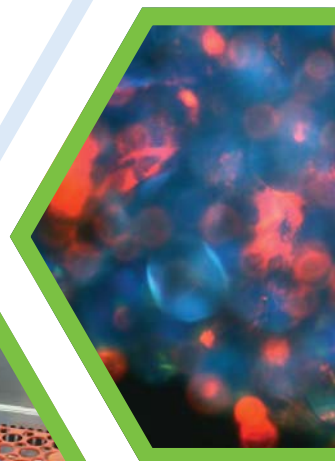
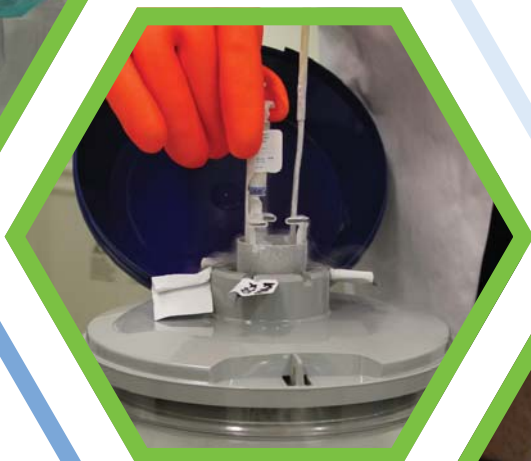
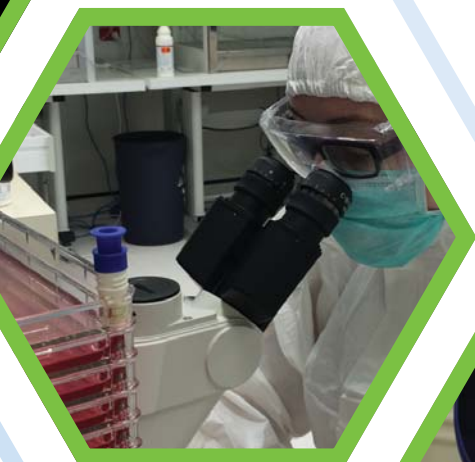
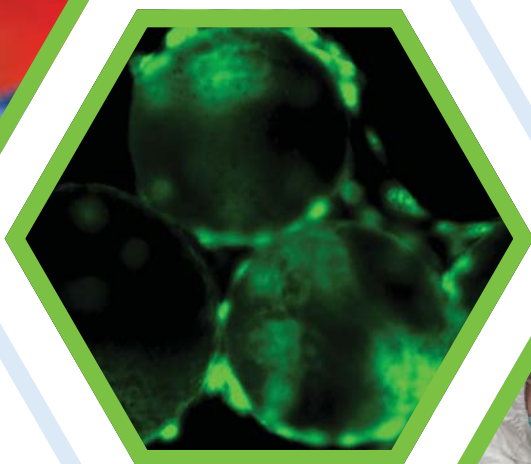




# 2015 Annual Report







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# Highlights for FY15 and Catalysts for FY16

## Ethics approval for two first-in-human trials

- Received ethics approval for two first-in-human trials:
  - Progenza - allogeneic "off-the-shelf" stem cell therapy for osteoarthritis
  - RGS4K - autologous cancer vaccine
- Positive preclinical results for Progenza

## Demonstrate scalability of Progenza technology platform

- Demonstrated capacity to produce millions of doses of Progenza from a single donor
- Strategic focus on Progenza
- Transition from autologous (HiQCell) to allogeneic (Progenza) stem cell technologies

## Progress on partnering and licensing discussions

- New laws passed in Japan in Nov 14 to promote regenerative medicine and accelerate access to new therapies
- Progressed partner discussions for manufacturing and clinical development of Progenza in Japan
- Progressed partner discussions for clinical development and global sales and marketing of Canine CryoShot - allogeneic "off-the-shelf" stem cell therapy for canine osteoarthritis

## Substantial increase in granted patents

- Granting of 11 patents - 9 in Australia; 2 in NZ; and 1st US patent
- Securing exclusive rights to human cancer vaccine technology developed at Kolling Institute of Medical Research

## Financial highlights

- Completed capital raising of \$6.2m in Aug 14
- Reduced cost base - average quarterly cash burn of \$1.7m
- \$3.4m R&D tax incentive for FY15 - to be received Q2 FY16

## FY16 Catalysts

- |                                                                      |         |
|----------------------------------------------------------------------|---------|
| • Secure global sales and marketing partner for CryoShot Canine      | Q2 FY16 |
| • First patient treated in human cancer vaccine trial                | Q2 FY16 |
| • Secure manufacturing and commercial partners for Progenza in Japan | Q2 FY16 |
| • Interim safety report on STEP trial for Progenza                   | Q2 FY16 |
| • Complete enrolment in human cancer vaccine safety trial            | H2 FY16 |
| • Complete CryoShot Canine pre-pivotal US trial                      | H2 FY16 |



# Message from the Chairman and CEO

## Message from the Chairman and CEO

Dear Shareholders,

On behalf of the Board of Directors, we are pleased to report on the progress we have made during the financial year ending 30 June 2015.

