amount of remuneration
- b. Details of remuneration
- c. Service agreements
- d. Share-based remuneration
- e. Bonuses and
- f. Other information

a. Principles used to determine the nature and amount of remuneration

The principles of the Group's executive strategy and supporting incentive programs and frameworks are to:

- Align rewards to business outcomes that deliver value to shareholders,
- Drive a high-performance culture by setting challenging objectives and rewarding high performing individuals,
- Ensure remuneration is competitive in the relevant employment market place to support the attraction, motivation and retention of executive talent.

Regeneus has structured a remuneration framework that is market competitive and complementary to the reward strategy of the Group. The Board has established a Remuneration and Nominations Committee which operates in accordance with its charter as approved by the Board and is responsible for making recommendations to the Board for reviewing and approving compensation arrangements for the Directors and the Executive team. The remuneration structure that has been adopted by the Group consists of the following components:

- Fixed remuneration being annual salary,
- Short and long-term incentives, being employee bonuses and options.

The Remuneration and Nominations Committee assesses the appropriateness of the nature and amount of remuneration on a periodic basis by reference to recent employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and Executive team.

All bonuses, options and incentives are linked to predetermined performance criteria.

Short term incentive (STI)

Regeneus performance measures involve the use of annual performance objectives, metrics, and performance appraisals.

The performance measures are set annually after consultation with the Directors and Executives and are specifically tailored to the areas where each executive has a level of control. The measures target areas the Board believes hold the greatest potential for expansion and profit and cover financial and non-financial measures.

The KPIs for the Executive team are summarised as follows:

Performance area:

- Financial - operating results
- Non-financial - strategic goals set for each individual

The Board may, at its discretion, award bonuses for exceptional performance in relation to each person's pre-agreed KPIs and extraordinary achievements.

Voting and comments made at the Company's last Annual General Meeting

Regeneus received 63,697,373 – 99.22% 'For' votes on its Remuneration Report for the financial year ending 30 June 2022 (FY21: 65,697,373 – 99.22%).

The Company received no specific feedback on its Remuneration Report at the Annual General Meeting.

Consequences of performance on shareholder wealth

In considering the Group's performance and benefits for shareholder wealth, the Board has regard to the following indices in respect of the current financial year and the previous four (4) financial years:

Item	2022	2021	2020 (restated)	2019 (restated)	2018 (restated)
EPS (\$)	(0.014)	0.009	(0.003)	(0.029)	(0.024)
Dividends (per share)	\$0	\$0	\$0	\$0	\$0
Net profit (loss) (\$000)	(4,310)	2,759	(894)	(5,955)	(5,045)
Share price (\$)	\$0.061	\$0.074	\$0.070	\$0.085	\$0.12

b. Details of remuneration

Details of the nature and amount of each element of key management personnel (KMP) remuneration are shown in the following table:

Executive Directors		Short term					Total \$	Performance related
		Cash salary & fees \$	Incentive \$	Other benefits \$	Post employ Super-annuation \$	Share based payments		
Leo Lee ¹	2022	-	-	-	-	-	-	-
	2021	160,833	325,000	-	-	-	485,833	67%
Karolis Rosickas ²	2022	250,000	276,155	-	-	662,977	1,189,132	79%
	2021	166,667	75,000	-	-	331,964	573,631	71%
Graham Vesey	2022	121,364	-	(12,632)	12,136	35,046	155,914	22%
	2021	154,000	-	23,735	14,630	40,450	232,815	17%
Non-executive Directors								
Barry Sechos	2022	85,000	-	-	-	-	85,000	0%
	2021	85,000	-	-	-	-	85,000	0%
John Chiplin ³	2022	36,667	-	-	-	-	36,667	0%
	2021	55,000	-	-	-	43,391	98,391	44%
Alan Dunton ⁴	2022	-	-	-	-	-	-	-
	2021	36,667	-	-	-	-	36,667	0%
Leo Lee ¹	2022	55,000	-	-	-	-	55,000	0%
	2021	18,333	-	-	-	-	18,333	0%
Total	2022	548,031	276,155	(12,632)	12,136	698,023	1,521,713	
Total	2021	690,250	400,000	23,735	14,630	415,805	1,544,420	

1. Leo Lee was appointed CEO and executive Director on 23 January 2019, and resigned from this position on 2 November 2020 however remains as a non-executive director
2. Karolis Rosickas was appointed CEO on 2 November 2020.
3. John Chiplin was appointed as non-executive Directors on 29 April 2019 and resigned on 1 March 2022
4. Alan Dunton resigned as a non-executive director on 25 February 2021.

Short term incentive (STI) programs that rewards KMP's as set out above can be seen below.

Name	Grant Date	Eligible	Paid	Conditions
Karolis Rosickas	20 May 22	125,000	125,000	For 1st employment anniversary
Karolis Rosickas	20 May 22	125,000	125,000	For 2nd employment anniversary
Karolis Rosickas	20 May 22	125,000	26,155	For 3rd employment anniversary

Other benefits include the movement in the annual leave provision and long service leave provision in accordance with AASB 119 Employee Benefits. Where the provision is reduced due to leave taken exceeding leave accrued the movement is negative

The share-based payment of \$698,023 (2021: \$415,805) is share based remuneration in the form of options (refer following note)

The relative proportions of remuneration that are linked to performance and those that are fixed are as follow

Name	Fixed remuneration	At risk – STI	At risk – options
Karolis Rosickas	21%	23%	56%
Graham Vesey	78%	-	22%
Barry Sechos	100%	-	-
Leo Lee	100%	-	-
John Chiplin	100%	-	-

c. Service agreements

Remuneration and other terms of employment for the Executive Directors and other key management personnel are formalised in a service agreement. The major provisions of the agreements relating to remuneration are set out below.

Name	Base salary \$	Term of agreement	Notice period
Karolis Rosickas	250,000	Unspecified	3 months
Graham Vesey	65,455	Unspecified	3 months
Barry Sechos	85,000	Unspecified	Nil
Leo Lee	55,000	Unspecified	Nil
John Chiplin	55,000	Unspecified	Nil

There are no performance conditions attached to these agreements, other than the share options awarded to Karolis Rosickas as part of his employment contract identified below and short-term incentives awarded as stated above.

There are no termination payments provided for in these agreements, other than those required by statute.

d. Share-based remuneration

Options granted over unissued shares.

All options are for ordinary shares in the Company and are exercisable on a one-for-one basis.

The options were provided at no cost to the recipients. All options expire on the earlier of their expiry date or within the time period set out in the plan, from termination of the individual's employment. The options vesting conditions are conditional on the key management personnel employability status with the Company.

Details of options over ordinary shares in the Company that were granted as remuneration to each key management personnel are set out below.

Name	Number granted	Grant date	Value per option at grant date \$	Number vested	Exercise price \$	First exercise date	Last exercise date
L Lee	1,250,000	31 Jan 2019	0.077	1,250,000	0.2000	31/01/2020	31/01/2024
J Chiplin	333,333	14 Oct 2020	0.100	333,333	0.1075	14/10/2021	14/10/2025
G Vesey	1,029,500	14 Oct 2020	0.091	343,167	0.1400	14/10/2021	14/10/2025
K Rosickas	5,000,000	24 May 2021	0.067	5,000,000	0.1000	31/12/2021	24/05/2026
K Rosickas	5,000,000	24 May 2021	0.067	-	0.1000	02/11/2022	24/05/2026
K Rosickas	15,000,000	24 May 2021	0.067	-	0.1000	02/11/2023	24/05/2026

Options granted in May 2021 to Karolis Rosickas were issued under the Employee Share Option Plan and, as such, do not require shareholder approval.

During FY22 666,667 (average exercise price \$0.1075) management personnel options were forfeited (FY21: 14,750,000 options forfeited (average exercise price \$0.161)).

In May 2021 there was a revision to the Board approved Long Term Incentives (LTI) for Regeneus CEO Karolis Rosickas. These modifications were in lieu of the previous LTI contained in Mr Rosickas service agreement and notified to the market on 2 November 2020. The incremental fair value granted as a result of these modifications is equal to \$250,000 and this was calculated by determining the difference in fair value between the options issued on 2 November 2020 and the fair value of those same options on 24 May 2021.

	Tranche 1	Tranche 2
Fair value of options at 2 nd November 2020	\$288,000	\$132,000
Fair value of options at 24 th May 2021	\$335,000	\$335,000
Incremental fair value granted	\$47,000	\$203,000

The conditions of these options vesting are based on period of service and significant corporate transactions which includes significant capital raising, licensing agreement, joint venture or a business or merger or acquisition or other transaction as determined and approved by the Board

e. Loans relate to key management personnel

Shareholder Loan

These loans relate to the shareholder loans, the terms of which are disclosed in Note 14.

In accordance with AASB 9 the ECL (expected credit loss) has been recorded in relation to the shareholder loans.

Name	Loan at 1 July 2021	Loans repaid	Loans Advanced	Other movement	Loan at 30 June 2022
Graham Vesey	150,552	(51,590)	-	-	98,962
Expected credit loss allowance	(72,926)	43,237	-	-	(29,689)
Totals	77,626	(8,353)	-	-	69,273

Directors loan

A loan facility has been provided by Paddington St Finance Pty Ltd to forward fund the receipt of the next milestone payment from Kyocera. Further details of this loan are contained in note 28.

Name	Loan at 1 July 2021	Loans Advanced	Loans Repaid	Converted to Equity	Loan at 30 June 2022
Loan facility	-	1,000,000	-	-	1,000,000
Totals	-	1,000,000	-	-	1,000,000

f. Other information

Options held by key management personnel

The number of options to acquire shares in the Company held during the FY22 reporting period by each of the key management personnel of the Group, including their related parties are set out below.

Name	Balance at 1 July 2021	Granted	Forfeited	Balance at end of year	Vested during the year	Vested, and exercisable at 30 June 2022
Leo Lee	1,250,000	-	-	1,250,000	1,250,000	1,250,000
Karolis Rosickas	25,000,000	-	-	25,000,000	5,000,000	5,000,000
Graham Vesey	1,029,500	-	-	1,029,500	343,167	343,167
Barry Sechos	-	-	-	-	-	-
John Chiplin	1,000,000	-	666,667	333,333	333,333	333,333
Totals	28,279,500	-	666,667	27,612,833	6,926,500	6,926,500

On 1 March 2022, John Chiplin's resignation resulted in 666,667 shares being forfeited.