In FY15 we achieved a number of significant clinical, manufacturing and commercial milestones that have set the foundations for unlocking value in the business in FY16 and beyond.

### Key achievements for FY15

Key achievements during FY15 included:

- Obtaining ethics approval for commencement of first-in-human trials for:
  - Progenza. Our allogeneic "off-the-shelf" stem cell therapy for osteoarthritis;
  - RGS4K. Our cancer vaccine;
- Demonstrating our capacity to manufacture millions of doses of Progenza from a single donor;
- Progressing our partnering and licensing discussions:
  - For the manufacture, clinical and commercial development of Progenza in Japan;
  - For the clinical development and sales and marketing of CryoShot canine, our allogeneic stem cell therapy for canine OA;
- Substantial growth in our intellectual property portfolio including:
  - Granting of 11 new patents and our 1st US granted patent;
  - Securing the exclusive rights to the human cancer vaccine technology developed at the Kolling Institute of Medical Research at Royal North Shore Hospital.

A more detailed review of the company's operations for the period is set out in the Directors' Report.

### Strategic focus on Progenza

Over the last year, the company has made significant clinical and manufacturing progress in the Progenza program. This progress, together with the lack of scalability and regulatory certainty of the HiQCell business model, has contributed to the Board's decision to focus the company's efforts and resources on the development of Progenza and reduce the focus and expenditure on the commercialisation of HiQCell.

It has become clear that allogeneic "off-the-shelf" stem cell products like Progenza, are the preferred business model of pharmaceutical companies because of the advances in scalable production and distribution. The company will assess the licensing options for HiQCell technology once there is greater regulatory certainty for autologous stem cell products.

## Financial highlights for FY15

The financial highlights for FY15 as reported in the company's financial statements included:

- Revenues of \$2.06m in line with last year's revenues (FY14: \$2.09m);
- Net loss down 12% to \$6.6m (FY14: \$7.5m);
- Net operating cash outflows of \$5.9m (FY14: \$6.2m);
- Successful capital raising completed in August 2014, net of costs of \$6.17m;
- Receipt of \$3.73m R&D tax incentive for FY14;
- Cash at 30 June 2015, \$3m and receipt in October of \$3.4m R&D tax incentive for FY15;

A more detailed financial review is set out in the Directors' Report.

### Looking forward

2016 is shaping up to be a turning point in the evolution of the company with a number of key commercial, clinical and R&D milestones in sight.

We look forward to capitalising on the effort to date in unlocking the value in the company's clinical assets and hopefully the market supports these developments.

### Thanks

We'd like to thank our fellow directors and the team at Regeneus for their outstanding efforts and contribution to the business over the last financial year.

In particular, we'd like to thank Professor Graham Vesey, our founding CEO who moved from CEO to Executive Director and Chief Scientific Officer in November last year. Professor Vesey served as the founding CEO for seven years and played a vital role in the growth and development of the business.

We'd like to farewell Associate Professor Ben Herbert, a co-founder, who stepped down from the Board in November last year after serving for seven years as a founding director of the company. We'd like to thank Ben for his important contribution to the Board and the company.

Welcome to Dr. Glen Richards who joined the Board in April this year. As the founding MD of Greencross, Australia's largest listed veterinary health group, Glen brings a unique combination of clinical and business experience to the Board.

Finally, we would like to thank our shareholders for their support of the company and what we do and showing patience as we develop and seek to partner our regenerative medicine products.



**Dr. Roger Aston**  
Chairman

**John Martin**  
Chief Executive Officer

# Product Pipeline Overview

## Human Health Pipeline

| Product         | Indication     | Preclinical               | Manufacturing and process development | Phase 1 | Phase 2 | Phase 3 | Market approval | Market size |
|-----------------|----------------|---------------------------|---------------------------------------|---------|---------|---------|-----------------|-------------|
| <b>Progenza</b> | Osteoarthritis | Allogeneic adipose MSCs   |                                       |         |         |         |                 | US\$12b     |
| <b>RGSH4K</b>   | Oncology       | Autologous tumour vaccine |                                       |         |         |         |                 | US\$33b     |

Cell secretions for inflammatory skin conditions are not included in the pipeline.

## Animal Health Pipeline

| Product                | Indication     | Discovery                 | Manufacturing and process development | Safety and efficacy studies | Pivotal study | Market approval | Market size |
|------------------------|----------------|---------------------------|---------------------------------------|-----------------------------|---------------|-----------------|-------------|
| <b>CryoShot Canine</b> | Osteoarthritis | Allogeneic adipose MSCs   |                                       |                             |               |                 | US\$500m    |
| <b>CryoShot Equine</b> | Osteoarthritis | Allogeneic adipose MSCs   |                                       |                             |               |                 | US\$500m    |
| <b>Kvax</b>            | Oncology       | Autologous tumour vaccine |                                       |                             |               |                 | US\$550m    |

Allogeneic cells - cells from a donor

Autologous cells - patient's own cells

# Intellectual Property Portfolio Update

Regeneus currently has 12 patent families underpinning the product portfolio. This includes nine patents granted in Australia, two patents granted in New Zealand and the first patent granted in the United States. This patent portfolio also includes a new patent family - enhanced cell therapies: Progenza and CryoShot. In July 2014, Regeneus secured the exclusive rights to the human cancer vaccine technology developed at the Kolling Institute of Medical Research.

## Australian Granted Patents

| Patent Number | Title                                                                        | Filing Date |
|---------------|------------------------------------------------------------------------------|-------------|
| 2013204930    | Therapeutics using multiple injections of cells                              | 12/04/2013  |
| 2013203165    | Pharmaceutical compositions and topical use thereof                          | 09/04/2013  |
| 2013203164    | Therapeutics for skin conditions                                             | 09/04/2013  |
| 2013203072    | Therapeutic methods and compositions comprising cells and secretions         | 09/04/2013  |
| 2012229890    | Pharmaceutical compositions and topical use thereof                          | 15/03/2012  |
| 2011342382    | Arthroscopy method                                                           | 19/12/2011  |
| 2011247866    | Allogeneic therapeutic methods using adipose tissue-derived cell suspensions | 08/11/2011  |
| 2009284700    | Autologous therapeutic methods using adipose tissue-derived cell suspensions | 20/08/2009  |
| 2009201915    | Therapeutic methods                                                          | 14/05/2009  |

## New Zealand Granted Patents

| Patent Number | Title                                                                                   | Filing Date |
|---------------|-----------------------------------------------------------------------------------------|-------------|
| 612473        | Arthroscopy method                                                                      | 19/12/2011  |
| 591626        | Therapeutic methods using adipose tissue-derived cell suspensions comprising adipocytes | 20/08/2009  |

## US Granted Patents

| Patent Number | Title                                                                                   | Filing Date |
|---------------|-----------------------------------------------------------------------------------------|-------------|
| 9,062,288     | Therapeutic methods using adipose tissue-derived cell suspensions comprising adipocytes | 20/08/2009  |



Your Directors present their report for Regeneus Ltd and its controlled entities (the Group) for the financial year ended 30 June 2015.

## 1. Directors

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

**Dr. Roger Aston**

- Non-executive Chairman

**John Martin**

- CEO and Executive Director

**Professor Graham Vesey**

- CSO and Executive Director

**Barry Sechos**

- Non-executive Director

**Dr. Glen Richards**

- Non-executive Director

- Appointed 1 April 2015

**Assoc. Professor Ben Herbert**

- Non-executive Director

- Resigned 10 November 2014

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

### Chairman

**Dr. Roger Aston** has served on the Board since 2013 and was appointed Chairman in November 2014. He is one of the most experienced and commercially astute people in drug commercialisation in Australia. Roger brings more than 20 years experience in the pharmaceutical and healthcare industries in senior roles in the United Kingdom, Asia Pacific and Australia. Roger is also a director or chairman on a number of boards carrying out late-stage drug development.

#### Other current directorships

Pharmaust Ltd  
Immuron Ltd  
Oncosil Medical Ltd  
ResApp Health Ltd

#### Previous directorships of (last 3 years)

Mayne Pharma Health Ltd  
IDT Ltd  
PolyNovo Ltd (Formerly Calzada Ltd)

#### Interests in shares

51,179

#### Interests in options

Nil

### CEO - Executive Director

**John Martin** has served on the Board since early 2009 and was appointed CEO in November 2014. John has over 20 years of experience as a business executive, director and corporate lawyer including roles as CEO and Director of ASX-listed and private emerging technology companies including BTF and Proteome Systems. John was a corporate and executive partner of Allens specialising in M&A, fundraising and life sciences.