Related party contracts

In FY2021, the Company signed a licence agreement with BioPoint Pty Ltd a company of which Graham Vesey is a director and significant shareholder. This licence agreement was agreed upon in September 2020 and is valued at \$3,000 per month. This licence agreement provides the Company with laboratory space and facilities in order to develop and manufacture a stem cell secretion product (Sygenus) and supply the product to the cosmetic market. The licence also provides the Company with the opportunity to research and manufacture a stem cell product, Progenza. A new lease was signed on 1 April 2022 and the rent was reduced to \$1,500 per month.

On 25 February 2022, the Group signed a loan facility agreement with Paddington St Finance Pty Ltd. The maximum loan value of the facility is the lesser of (i) AU\$4 million; and (ii) US\$3 million. The loan forward funds the receipt of the next milestone payment, being US\$3 million receivable by the Company under the licence and collaboration agreement with Kyocera, expected to be received by Regeneus in CY2023.

Shares held by key management personnel

The number of ordinary shares in the Company during the FY22 reporting period held by each of the Group's key management personnel, including their related parties, are set out below:

Name	Held at 1 July 2021	Granted as remuneration	Purchased	Other movement	Held at 30 June 2022
Leo Lee	15,890,893	-	-	-	15,890,893
Karolis Rosickas	-	-	3,836,366	-	3,836,366
Graham Vesey	15,879,968	-	-	(1,108,926)	14,771,042
Barry Sechos	7,700,000	-	-	-	7,700,000
John Chiplin	-	-	-	-	-
Totals	39,470,861	-	-	(1,108,926)	38,361,935

End of audited remuneration report

Environmental legislation

Regeneus' operations are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory of Australia.

Indemnities given to auditors and officers and insurance premiums paid

During the year, Regeneus paid a premium to insure officers of the Group. The officers of the Group covered by the insurance policy include all Directors.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else to cause detriment to the Group.

Details of the amount of the premium paid in respect of the insurance policies are not disclosed as such disclosure is prohibited under the terms of the contract.

The Group has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify any current or former officer or auditor of the Group against a liability incurred as such by an officer or auditor.

Non-audit services

From time to time, Grant Thornton, the Group's auditors, perform certain other services in addition to their statutory audit duties. The Board considers any non-audit services provided during the year by the auditor and satisfies itself that the provision of these non-audit services during the year is compatible with, and does not compromise, the auditor independence requirements of the Corporations Act 2001.

Details of the amounts paid to the auditors of the Group, Grant Thornton Audit Pty Ltd, and its related practices for audit and non-audit services provided during the year are set out in Note 25 to the Financial Statements.

Proceedings on behalf of the Group

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

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 on page 17 and forms part of this Directors' report.

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



Barry Sechos
Non-executive Chairman
Dated this day 30 August 2022

Auditor's independence declaration



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Auditor's Independence Declaration

To the Directors of Regeneus Ltd

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

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton Audit Pty Ltd
Chartered Accountants

N J Bradley
Partner – Audit & Assurance

Sydney, 30 August 2022

Grant Thornton Audit Pty Ltd ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

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Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June	Note	2022 \$	2021 \$
Revenue	6	-	7,067,026
Other income	6	638,006	888,796
Research and development expenses	7	(1,861,129)	(1,578,460)
Corporate expenses	8	(2,788,989)	(3,852,700)
Finance costs	9	(72,656)	(404,503)
Gain on disposal of fixed assets		7,725	-
Fair value (decrease)/increase in institutional placement	20.2	(17,391)	137,198
Loss on extinguishment of financial liability	20.2	(62,398)	-
Loss on shareholders loan	14.1	(131,556)	-
Fair value increase on investments		-	525,000
Gain on settlement of AGC Inc		-	266
Realised foreign exchange loss		(17,576)	(140,961)
Foreign exchange (loss)/gain		(3,766)	117,399
(Loss)/Profit before income tax		(4,309,730)	2,759,061
Income tax (expense) / benefit	24	-	-
(Loss)/Profit for the year		(4,309,730)	2,759,061
Other comprehensive (expense) / income		-	-
Total comprehensive (loss) / income for the year		(4,309,730)	2,759,061

Earnings per share		2022	2021
Basic earnings per share			
Earnings per share from continuing operations	26	(0.014)	0.009
Diluted earnings per share			
Earnings per share from continuing operations	26	(0.014)	0.009

Note: This statement should be read in conjunction with the notes to the financial statements.

Consolidated statement of financial position

As at 30 June	Note	2022 \$	2021 \$
Current Assets			
Cash and cash equivalents	10	95,122	3,792,695
Trade and other receivables	11	110,797	-
R&D incentive receivable	12	447,023	751,428
Other current assets	13	65,236	112,152
Other financial assets	14	69,273	2,070,227
Total current assets		787,451	6,726,502
Non-current assets			
Other financial assets	14	1,750,000	1,750,000
Property, plant and equipment	15	9,730	20,849
Right of use assets under lease	16	7,617	12,992
Total non-current assets		1,767,347	1,783,841
Total assets		2,554,798	8,510,343
Current liabilities			
Trade and other payables	18	309,942	1,108,116
Provisions	19	160,780	183,379
Borrowings	20	1,000,000	-
Lease liabilities	21	5,858	5,296
Total current liabilities		1,476,580	1,296,791
Non-current liabilities			
Lease liabilities	21	2,510	8,547
Provisions	19	917	16,738
Derivative financial instrument	20	-	3,042,802
Total non-current liabilities		3,427	3,068,087
Total liabilities		1,480,007	4,364,878
Net assets		1,074,791	4,145,465
Equity			
Issued capital	22.1	38,618,762	38,258,870
Accumulated losses		(38,951,310)	(34,648,789)
Reserves	22.2	1,407,339	535,384
Total equity		1,074,791	4,145,465

Note: This statement should be read in conjunction with the notes to the financial statements.

Consolidated statement of changes in equity

For the year ended 30 June	Share capital \$	Other contributed equity \$	Share option reserve \$	Retained earnings \$	Total equity \$
Balance at 1 July 2020 (Restated)	36,358,675	1,797,017	431,521	(37,493,175)	1,094,038
Reported profit for the year	-	-	-	2,759,061	2,759,061
Reported other comprehensive income (expense)	-	-	-	-	-
Share options issued as part of institutional placement	-	-	74,225	-	74,225
Employee share-based payment options issued	-	-	442,228	-	442,228
Employee share-based payment option forfeited	-	-	(327,265)	-	(327,265)
Transfer from reserves to retained earnings for options lapsed	-	-	(85,325)	85,325	-
Other Contributed Equity Adjustment after issuance to AGC Inc (Japan)	-	(266)	-	-	(266)
Shares issued	1,900,195	(1,796,751)	-	-	103,444
Balance at 30 June 2021	38,258,870	-	535,384	(34,648,789)	4,145,465
Balance at 1 July 2021	38,258,870	-	535,384	(34,648,789)	4,145,465
Reported loss for the year	-	-	-	(4,309,730)	(4,309,730)
Reported other comprehensive income (expense)	-	-	-	-	-
Shares issued for institutional placement	359,892	-	-	-	359,892
Employee share-based payment options expense	-	-	913,865	-	913,865
Employee share-based payment option forfeited	-	-	(34,701)	-	(34,701)
Transfer from reserves to retained earnings for options lapsed	-	-	(7,209)	7,209	-
Balance at 30 June 2022	38,618,762	-	1,407,339	(38,951,310)	1,074,791

Note: This statement should be read in conjunction with the notes to the financial statements.

Consolidated statement of cash flows

For the year ended 30 June	Note	2022 \$	2021 \$
Operating activities			
Receipts from customers		20,000	6,607,361
Payments to suppliers and employees		(4,399,277)	(4,523,817)
Interest received		1	12
Other income and COVID-19 Cash Flow Boost		-	37,500
R&D repayments		-	(147,342)
R&D incentive refund		829,411	676,591
Finance costs		(41,407)	(231,671)
Net cash (used in) / provided by operating activities	27	(3,591,272)	2,418,634
Investing activities			
Purchase of property, plant and equipment		(8,466)	(7,784)
Net cash (used in) investing activities		(8,466)	(7,784)
Financing activities			
Proceeds from related party loan		1,000,000	-
Repayment of related party loan		-	(1,100,000)
Transaction costs related to borrowings		(30,000)	-
(Repayment of) / proceeds from institutional placement		(1,262,700)	1,500,000
Receipts from shareholder loan		194,865	-
Net cash (used in) / provided by financing activities		(97,835)	400,000
Net change in cash and cash equivalents held		(3,697,573)	2,810,850
Cash and cash equivalents at beginning of financial year		3,792,695	981,845
Cash and cash equivalents at end of financial year	10	95,122	3,792,695

Note: This statement should be read in conjunction with the notes to the financial statements.

Notes to the consolidated financial statements

1. Nature of operations

Regeneus Ltd is a Sydney based ASX listed clinical stage regenerative medicine company using stem cell technologies to develop a portfolio of novel cell-based therapies focused on neuropathic pain, including osteoarthritis and various skin conditions.

The Company has two platform technologies, Progenza and Sygenus.

Regenerative medicine is a rapidly growing multidisciplinary specialty that is focused on the repair or regeneration of cells, tissues and organs. The primary goal is to enhance the body's natural ability to replace tissue damaged or destroyed by injury or disease.

Where commercial opportunities are identified, the Group seeks to license appropriate parties.

2. General information and statement of compliance

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations), other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. Regeneus is a for-profit entity for the purpose of preparing the financial statements.

The financial statements cover Regeneus and its controlled entities as a consolidated entity (the Group). As at

30 June 2022, Regeneus is a Public company, incorporated and domiciled in Australia.

The address of its registered office and its principal place of business is 2 Paddington Street, Paddington, NSW 2021, Australia.

Statement of compliance

Compliance with Australian Accounting Standards ensures that the financial statements and notes of Regeneus comply with International Financial Reporting Standards (IFRS) as issued by the IASB.

The consolidated financial statements for the year ended 30 June 2022 were approved and authorised for issue by the Board of Directors on 30 August 2022.

Basis of preparation

The financial statements have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-current assets and financial instruments for which the fair value basis of accounting has been applied.

Accounting standards issued but not yet effective and not adopted early by the Group

At the date of authorisation of these financial statements, there were no new standards, amendments and interpretations to existing standards published but not yet effective, that are relevant to the Group, that have not been adopted by the Group.

3. Summary of accounting policies

Overall considerations

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below.

The consolidated financial statements have been prepared using the measurement bases specified by the Australian Accounting Standards for each type of asset, liability, income and expense. The measurement bases are more fully described in the following accounting policies.

a. Basis of consolidation

Controlled entities

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as of 30 June 2022. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective.

Amounts reported in the financial statements of subsidiaries have been

adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

b. Segment reporting

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.

The Group's operating segment is based on the internal reports that are reviewed and used by the Board of Directors (being the CODM) in assessing performance and determining the allocation of resources.

Reports provided to the CODM reference the Group operating in one segment, being the development of innovative cell-based therapies to address significant unmet medical needs in human and veterinary health. Initial focus is osteoarthritis and other musculoskeletal disease as well as oncology and dermatology. The information reported to the CODM, on a monthly basis, is profit or loss before tax, assets and liabilities and cash flow.

c. Going concern basis of accounting

The Directors have prepared the financial statements on a going concern basis which contemplates continuity of normal activities and realisation of assets and settlement of liabilities in the normal course of business. In making their going concern assessment the Directors have considered the following:

For the full-year ended 30 June 2022, the Group generated a loss of AU\$4.310 million (2021: profit of \$2.759 million), net cash outflows from operating activities of AU\$3.591 million (2021: inflow of \$2.419 million) and a deficit of net current asset AU\$0.689 million (2021: net current assets balance \$5.430 million).

The Directors additionally assessed the Group's licence and collaboration agreement with Kyocera (August 2020), whereby in the first half of the financial year 2023, the group will receive US\$3 million. This agreement gives rise to Regeneus receiving up to US\$19 million in upfront, development and regulatory milestones.

Additionally, the Group entered into a loan facility agreement with Paddington St Finance Pty Ltd on 25 February 2022. The maximum loan value of the facility is the lesser of (i) AUD\$4 million; and (ii) USD\$3 million. Repayment of this loan will be made at either upon receipt of the next milestone payment of US\$3 million from the licence and collaboration agreement with Kyocera, expected to be received by Regeneus in 2023 or September 2023.

d. Cash and cash equivalents

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

e. Income tax

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income). Current and deferred income tax expense (income) is charged or credited directly to other comprehensive income instead of the profit or loss when the tax relates to items that are credited or charged directly to other comprehensive income.

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, the Australian Taxation Office (ATO) and other fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related

transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income, based on the Group's forecast of future operating results which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Group has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income (such as the revaluation of land) or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

f. Plant and equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

g. Depreciation

The depreciable amount of fixed assets are depreciated on a straight line over their useful lives to the Consolidated entity commencing from the time the asset is held ready for use. Leased assets are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the assets.

The depreciation rates generally used for each class of depreciable assets are:

Class of fixed asset	Depreciation rate (%)
Office equipment straight line	25%-50%
Laboratory equipment straight line	20%-30%
Office fit-out straight line	Life of lease

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of profit or loss and other comprehensive income.

h. Intangibles

Intangible assets include acquired software. Intangible assets are accounted for using the cost model whereby capitalised costs are amortised on a reducing balance basis over their estimated useful lives, as these assets are considered finite. Amortisation commences from the date the asset is brought into use. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and install the specific software. Subsequent expenditure is expensed as incurred.

Costs associated with maintaining intangibles are expensed as incurred.

The amortisation rate used for acquired software is 25% straight line.

The Group has reviewed its policy not to capitalise development costs unless they meet the criteria as set in AASB 138. All development costs not meeting the recognition criteria of AASB 138 are expensed.

i. Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that the assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required (i.e. intangible assets with indefinite useful lives and intangible assets not yet available for use), the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash generating unit to which it belongs.

When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

To determine the value-in-use, management estimates expected future cash flows from each asset or cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the

effects of future reorganisations and asset enhancements. Discount factors are determined individually for each asset or cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

j. Leases

Leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Where practical exemptions for short term and low value leases are applied, expenses are recognised as incurred.

k. Foreign currency transactions and balances

Functional and presentation currency

The functional currency of each entity is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the

consolidated entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of profit or loss and other comprehensive income.

I. Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are de-recognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is de-recognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- amortised cost
- fair value through profit or loss (FVPL)
- equity instruments at fair value through other comprehensive income (FVOCI)
- debt instruments at fair value through other comprehensive income (FVOCI)

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Classifications are determined by both:

- The entity's business model for managing the financial asset
- The contractual cash flow characteristics of the financial assets

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of

trade receivables, which is presented within other expenses.

Subsequent measurement financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents and trade receivables fall into this category of financial instruments as well as government bonds.

Financial assets at fair value through profit or loss (FVPL)

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVPL. This includes investments.

All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply

Impairment of Financial assets

AASB 9's impairment requirements use more forward looking information to recognize expected credit losses – the 'expected credit losses (ECL) model'. Instruments within the scope included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under AASB 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

The Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument. In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables

The Group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix. The Group assess impairment of trade receivables on a collective basis as they possess credit risk characteristics based on the days past due.

Classification and measurement of financial liabilities

The Group's financial liabilities include borrowings, and trade and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, transaction costs are expensed immediately through profit or loss.

Subsequently, financial liability debt instruments are measured at amortised cost using the effective interest method.

Derivatives and financial liabilities designated at FVPL, are carried

subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

m. Equity and reserves

Share capital represents the fair value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share capital, net of any related income tax benefits.

Other components of equity include the following:

- Option reserve. Comprises equity settled share-based remuneration plans for the Group's employees and other share options
- Retained earnings/(Accumulated losses) include all current and prior period retained profits/(losses)
- Other contributed equity represents the shares to be issued to AGC as part of the termination of agreements with them and to be issued upon their AGC notification to Regeneus.

n. Employee benefits

Short-term employee benefits

Short-term employee benefits are benefits, other than termination benefits, that are expected to be settled wholly within twelve (12) months after the end of the period in which the employees render the related service. Examples of such benefits include wages and salaries, non-monetary benefits and accumulating sick leave. Short-term

employee benefits are measured at the undiscounted amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The Group's liabilities for long service leave are included in other long term benefits as they are not expected to be settled wholly within twelve (12) months after the end of the period in which the employees render the related service. They are measured at the present value of the expected future payments to be made to employees. The expected future payments incorporate anticipated future wage and salary levels, experience of employee departures and periods of service, and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds that have maturity dates that approximate the timing of the estimated future cash outflows. Any re-measurements arising from experience adjustments and changes in assumptions are recognised in profit or loss in the periods in which the changes occur.

The Group presents employee benefit obligations as current liabilities in the statement of financial position if the Group does not have an unconditional right to defer settlement for at least twelve (12) months after the reporting period, irrespective of when the actual settlement is expected to take place.

Defined contribution plans

The Group pays fixed contributions into independent entities in relation to several state plans and insurance for individual employees. The Group has no legal or constructive obligations to pay contributions in addition to its fixed

contributions, which are recognised as an expense in the period that relevant employee services are received.

o. Provisions, contingent liabilities and contingent assets

Legal disputes, make good obligations, onerous contracts or other claims are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

No liability is recognised if an outflow of economic resources as a result of present obligation is not probable. Such situations are disclosed as contingent liabilities, unless the outflow of resources

is remote in which case no liability is recognized.

p. Share-based employee remuneration

The Group operates equity settled share-based remuneration plans for its employees.

This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions).

All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to share option reserve. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest.

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs are allocated to share capital.

q. Revenue

For licence revenue, and in order to determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer,
2. Identifying the performance obligations,
3. Determining the transaction price,
4. Allocating the transaction price to the performance obligations,
5. Recognising revenue when/as performance obligation(s) are satisfied.

The Group will enter into licence transactions and receive upfront and milestone payments as part of research and development collaborations or out-licensing agreements.

The total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices using the residual method and cost method.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations or where revenue is constrained and reports these amounts as contract liabilities in the statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its statement of financial

position, depending on whether something other than the passage of time is required before the consideration is due.

Licence revenue is determined with reference to performance obligations to provide either patents or IP. Licence revenues are considered a right to use and recognised at a point in time, net of any revenue constraints of variable consideration. Various milestones within the agreement are considered constrained and are therefore not included in the total transaction price until the uncertainty is resolved.

Revenue relating to the provision of services is recognised when the services are provided to the extent that progress towards complete satisfaction can be reasonably measured. Progress is measured by reference to a time based output method using the total expected time to complete the services. Progress of performance obligations, type of goods or services and significant payment terms are to be disclosed.

The assessment of the criteria for income recognition and the determination of the appropriate period during which income is recognised are subject to judgement where variable consideration that is constrained and revenue is recognised only when it is highly probable that there will not be a significant reversal of revenue.

r. Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these

circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

s. Research and development

Expenditure during the research phase of a project is recognised as an expense when incurred. The research and development incentive is calculated and accrued at year end and is recognised in accordance with 'AASB 120 Accounting for Government Grants'. The amount is credited to other income and the receivable is included in the Consolidated Statement of Financial Position as a current R&D incentive receivable.

The R&D Incentive becomes receivable once the tax return is lodged which generally occurs during the first quarter after year end.

t. Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date it is incurred.

u. Significant management judgments and estimates in applying accounting policies

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information.

Estimates assume a reasonable expectation of future events and are based on current trends and economic data.

When preparing the financial statements, management undertakes a number of judgments, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expense is provided below. Actual results may be substantially different.

Share options and performance rights

Share options were valued using the binominal pricing model and Black-Scholes pricing model. Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future movements. For purposes of the valuation the assumed life of the options was based on the historical exercise patterns, which may not eventuate in the future. No special features inherent to the options granted were incorporated into measurement of fair value. Where approval is required at the AGM and the service period has commenced the expense is measured from the service period start date and is re-measured at grant date (being AGM). Any true up/adjustment is reflected in future periods.

Research and development claim

In calculating the R&D incentive, the Group has treated certain research and development activities as eligible expenditure under the Australian Government tax incentive. Management has assessed these activities and expenditures undertaken in Australia and overseas to determine which are likely to be eligible under the incentive scheme. At each period end, management estimates the refundable R&D incentive available to the Group based on current information. This estimate is also reviewed by external tax advisors. For the years ended 30 June 2022 and 2021, the Group has recognised income of \$0.525 million and \$0.851 million respectively. Refer note 6.

Uncertainties in the estimate relate to expenditure that can be claimed under the scheme including in some cases the claimable percentages applied to certain expenditure.

Licence and service revenue

This arrangement includes development and regulatory milestone payments. At contract inception and at each reporting period, the Group evaluates whether the milestones are considered probable of being reached and estimates the amount to be included in the transaction price using the most likely amount method. If it is probable that a significant revenue reversal would not occur, the associated milestone value is included in the transaction price. Milestone payments that are not within the Company's control or the customer's control, such as regulatory approvals, are not included in the transaction price. At the end of each subsequent reporting period, the

Company re-evaluates the probability of achievement of such development milestones and any related constraint, and if necessary, adjusts its estimate of the overall transaction price. Any such adjustments are recorded on a cumulative catch-up basis, which would affect collaboration revenues and earnings in the period of adjustment.

Government Grant (Department of Defence)

The NGTF Research contract includes development milestone payments. Income is not recognised until there is reasonable assurance that the entity will comply with the conditions attaching to it, and that the grant will be received.

Milestone payment becomes receivable when the criteria for achievement is met and accepted by the Department of Defence.

Loans to Shareholders

The Group holds loans to shareholders totalling \$98,962 (FY21: \$870,227) that were provided at the time of the 2013 IPO. The balance of the loans totalling \$771,265 have been repaid or written off during the year. As outlined in 'impairment of financial assets' above, the Group has made an adjustment for expected credit losses. The Group assesses expected credit losses with reference to the history of losses and considering the value of shares held by the shareholders to determine future expected credit losses. The provision for expected credit losses has been raised against the loans to shareholders, reflecting the reduction in the share price.

Fair value measurements and valuation process

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. Information about the valuation techniques and inputs used in determining the fair value of financial assets and liabilities measured at fair value are disclosed in note 33.

4. Controlled entities

Set out below are details of the subsidiaries held directly by the Group.

Name of the subsidiary	Country of incorporation & principal place of business	Principal activity	Group proportion of ownership interests	
			30 June 2022	30 June 2021
Regeneus Animal Health Pty Ltd	Australia 2 Paddington Street, Paddington NSW 2021	Non-trading	100%	100%
Cell Ideas Pty Ltd	Australia 2 Paddington Street, Paddington NSW 2021	Non-trading owns various IP	100%	100%

5. Segment reporting

The Group's operating segment is based on the internal reports that are reviewed and used by the Board of Directors (being the Chief Operating Decision Makers (CODM)) in assessing performance and in determining the allocation of resources.

Following an assessment of the information provided to the CODM, it has been concluded that the Group operates in only one segment, being the development of innovative cell-based therapies to address significant unmet medical needs in human and veterinary health.

Revenue for Licence fee income arose from the Licence and Collaboration Agreement with Kyocera Corporation to exclusively develop and commercialise Progenza™ in Japan, being the Group's largest customer who brought in \$7million revenue in FY2021.

The segment result is as shown in the statement of profit or loss and other comprehensive income. Refer to statement of financial position for assets and liabilities.

6. Revenue and other income

	2022 \$	2021 \$
Revenue from contracts with customers		
Licence fee income	-	7,043,026
Other fee income	-	24,000
Total revenue	-	7,067,026
Other income		
Grant income	113,000	-
COVID-19 Cash Flow Boost	-	37,500
Interest income	1	12
R&D incentive	525,005	851,284
Total other income	638,006	888,796

Regeneus entered a development partnership with the Department of Defence to develop our second stem cell technology platform, Sygenus for combat casualty care in April 2021.

Regeneus received \$20,000 for achieving the first milestone in July 2021. And the Company is entitled to receive a further \$93,000 in milestone payments from the Department of Defence under the terms of the Collaboration Agreement in respect of this study.

Regeneus entered a Licence and Collaboration Agreement in August 2020 with Kyocera Corporation. The transaction price allocated to the partially unsatisfied performance obligation for the provision of Technical Guidance as at 30 June 2021 is US\$4 million (equivalent to AU\$5.6 million).

In addition, a contract liability of \$1.44 million was recognized in FY2021 and relates to the second payment as part of the February 2020 Kyocera Memorandum of Understanding payment for definitive agreement. This amount, while receivable prior to finalisation of a definitive agreement was refundable if such an agreement could not be reached.

Regeneus was entitled to invoice the second payment in May 2020 although at the time of issuing both parties agreed that, as it was refundable if an agreement could not be reached, it was more practical to simply delay payment until agreement was reached. Regeneus deferred the recognition of the revenue in accordance with AASB 15 Revenue from Contracts with Customers, including an offset of \$1.44 million in contract liability.

Accordingly, in FY2021, a total of \$7.04 million was recognised as revenue.

7. Research & Development Expenses

The Research & Development expenses for the year have been arrived at after charging the following items

	2022 \$	2021 \$
Research & Development Expenses		
Clinical Trial Costs	232,908	589,663
Depreciation	16,310	43,397
Good Manufacturing Process (GMP)	649,161	70,076
Product Research	-	43,233
Regulatory consultants	75,697	148,162
Occupancy expense	144,672	134,447
Staff costs	742,379	549,482
Total Research & Development expenses	1,861,128	1,578,460

8. Corporate Expenses

The corporate expenses for the year have been arrived at after charging the following items:

	2022 \$	2021 \$
Corporate expenses		
Business development costs	197,240	259,600
Compliance	650,969	713,850
Corporate employees	1,563,575	1,958,683
Directors	184,953	208,747
Depreciation	8,650	10,718
Intellectual Property	175,641	284,253
Other & withholding tax	7,961	416,849
Total Corporate expenses	2,788,989	3,852,700

9. Finance Expenses

The finance expenses for the year have been arrived at after charging the following items:

	2022 \$	2021 \$
Finance expenses		
Interest expense	41,407	45,087
Bank charges	1,249	1,746
Transaction costs	30,000	357,670
Total finance expenses	72,656	404,503

10. Cash and cash equivalents

Cash and cash equivalents include the following components:

	2022 \$	2021 \$
Current		
Cash at bank (AUD account)	94,977	3,792,562
Cash at bank (USD account)	145	133
Total cash and cash equivalents	95,122	3,792,695

11. Trade and other receivables

Trade and other receivables include the following:

	2022 \$	2021 \$
Current		
Trade receivables	110,797	-
Total trade and other receivables	110,797	-

These amounts are short term. The net carrying value of trade receivables is considered a reasonable approximation of fair value.

12. R&D incentive receivable

	2022 \$	2021 \$
Current		
R&D incentive receivable	447,023	751,428
Total R&D incentive receivable	447,023	751,428

13. Other current assets

	2022 \$	2021 \$
Current		
Prepayments	39,580	23,588
GST receivable	1,278	88,564
Other receivable	24,378	-
Other current assets	65,236	112,152

14. Other Financial Assets

In July 2016, the Company assigned a non-core patent application relating to the use of cytokines as biomarkers in red blood cells for an interest in a new venture, Sangui Bio Pty Ltd. Since this date Sangui Bio Pty Ltd has continued to undertake further research to develop the IP and other facets of the business. The interest in Sangui Bio Pty Ltd is included as a non-current financial asset (investment) and is measured at fair value through profit or Loss.

In July 2021, Sangui Bio Pty Ltd raised capital at \$2.50 per share. Fair Value of the investment was based on this arm's-length capital raise.

In 2022 no further capital has been raised by Sangui Bio Pty Ltd and, as a result, management is unable to determine a fair value of the investment at 30 June 2022. Until such time as the Company is able to accurately determine the investment's fair value the investment is recorded at the last known fair value.

The Group entered into a Subscription Agreement with institutional investor, New Life Sciences, LLC, in May 2021 to secure up to \$4.5 million in a three-stage placement of the Group's ordinary shares, as described in Note 20. An initial placement of \$1.5 million was received at that time. Since receipt of this prepayment, A\$200,000 has been converted into Regeneus shares ("Shares"), with 2,898,551 Shares at 6.9 cents per Share being issued to

New Life Sciences on 14 October 2021. The agreement was terminated under a mutual agreement and \$1.26 million was repaid by the Company to New Life Sciences on 4 January 2022. As at 30 June 2021, there was a receivable which relates to the second tranche of institutional placement of \$1.5mil which has been cancelled as a result of the termination.

The shareholder loans are interest-free loans initially for 4 years maturing September 2017. The Directors extended the maturity of the loans to the 15 June 2019 and the loans are technically in default. While the loan is full recourse, in accordance with AASB 9 the ECL (expected credit loss) model credit risk has increased as the amounts are in default and the share price has reduced. Accordingly, an expected credit loss allowance has been made.

In May 2022, a letter was sent to each shareholder to whom the Company had provided a loan, advising them the full amount of the loan was due and payable on 30 June 2022. Participants were given the option to either repay the loan in full or transfer their RGS shares the subject of the loans to Regeneus, who would then sell the shares on market, and apply the proceeds of such sale in repayment of the loans owing. On completion of this sales process undertaken by the Company, a total of 7.563 million RGS shares were sold, with total net proceeds of \$369,000 being received by the Company and applied in repayment of loans owing. The balance of the Shareholder loans owing after completion of this sales process has been written off by the Company, other than the loan extended to Graham Vesey, Executive Director of Regeneus.

	2022 \$	Movement \$	2021 \$
Current			
Shareholders loan	98,962	771,265	870,227
Institutional Placement (Note 20)	-	(1,500,000)	1,500,000
Expected credit loss allowance	(29,689)	(270,311)	(300,000)
Balance as at 30 June – at amortised cost	69,273		2,070,227
Total current other financial assets	69,273		2,070,227
Non-current			
Investment in Sangui Bio Pty Ltd Investment	1,750,000	-	1,750,000
Balance as at 30 June – at fair value	1,750,000	-	1,750,000
Total non-current other financial assets	1,750,000	-	1,750,000

14.1 Shareholders loan

The opening and closing balances of shareholder loans and credit loss allowance can be reconciled as follows:

	2022 \$
Opening balance at the beginning of the year	870,227
Loans Repaid	(369,398)
Loans written off	(401,867)
Balance as at 30 June 2022	98,962
Expected credit loss	(29,689)
Balance as at 30 June – at amortised cost	69,273

	2022 \$
Loans written off	401,867
Expected credit loss expensed previous year	(300,000)
Expected credit loss	29,689
Loss on Shareholders loan	131,556

14.2 Balances owing by directors

Included within the shareholder loans are balances owing by the Directors of the financial year as follows:

	2022 \$	2021 \$
Graham Vesey	98,962	150,552
Expected credit loss	(29,689)	(72,926)
Total balance owing by directors	69,273	77,626

15. Plant and equipment

Details of the Group's property, plant and equipment and their carrying amounts are as follows:

	Office equipment \$	Lab equipment \$	Total \$
Gross carrying amount			
Balance 1 July 2021	35,487	344,163	379,650
Additions	-	8,466	8,466
Disposals	-	-	-
Balance 30 June 2022	35,847	352,629	388,116
Depreciation and impairment			
Balance 1 July 2021	(28,912)	(329,889)	(358,801)
Disposals	-	-	-
Depreciation	(3,275)	(16,310)	(19,585)
Balance 30 June 2022	(32,187)	(346,199)	(378,386)
Carrying amount 30 June 2022	3,300	6,430	9,730
Gross carrying amount			
Balance 1 July 2020	27,703	344,163	371,866
Additions	7,784	-	7,784
Disposals	-	-	-
Balance 30 June 2021	35,487	344,163	379,650
Depreciation and impairment			
Balance 1 July 2020	(23,569)	(286,492)	(310,061)
Disposals	-	-	-
Depreciation	(5,343)	(43,397)	(48,740)
Balance 30 June 2021	(28,912)	(329,889)	(358,801)
Carrying amount 30 June 2021	6,575	14,274	20,849

16. Right of use assets under lease

The Group's right of use assets under lease and their carrying amounts are as follows:

	2022 \$	2021 \$
Gross carrying amount	23,742	23,742
Right of use asset balance	23,742	23,742
Amortisation and impairment	(5,375)	(5,375)
Accumulated amortisation and impairment	(16,125)	(10,750)
Carrying amount 30 June 2022	7,617	12,992

17. Intangible assets

Details of the Group's intangible assets and their carrying amounts are as follows:

	Acquired software licenses \$	Total \$
Gross carrying amount		
Balance at 1 July 2021	82,561	82,561
Balance at 30 June 2022	82,561	82,561
Amortisation and impairment		
Balance at 1 July 2021	(82,561)	(82,561)
Amortisation	-	-
Balance at 30 June 2022	(82,561)	(82,561)
Carrying amount 30 June 2022	-	-
Gross carrying amount		
Balance at 1 July 2020	82,561	82,561
Balance at 30 June 2021	82,561	82,561
Amortisation and impairment		
Balance at 1 July 2020	(82,561)	(82,561)
Amortisation	-	-
Balance at 30 June 2021	(82,561)	(82,561)
Carrying amount 30 June 2021	-	-

18. Trade and other payables

Trade and other payables consists of the following:

	2022 \$	2021 \$
Current		
Trade payables	157,792	872,382
Other payables	1,000	-
Accruals	125,392	118,907
PAYG Payable	9,841	84,728
Superannuation Payable	9,898	26,647
ANZ Credit Card	6,019	5,452
Total trade and other payables	309,942	1,108,116

All amounts are short term and the carrying values are considered to be a reasonable approximation of fair value.

18.1 Foreign currency risk

The carrying amount of trade and other payables denominated in foreign currencies is:

	2022 \$/ ¥	2021 \$/ ¥
US dollar	15,675	241,035
Japanese Yen	-	-

19. Provisions

	2022 \$	2021 \$
Current: Annual leave		
Opening balance 1 July	78,294	61,652
Benefits (expensed)/accrued	(14,756)	16,642
Balance as at 30 June	63,538	78,294
Current: Long service leave		
Opening balance 1 July	105,085	79,470
Benefits accrued	7,696	17,910
Benefits reversed	(19,625)	-
Benefits paid	(11,608)	(29,068)
Benefits transferred from non-current	15,694	36,773
Balance as at 30 June	97,242	105,085
Total current provisions	160,780	183,379
Non-current: Long service leave		
Opening balance 1 July	16,738	49,071
Benefits accrued	535	4,440
Benefits paid	(662)	-
Benefits transferred to current	(15,694)	(36,773)
Balance as at 30 June	917	16,738
Total non-current provisions	917	16,738

20. Borrowings and Derivative Financial Instrument

	2022 \$	2021 \$
Current borrowings		
Directors' loan	-	-
Loan facility	1,000,000	-
Total current borrowings	1,000,000	-
Non-current derivative financial instrument		
Institutional placement	-	3,042,802
Total non-current derivative financial instrument	-	3,042,802

The Group entered into a Subscription Agreement with institutional investor, New Life Sciences, LLC, in May 2021 to secure up to \$4.5 million in a three-stage placement of the Group's ordinary shares. An initial placement of \$1.5 million was received at that time. Since receipt of this prepayment, A\$200,000 has been converted into Shares, with 2,898,551 Shares at 6.9 cents per Share being issued to New Life Sciences on 14 October 2021. The agreement was terminated under a mutual agreement and \$1.26 million was repaid by the Company to New Life Sciences on 4 January 2022. As at 30 June 2021, there was a receivable which relates to the second tranche of institutional placement of \$1.5mil which has been cancelled as a result of the termination.

On 25 February 2022, the Group signed a loan facility agreement with Paddington St Finance Pty Ltd, a related party. The maximum loan value of the facility is the lesser of (i) AU\$4 million; and (ii) US\$3 million. The loan forward funds the receipt of the next milestone payment of US\$3 million receivable under the licence and collaboration agreement with Kyocera, expected to be received by Regeneus in CY2023. The loan is due to be repaid on the earlier of the receipt of the milestone payment and September 2023. First drawdown under this facility of \$1,000,000 was made on 25 February 2022. Interest is charged at 12% per annum and payable at the end of each quarter. Interest charged is listed in Note 28.

20.1 Borrowings reconciliation

The opening and closing balances of borrowings can be reconciled as follows

	2022 \$	2021 \$
Borrowings at beginning of year	-	1,100,000
Movements in the period		
Repayment of Directors' loan	-	(1,100,000)
Loan facility drawdown	1,000,000	-
Borrowings at end of year	1,000,000	-

20.2 Derivative Financial Instrument reconciliation

The opening and closing balances of derivative financial instrument can be reconciled as follows

	2022 \$	2021 \$
Derivative Financial Instrument at beginning of year	3,042,802	-
Movements in the period		
First tranche of institutional placement	-	1,590,000
Second tranche of institutional placement	-	1,590,000
Fair value adjustment	-	(137,198)
Shares issued 14th October 2021	(200,000)	
Reversal of Second Subscription	(1,590,000)	
Loss on extinguishment of financial liability	9,898	
Cash repayment at Termination	(1,262,700)	
Derivative Financial Instrument at end of year	-	3,042,802

A Settlement Notice was received by the Company from New Life Sciences, LLC on 13 October 2021 and 2,898,511 shares were issued to New Life Sciences at \$0.069 per share on 14 October 2021. The placement price was based on the average of five daily VWAPs per share during the 20 consecutive Actual Trading Days immediately prior to the settlement notice date, rounded down to five decimal places at a reference percentage of 95% and the rounding number is 1/10th of a cent.

A Termination Deed was signed on 21 December 2021 and the initial placement of 1,900,000 shares were priced at \$0.067. The placement price is based on the average of five daily VWAPs per share during the 20 consecutive Actual Trading Days immediately prior to the termination date, rounded down to five decimal places at a reference percentage of 95% and the rounding number is 1/10th of a cent.

The mutually agreed cash repayment amount of the loan amounted to \$1,262,700 and was payable on 4 January 2022. This amount has been recognised as other financial liability measured at amortised cost.

The market price for the shares issued on 14 October 2021 was at \$0.075 per share. The difference between the investor's valuation and the market price of \$17,391 is recognised as loss movement in fair value. The loss in extinguishment comprises of the market value of the initial placement shares, reversal of the finance cost for the second subscription and the remaining movement in fair value amounted to \$62,398 in total.

21. Lease liabilities

	2022 \$	2021 \$
Current		
Lease liability	13,843	18,960
Lease payments in period	(6,444)	(6,444)
Interest expense (included in finance expenses)	969	1,327
Total lease liabilities	8,368	13,843
Comprising:		
Current lease liability	5,858	5,296
Non-current lease liability	2,510	8,547
Total lease liabilities	8,368	13,843

22. Equity

22.1 Share capital

The share capital of Regeneus consists only of fully paid ordinary shares which do not have a par value. All shares are equally eligible to receive dividends and the repayment of capital, and represent one vote at a shareholders' meeting of the Company.

	2022 shares	2021 shares	2022 \$	2021 \$
Shares issued and fully paid				
Beginning of the year	303,538,363	277,824,988	28,258,870	36,358,675
Shares issued	2,898,551	25,713,375	359,892	1,900,195
Closing balance at the end of the year	306,436,914	303,538,363	38,618,762	38,258,870

During 2022, the following shares were issued, no options were exercised.

	2022
Beginning balance at the start of the year	303,538,363
Shares issued for institutional placement	2,898,551
Closing balance at the end of the year	306,436,914

The Group entered into a Subscription Agreement with institutional investor, New Life Sciences, LLC, in May 2021 to secure up to \$4.5 million in a three-stage placement of the Group's ordinary shares. An initial placement of A\$1,590,000 of Shares to raise A\$1,500,000 occurred on 12 May 2021, with Regeneus receiving a prepayment of A\$1,500,000 from New Life Sciences. Since receipt of this prepayment, A\$200,000 has been converted into Shares, with 2,898,551 Shares at 6.9 cents per Share being issued to New Life Sciences on 14 October 2021. The agreement was terminated under a mutual agreement and \$1.26 million was repaid by the Company to New Life Sciences on 4 January 2022.

22.2 Reserves

The details of reserves are as follows:

	Share option reserve \$	Total reserves \$
Balance at 30 June 2020	431,521	431,521
Share options expense	442,228	442,228
Share options issued as part of institutional placement – Note 20	74,225	74,225
Options exercised	-	-
Employee share-based payment option forfeited	(327,265)	(327,265)
Transfer from reserves to retained earnings for options lapsed	(85,325)	(85,325)
Balance at 30 June 2021	535,384	535,384
Share options expense	913,865	913,865
Options exercised	-	-
Employee share-based payment option forfeited	(34,701)	(34,701)
Transfer from reserves to retained earnings for options lapsed	(7,209)	(7,209)
Balance at 30 June 2022	1,407,339	1,407,339

22.3 Unissued shares under option

The details of reserves are as follows:

Date of granting	Expiry date	Exercise price of option \$	Number under option
07/05/2021	11/05/2024	0.1651	3,800,000

The Group entered into a Subscription Agreement with institutional investor, New Life Sciences, LLC, in May 2021 to secure up to \$4.5 million in a three-stage placement of the Group's ordinary shares. 3,800,000 options were issued immediately before the first placement as part of the commencement transactions and can be exercised any time over a period of 36 months. The cash exercise price of the options is 135% of the average daily VWAP per share for 20 consecutive trading days immediately prior to execution date.

For further commentary regarding unissued shares under option specific to employee's remuneration see note 23.

23. Employee remuneration

23.1 Share-based employee remuneration

As at 30 June 2022 the Group maintained share-based option plans as part of employee remuneration. No Options were awarded during the year (FY21: 31.01 million) and 885k options were forfeited during the year (FY21: 17.60 million)

Share options and weighted average exercise prices for the reporting periods presented are as follows.

Share options	Employee share option plan		Option share trust		Total share options	
	Number	Weight avg exercise price \$	Number	Weight avg exercise price \$	Number	Weight avg exercise price \$
Outstanding at 1 July 2020	1,001,674	0.14	16,000,000	0.18	17,001,674	0.18
Granted	31,010,270	0.10	-	-	31,010,270	0.10
Forfeited	(2,852,674)	0.14	(14,750,000)	0.16	(17,602,674)	0.16
Exercised	-	-	-	-	-	-
Outstanding at 30 June 2021	29,159,270	0.10	1,250,000	0.20	30,409,270	0.11
Granted	-	-	-	-	-	-
Forfeited	(885,127)	0.11	-	-	(885,127)	0.11
Exercised	-	-	-	-	-	-
Outstanding at 30 June 2022	28,274,143	0.10	1,250,000	0.20	29,524,143	0.11
Exercisable at 30 June 2022	6,380,270	0.10	1,250,000	0.20	7,630,270	0.12
Exercisable at 30 June 2023	12,427,206	0.10	1,250,000	0.20	13,677,206	0.11

Other details of options currently outstanding:

- The range of exercise prices is \$0.100 to \$0.200
- The weighted average remaining contractual life is approximately 4 years
- The conditions of these options vesting are based on period of service and significant corporate transactions which includes significant capital raising, licensing agreement, joint venture or a business or merger or acquisition or other transaction as determined and approved by the Board

The fair value of share options dated 31 January 2019 & 1 September 2019 were calculated using the binominal pricing model and the fair value of share options dated 1 July 2020, 14 October 2020 & 24 May 2020 calculated using the Black-Scholes pricing model.

Valuation assumptions						
Grant date	31 Jan 2019	1 Sept 2019	1 July 2020	14 Oct 2020	14 Oct 2020	24 May 2021
Share price at date of grant	\$0.155	\$0.070	\$0.070	\$0.160	\$0.160	\$0.095
Volatility	65%	85%	75%	65%	65%	90%
Option life	5 years	5 years	5 years	5 years	5 years	5 years
Dividend yield	0%	0%	0%	0%	0%	0%
Risk free investment rate	1.90%	0.680%	0.400%	0.320%	0.320%	0.500%
Fair value at grant date	\$0.0767	\$0.0424	\$0.0370	\$0.1002	\$0.0908	\$0.067
Exercise price at date of grant	\$0.20	\$0.10	\$0.10	\$0.1075	\$0.14	\$0.10

Grant date	24 May 2021	24 May 2021
Share price at date of grant	\$0.095	\$0.095
Volatility	90%	90%
Option life	5 years	5 years
Dividend yield	0%	0%
Risk free investment rate	0.500%	0.500%
Fair value at grant date	\$0.067	\$0.067
Exercise price at date of grant	\$0.10	\$0.10

In total, \$52,044.16 (2021: \$114,964), of employee remuneration expense (all of which related to equity settled share-based payment transactions) has been included in profit or loss and credited to share option reserve.

Volatility has been determined based on the historic share price volatility as it is assumed that this is indicative of future movements.

Option life is based on the nominated expiry date of the option and historical exercise patterns, which may not eventuate.

24. Income tax expense

The major components of tax expense and the reconciliation of the expected tax expense based on the domestic effective tax rate of Regeneus Ltd at 25% (2021: 26%) and the reported tax expense in profit or loss are as follows:

	2022 \$	2021 \$
The prima facie tax on (loss) / profit before income tax is reconciled to the income tax as follows		
Prima facie tax receivable on profit / (loss) before income tax at 25%	(1,077,432)	717,356
Less:		
Tax effect of:		
- Research and development incentive	(131,251)	(221,334)
- Timing differences	(160,091)	(133,916)
Add:		
Tax effect of:		
- Non-deductible expenses	253,258	124,658
- Timing differences	146,922	-
- Tax losses not brought to account	968,595	-
- Recoupment of prior year tax losses not brought to account	-	486,765
Income tax benefit	-	-
The applicable weighted average effective tax rates are as follows:	0%	0%
	2022 \$	2021 \$
Deferred tax assets not recognised		
Tax losses not recognised	12,053,288	8,178,909
Capital losses not recognised	840,895	840,895
Other deferred tax assets not recognised	457,137	1,165,583
Total	13,351,320	10,185,387
Potential tax benefit	3,337,830	2,648,201

25. Auditor's remuneration

	2022 \$	2021 \$
Audit and review of financial statements		
Auditors of Regeneus Ltd – Grant Thornton	88,000	113,558
Remuneration for audit and review of financial statements	88,000	113,558
Total auditor's remuneration	88,000	113,558

26. Earnings per share

Both the basic and diluted earnings per share have been calculated using the gain or loss attributable to shareholders of the Parent Company as the numerator (i.e. no adjustments to the loss were necessary in FY22).

The reconciliation of the weighted average number of shares for the purposes of diluted earnings per share to the weighted average number of ordinary shares used in the calculation of basic earnings per share is as follows:

	2022 \$	2021 \$
Earnings per share		
Basic earnings per share from continuing operations	(0.014)	0.009
The weighted average number of ordinary shares used as the denominator on calculating the EPS	305,603,084	296,343,488
Diluted earnings per share		
Diluted earnings per share from continuing operations	(0.014)	0.009
The weighted average number of ordinary shares used as the denominator on calculating the DEPS	305,603,084	296,343,488

Share options have not been included in the diluted EPS calculation because they are anti-dilutive.

27. Reconciliation of cash flows from operating activities

	2022 \$	2021 \$
Cash flows from operating activities		
Profit / (Loss) for the period	(4,309,730)	2,759,061
Non cash adjustments for:		
• Depreciation	24,960	54,115
• Interest income	-	-
• Profit on disposal of plant and equipment	(7,725)	-
• Gain on settlement of equity instrument		(266)
• Equity settled share-based transactions		114,963
• Finance costs	30,000	357,670
• Fair value increase on investments		(525,000)
• Fair value increase on institutional placement	79,789	(137,198)
• Option Expense	879,164	-
• Shareholders loan repayment (non cash)	151,155	-
• Loss on shareholder loans	131,556	-
• Realised foreign exchange (gain) / loss	21,342	-
Net changes in working capital:		
• Change in inventories	-	-
• Change in trade and other receivables	(102,300)	1,466,400
• Change in right of use assets	(5,475)	(5,117)
• Change in other current assets	46,916	(75,731)
• Change in trade and other payables	(705,274)	83,453
• Change in other employee obligations	(91,635)	78,394
• Change in R&D incentive receivable	304,405	(322,034)
• Change in contract liabilities	-	(1,440,000)
• Change in provisions	(38,420)	9,924
Net cash (outflow) / inflow from operating activities	(3,591,272)	2,418,634

28. Related party transactions and loans

On 25 February 2022, the Group signed a loan facility agreement with Paddington St Finance Pty Ltd, a related party. The maximum loan value of the facility is the lesser of (i) AUD\$4 million; and (ii) USD\$3 million. The loan forward funds the receipt of the next milestone payment of US\$3million receivable under the licence and collaboration agreement with Kyocera, expected to be received by Regeneus in CY2023. First drawdown under this facility of \$1,000,000 was made on 25 February 2022.

Related party transactions	2022 \$	2021 \$
Paddington St Finance Pty Ltd		
Balance at beginning of the year	-	-
Loan received	1,000,000	-
Loan repaid	-	-
Balance at year end	1,000,000	-
Balance at beginning of the year	-	-
Interest charged	41,407	-
Interest paid	(41,407)	-
Unpaid interest on loan from Paddington St Finance Pty Ltd	-	-
Leo Lee		
Balance at the beginning of the year	-	1,100,000
Loan received	-	-
Loan repaid	-	(1,100,000)
Balance at year end	-	-
Balance at beginning of the year	25,326	209,500
Interest charged	-	43,760
Interest paid	(25,326)	(227,934)
Unpaid interest on loan from Directors	-	25,326
Total balance outstanding with related parties	-	25,326

Loans receivable relate to the shareholder loan, terms of which are disclosed in Note 14

Related party loan receivable	2022 \$	2021 \$
Graham Vesey	98,962	150,552
Expected credit loss	(29,689)	(72,926)
Total related party loans	69,273	77,626

In September 2021, Regeneus signed a licence agreement with BioPoint Pty Ltd a company of which Graham Vesey is a director and significant shareholder. This licence was valued at \$3,000 per month. This licence agreement provides Regeneus with laboratory space and facilities in order to develop and manufacture a stem cell secretion product (Sygenus) and supply the product to the cosmetic market. The licence also provides Regeneus with the opportunity to research and manufacture a stem cell product, Progenza. A new agreement was signed on 1 April 2022 and the rent was reduced to \$1,500 per month.

29. Transactions with key management personnel

Key management personnel remuneration includes the following expenses:

	2022 \$	2021 \$
Salaries & Fees	548,031	690,025
Short term incentive	276,155	400,000
Total short-term employee benefits	824,186	1,090,250
Defined contribution pension plans	12,136	14,630
Other long-term benefits	(12,632)	23,735
Share-based payments	698,023	415,805
Total remuneration	1,521,713	1,544,420

During the year, no options were exercised.

Disclosures relating to key management personnel are set out in this note and the remuneration report in the Directors' report.

30. Contingent liabilities

Prior to the commencement of the current financial year the Group received a claim for reimbursement of additional expenditure from a group that undertook an animal trial for the Group in 2015 through to 2018. Management believe it is an ambit claim with little merit

and will pursue avenues to minimise this claim and may potentially seek reimbursement of the costs of the failed trial paid to date. It is anticipated the net claim including costs would not exceed \$50,000. (FY21:\$50,000).

Other than the claim noted above, the Group has no other contingent liabilities as at 30 June 2022.

31. Capital expenditure commitments

There were no capital commitments as at the 30 June 2022 (FY21: nil).

32. Financial instruments

a. Capital risk management

The Group's financial instruments consist mainly of deposits with banks, accounts receivable, shareholder and director loans, accounts payable, borrowings and investments.

b. Categories of financial instruments

The total for each category of financial instrument, measured in accordance with AASB 9 as detailed in the accounting policies to these financial statements, are as follows:

Financial assets	2022 \$	2021 \$
Cash and cash equivalents	95,122	3,792,695
Trade and other receivables	110,797	-
Other financial assets	-	2,070,227
Total financial assets at amortised cost	205,919	5,862,922
Sangui Bio Pty Ltd Investment	1,750,000	1,750,000
Total financial assets at fair value through profit or loss	1,750,000	1,750,000
Financial liabilities at amortised cost	2022 \$	2021 \$
Trade and other payables	309,942	1,108,116
Loan facility	1,000,000	-
Total financial liabilities at amortised cost	1,309,942	1,108,116
Derivative Financial Instrument – Institutional placement	-	3,042,802
Total financial liabilities at fair value through profit or loss	-	3,042,802

c. Financial risk management objective

The Group is exposed to various risks in relation to financial instruments. The main types of risks are price risk, foreign currency risk, credit risk and liquidity risk.

The Group's risk management is coordinated in close co-operation with the Board of Directors, and focuses on actively securing the Group's short to medium term cash flows by minimising the exposure to financial markets.

The Group does not actively engage in the trading of financial assets for speculative purposes. The most significant financial risks to which the Group is exposed are described below.

d. Foreign exchange risk

Foreign exchange risk is the risk of an adverse impact on the Group's financial performance as a result of exchange rate volatility.

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The Group is exposed to foreign exchange risk arising primarily from transactions with foreign suppliers and revenue from licence arrangements. Material exposure to currency risk arises from foreign currency transactions and is limited to trade. The total AUD balance of trade payables denominated in a foreign currency (USD) at 30 June 2022 is \$15,675 (FY21: \$241,035).

Management have assessed the risk of movement in interest rates, and foreign exchange and believe the nature of the net risk is minimal and do not believe the impact would be material to the accounts.

The following table illustrates the sensitivity of profit in regards to the Group's financial assets and financial liabilities and the USD / AUD and JPY / AUD exchange rate 'all other things equal'. It assumes a +/- 10% change of the AUD / USD and the AUD / JPY exchange rate for the year ended at 30 June 2022 (FY21: 10%). This percentage has been determined based on the average market volatility in exchange rates in the previous twelve (12) months. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting date.

Movements in the AUD / USD and the AUD / JPY would have the following impact:

Profit / (loss) impact of exchange rate sensitivity	2022 \$	2021 \$
If AUD had strengthened against USD & JPY by 10% (2021: 10%)	(1,568)	(32,154)
If AUD had weakened against USD & JPY by 10% (2021: 10%)	1,568	32,154

Exposure to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless the analysis above is considered to be representative of the Group's exposure to currency risk.

e. Liquidity risk analysis

Liquidity risk is risk that the Group might be unable to meet its obligations. The Group manages its liquidity needs by monitoring forecast cash inflows and outflows due in day-to-

day business. The data used for analysing these cash flows consistent with that used in the contractual maturity analysis below. Liquidity needs are monitored in a rolling 365 day projection.

The Group's objective is to maintain cash and deposits to meet its liquidity requirements for 180 day periods at a minimum. This objective relies on the Group's Capital Management Policies and in conjunction with these was met for the reporting periods.

The Group considers expected cash flows from financial assets in assessing and managing liquidity risk in particular its cash resources and trade receivables.

As at 30 June 2022 the Group's derivative and non-derivative financial liabilities have contractual maturities as summarised below:

	2022 Current within 6 months \$	2022 Current within 6 to 12months \$	2022 Non- current 1 to 5 years \$	2021 Current within 6 months \$	2021 Current within 6 to 12 months \$	2021 Non- current 1 to 5 years \$
Trade and other payables	273,817	36,125	-	1,108,116	-	-
Loan	-	1,000,000	-	-	-	-
Total non-derivative financial liabilities	273,817	1,036,125	-	1,108,116	-	-
Institutional placement	-	-	-	-	-	3,042,802
Total derivative financial liabilities	-	-	-	-	-	3,042,802

f. Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in a financial loss to the Group.

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposure to customers, including outstanding receivables, committed transactions and shareholder loans.

The Group has adopted a policy of only dealing with creditworthy counter parties as a means of mitigating the risk of financial loss from defaults.

Other financial assets at amortised cost include loans to shareholders.

The Group applies the AASB 9 simplified model of recognising lifetime expected credit losses for loans to shareholders as these items do not have a significant financing component.

In measuring the expected credit losses, loans to shareholders have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and also according to the geographical location of customers.

The expected loss rates are based on the repayment profile over the past 48 months before 30 June 2022 as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking factors affecting the customer's ability to settle the amount outstanding. The Group has identified liquidity in the Company's shares to be the most relevant factor and adjusts loss rates for expected changes in these factors.

Loans to shareholders are written off (i.e. derecognised) when there is significant change in the share price of the Company and a likely change in the expectation of recovery. The Company share price at 30 June 2022, the failure to make payments at the loan due date and to engage with the Group on alternative payment arrangement amongst other is considered indicative of a reduced expectation of recovery.

On the above basis the expected credit loss for the shareholder loan as at 30 June 2022 was determined as follows:

	Stage 1 \$	Stage 2 \$	Stage 3 \$	Total \$
Expected credit loss rate	0%	33%	100%	-
Gross carrying amount	-	98,962	-	98,962
Lifetime expected credit loss	-	(29,689)	-	(29,689)

g. Capital management policies and procedures

The Group's capital management objectives are:

- To ensure the Group's ability to continue as a going concern
- To provide an adequate return to shareholders

The Group monitors capital on the basis of the carrying amount of equity less cash and cash equivalents as presented on the face of the statement of financial position and cash flow.

Management assesses the Group's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leakage. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

There have been no changes to management's approach during the period.

33. Fair value measurement

The Group's assets and liabilities measured or disclosed at fair value are valued 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 measurements 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

The Group's assets and liabilities that are measured or disclosed at fair value as are follows

	2022 Level 1 \$	2022 Level 2 \$	2022 Level 3 \$	2022 Total \$	2021 Total \$
Financial Assets					
Sangui Bio Pty Ltd Investment	-	-	1,750,000	1,750,000	1,750,000
Financial Liabilities					
Derivative Financial Instrument - Institutional placement	-	-	-	-	3,042,802

There were no transfers between levels during the financial year.

There is no significant portion of any gain/loss arising from the re-measurement of credit risk included in the carrying amount of the financial liabilities that are carried at fair value.

The following table shows a reconciliation from the opening balances to the closing balance for Level 3 fair values.

	2022 \$	2021 \$
Opening Balance	1,750,000	1,225,000
Net change in fair value included in profit or loss	-	525,000
Closing Balance	1,750,000	1,750,000

The following table shows the valuation techniques used to measure the carrying amounts of the Groups assets and liabilities that are measured or disclosed at fair value:

	Valuation technique	Significant unobservable input	Interrelation between inputs and measurement
Financial Assets			
Sangui Bio Pty Ltd Investment	No capital raise in FY22, investment is recorded at the last known fair value. (2021: Share price occurring in dilutive capital raise event within 1 month of reporting date)	Price per share	The estimated fair value would increase (decrease) if the price per share would increase (decrease)
	Price Per Share	Amount of shares	Total Valuation
Sangui Bio Pty Ltd Investment	\$2.50	700,000	1,750,000
	Valuation technique	Significant unobservable input	Interrelation between inputs and measurement
Financial Liabilities			
Borrowings - Institutional placement	Monte Carlo Simulation Option Pricing Model	Volatility – 80% Discount for lack of marketability – 20.2%	Higher volatility increases the time value of the option Lower /(higher) DLOM would increase (decrease) the value of the instrument

For the valuation of the institutional placement the discount for lack of marketability (DLOM) has been unwound on a pro-rata basis, over the likely exercisable period of 12 months.

34. Parent entity information

Set out below is the supplementary information about Regeneus Ltd, the parent entity.

	2022 \$	2021 \$
Statement of financial position		
Current assets	787,451	6,726,502
Total assets	2,554,798	8,510,343
Current liabilities	1,476,580	1,296,791
Total liabilities	1,480,007	4,364,878
Net assets	1,074,791	4,145,465
Issued capital	38,618,762	38,258,870
Other contributed equity	-	-
Retained earnings	(38,951,310)	(34,648,789)
Option reserve	1,407,339	535,384
Total equity	1,074,791	4,145,465
Statement of profit or loss and other comprehensive income		
(Loss) / Profit for the year	(4,309,730)	2,759,061
Other comprehensive income	-	-
Total comprehensive profit or (loss)	(4,309,730)	2,759,061

The parent entity does not have any guarantees, contingent liabilities or contractual commitments that have not otherwise been stated.

35. Subsequent events

In the period from 30 June 2022 through to the signing of the financial report the following important events have occurred:

On 19 July 2022, the Company drew a further \$500,000 from the loan facility provided by Paddington St Finance Pty Ltd. The undrawn balance of the loan facility is reduced to \$2.5 million.

Apart from the above, there are no other matters or circumstances that have arisen since the end of the year that have significantly affected or may significantly affect either the entity's operations in future financial years, the results of those operations in future financial years or the entity's state of affairs in future financial years.

Directors' declaration

1. In the opinion of the Directors of the Group:
 - a. The consolidated financial statements and notes are in accordance with the Corporations Act 2001, including:
 - i. Giving a true and fair view of its financial position as at 30 June 2022 and of its performance for the financial year ended on that date; and
 - ii. Complying with Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
 - b. There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.
2. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer for the financial year ended 30 June 2022.
3. Note 2 confirms that the consolidated financial statements also comply with International Financial Reporting Standards.

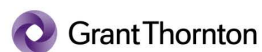
Signed in accordance with a resolution of the Board of Directors:



Non-executive Chairman
Barry Sechos

Dated the 30 August 2022

Auditor's Report



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Independent Auditor's Report

To the Members of Regeneus Ltd

Report on the audit of the financial report

Qualified Opinion

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

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a giving a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Qualified Opinion

The Group assigned a non-core patent application for an equity interest in Sangui Bio Pty Ltd. The investment's fair value at 30 June 2021 was estimated at \$1.75million based on a recent capital raise. This investment is included as a non-current financial asset. As this investment is in a private company, Management has been unable to estimate the fair value of the investment at 30 June 2022. As a result, we have been unable to obtain sufficient and appropriate audit evidence to state that the investment has been stated at fair value, which constitutes a departure from the Australian Accounting Standards.

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Grant Thornton Audit Pty Ltd ACN 130 913 594
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www.granthornton.com.au

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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.

Key audit matter	How our audit addressed the key audit matter
Going concern – Note 3c	
The financial statements have been prepared on a going concern basis as discussed in Note 3c.	Our procedures included, amongst others:
Historically, the Group has been loss making and material uncertainty with respect to going concern was identified in prior years. The Group had a consolidated loss after tax of \$4.31 million for the year ended 30 June 2022, a deficit of net current assets of \$0.76 million and accumulated losses of \$39.02 million on the Consolidated Statement of Financial Position as at 30 June 2022.	- obtaining management's assessment of the going concern, and assessing the appropriateness of significant inputs and assumptions in the forecast cash flows; - making inquiries with management to understand the status of progress of milestone work related to Kyocera Corporation of Japan; - performing sensitivity analyses over management's forecasts; - obtaining and reviewing the loan facility agreement including repayment terms with Paddington St Finance Pty Ltd dated 25 February 2022, where Regeneus can draw up to the lesser of US\$3million or AUD\$4million; and - considering the impact of the Kyocera agreement on the forecast.
This area is a key audit matter due to the significant management judgment involved in forecasting future cashflows, and the uncertainty surrounding receipt of money from Kyocera, which in turn is based on achievement of constrained milestones.	
Recognition of R&D Tax Incentive (Note 6)	
Under the research and development (R&D) tax incentive, the Group receives of corporate tax rate plus 18.5% as a refundable tax offset (2021: 43.5%) of eligible expenditure if its aggregated turnover is less than \$20 million per annum. A Registration of R&D Activities Application is filed with AusIndustry in the following financial year and, based on this filing, the Group receives the incentive in cash. Management's expert performed a detailed review of the Group's total R&D expenditure to estimate the refundable tax offset receivable under the R&D tax incentive legislation.	Our procedures included, amongst others:
This area is a key audit matter due to the size of the receivable and because there is a degree of judgement and interpretation of the R&D tax legislation required by management and management's expert to assess the eligibility of the R&D expenditure under the scheme.	- obtaining, through discussions with management and management's expert, an understanding of the process to estimate the claim; - utilising an internal R&D tax specialist to: - review the expenditure methodology employed by management for consistency with the R&D tax offset rules; and - consider the nature of the expenses against the eligibility criteria of the R&D tax incentive scheme to form a view about whether the expenses included in the estimate were likely to meet the eligibility criteria; - inspecting supporting documentation for a sample of expenses claimed to assess validity of the claimed amount and eligibility against the R&D tax incentive scheme criteria; - comparing the nature of the R&D expenditure included in the current year estimate to the prior year claim; - considering the entity's history of successful claims; - comparing the eligible expenditure used in the receivable calculation to the expenditure recorded in the general ledger; - selecting a sample of R&D expenditure and agreeing to supporting documentation to ensure appropriate classification; - inspecting copies of relevant correspondence with AusIndustry and the ATO related to the claims; and - assessing the adequacy of the relevant disclosures in the financial statements.



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

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

Our opinion on the financial report does not cover the other information and 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 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 Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in pages 12 to 15 of the Directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Regeneus Ltd for the year ended 30 June 2022 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.

Grant Thornton Audit Pty Ltd
Chartered Accountants

N J Bradley
Partner – Audit & Assurance

Sydney, 30 August 2022

Shareholder Information

Additional information required by the Australian Securities Exchange and not shown elsewhere in this report is as follow. The information is effective 19th August 2022

Corporate Governance statement

In accordance with the ASX principles and recommendations, Regeneus Ltd's corporate governance statements can be reviewed on the Company website at:

www.regeneus.com.au/investors/corporate-governance/

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding

Shareholder category	Number of holders of ordinary shares
1 to 1,000	70
1,001 to 5,000	216
5,001 to 10,000	289
10,001 to 100,000	743
100,001 and over	326
Total	1,644

Substantial Holders

Substantial holders in the Company are as follows

Shareholder	Number of holders of ordinary shares
AGC INC	22,459,393
Leo Lee	15,890,893
Kirman 2 Pty Ltd & Brian Michael Sherman	15,760,892
Vesey Investments	14,771,042

Voting rights

Ordinary Shares

All ordinary shares carry one vote per share without restriction

Options

No voting rights

Buy back of shares

There is no buy back of shares on offer

Unissued equity securities

Total number of unissued equity securities is equal to 1,500,000

Equity Security Holders

Twenty largest quoted equity security holders

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

	Number Held	Ordinary Shares % of total shares issued
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	43,693,080	14.26%
BNP PARIBAS NOMINEES PTY LTD	24,376,244	7.95%
CITICORP NOMINEES PTY LIMITED	21,634,572	7.06%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	13,699,060	4.47%
I'ROM GROUP CO LTD	9,144,043	2.98%
MRS JULIA CAROLINE HUGHES	6,889,208	2.25%
MR THOMAS GEORG MECHTERSHEIMER	5,255,519	1.72%
SMC CAPITAL PTY LTD	5,216,726	1.70%
BNP PARIBAS NOMS PTY LTD	4,866,297	1.59%
MLB HOLDINGS PTY LTD	4,000,000	1.31%
MAXIMUM (NQ) PTY LTD	3,041,666	0.99%
SUPER DINO PTY LTD	2,574,588	0.84%
BUBBLING WELLS PTY LTD	2,500,000	0.82%
MCGUIRE FAMILY HOLDINGS PTY LTD	2,350,000	0.77%
LIDDLE INVESTMENTS GROUP PTY LTD	2,202,859	0.72%
DR MARC RONALD WILKINS	2,020,676	0.66%
KBROSS PTY LTD	2,000,000	0.65%
JEFFREY CHUN KIM KHOO	1,750,000	0.57%
MARK TIMNEY	1,750,000	0.57%
MRS CIARA YVONNE KELLY & MR PAUL DOMINIC KELLY	1,735,643	0.57%
BACAU PTY LTD	1,650,000	0.54%
Total (Top 20 Shareholders)*	162,350,181	52.98%
Balance of Register	144,086,733	47.02%
Total	306,436,914	100.00%

*Total (Top 20 Shareholders) includes 3,781,216 shares owned by Karolis Rosickas (CEO)

Securities exchange

The Company was listed on the Australian Securities Exchange on 19 September 2013.

Electronic communications

Regeneus encourages shareholders to receive information electronically. Shareholders who currently receive information by post can log in at www.linkmarketservices.com.au to provide their email address and elect to receive electronic communications.

Electronic communications allows Regeneus to communicate with shareholders faster and reduce its use of paper.

Cash usage

Since listing on the ASX on 19 September 2013, the Group has used its cash and assets in a form readily converted to cash that it had at the time of admission to the official list of ASX in a manner consistent with its business objectives

Registered Office and Principal Place of Business

2 Paddington Street
Paddington, NSW 2021

Board of Directors

Barry Sechos (Non-executive Chairman)
Professor Graham Vesey (Executive Director)
Leo Lee (Non-executive Director)

Chief Executive Officer

Karolis Rosickas

Company Secretary

Hang Ling (Helen) Leung

Website

regeneus.com.au

Lawyers

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77 Castlereagh Street
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Auditors

Grant Thornton Audit Pty Ltd
Level 17, 383 Kent St
Sydney NSW 2000

Patent Attorneys

Spruson & Ferguson
Level 35, 31 Market Street
Sydney, NSW 2000

Share Registry

Link Market Services Limited
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Sydney, NSW 2000

Stock Exchange Listing

Australian Securities Exchange
ASX Code: RGS