#### Other current directorships

None

#### Previous directorships (last 3 years)

None

#### Interests in shares

7,253,908

#### Interests in options

2,808,560

### 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 start-up, BTF, which was sold to bioMerieux in 2007. Graham is an Adjunct Professor at Macquarie University.

#### Other current directorships

None

#### Previous directorships of (last 3 years)

None

#### Interests in shares

15,879,968

#### Interests in options

2,271,061

### Non-executive Directors

**Barry Sechos** has served on the Board since 2012 and has over 20 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**  
Aberdeen Leaders Fund Ltd

**Previous directorships of (last 3 years)**  
iCash Payment System Ltd

**Interests in shares**  
Nil

**Interests in options**  
Nil

**Dr. Glen Richards** joined the Board of the Company on 1 April 2015. Glen practised companion animal medicine and surgery in Brisbane, Townsville and London before establishing Greencross Vets in 1994. As Managing Director of Greencross Ltd (ASX:GXL) he created Australia's largest veterinary healthcare group with over 120 veterinary practices and 200 pet specialty stores. He resigned as MD in December 2014 and continues as a Non-executive Director. Glen is a Director of Smartvet Pty Ltd, a biotech company developing an innovative application of paracitides for cattle. He is also a Non-executive Director of 1300Smiles (ASX:ONT) an aggregator of dental facilities across Australia.

**Other current directorships**  
Greencross Ltd  
1300Smiles Ltd

**Previous directorships (last 3 years)**  
None

**Interests in shares**  
2,333,333

**Interests in options**  
Nil

**Assoc. Professor Ben Herbert** is a co-founder and founding Director of the Company and has served on the Board since incorporation. Ben resigned on 10 November 2014.

**Other current directorships**  
None

**Previous directorships (last 3 years)**  
None

**Interests in shares**  
9,009,412

**Interests in options**  
Nil

### Company Secretary

Sandra McIntosh is the Company Secretary and Investor Relations Manager. Sandra has been with the Company since 2009, and has 20 years management experience in HR, customer service and finance.

## 2. Principal activities

Regeneus is an ASX-listed clinical-stage regenerative medicine company developing innovative cell-based therapies for the human and animal health markets.

The Company's portfolio of therapeutic products are being developed to treat conditions with significant unmet medical needs with a focus on osteoarthritis and other musculoskeletal disorders, oncology and dermatology diseases.

The portfolio of therapeutic products is being developed using the Company's proprietary stem cell and immuno-oncology technology platforms.

## 3. Operating and financial review

### Review of operations

During the year, the Company has made important progress in the clinical development of its therapeutic product candidates as it moves toward partnering its product opportunities for development and ultimately commercialisation.

Set out below is a summary of the year's highlights.

### Progenza - allogeneic "off-the-shelf" stem cell therapy for osteoarthritis

During the year significant progress was achieved in advancing the development of Progenza for the treatment of osteoarthritis. This included:

- Receiving ethics approval for collecting adipose stem cells from human donors to manufacture Progenza for a first-in human trial;
- Manufacturing the Progenza stem cell product and demonstrating the capacity to produce millions of vials of Progenza from a single donor;
- Positive preclinical data results;
- Receiving ethics approval to proceed with the first-in-human trial to evaluate safety and tolerability as well as preliminary efficacy of Progenza.

The sentinel patient was treated in August 2015 with no safety concerns and enrolment and dosing of the first cohort of 10 patients should occur in the first half of FY16 with the second cohort of 10 patients in Q3 FY16.

Progenza is a very important technology platform for the Company as it has the potential to be used as an off-the-shelf treatment option for musculoskeletal disorders other than osteoarthritis and inflammatory or immune-mediated conditions that have limited treatment options. The Company will be exploring its options to unlock value in the wider applications of Progenza.

### Japan strategy

In November 2014, we were encouraged by the passing of new regenerative medicine laws in Japan which reform the pharmaceutical and medical regulations and provide a rapid approval process specifically for regenerative medicine products like Progenza. The new laws allow for the conditional approval of cell-based products after having demonstrated probable efficacy in a Phase 2 trial. The new laws have stimulated partnering opportunities in Japan for foreign companies in the regenerative medicine space. Over the last 12 months, we have made significant progress in identifying and meeting with potential manufacturing, clinical and marketing partners in Japan. We anticipate finalising these discussions in the first half of FY16.

### HiQCell - autologous cell therapy for human osteoarthritis

HiQCell is one of the most established autologous cell therapy procedures for osteoarthritis in Australia and operates in accordance with the TGA Biologicals regulations. Over 600 patients have been treated with HiQCell since it was launched in 2012 and it is supported by substantial clinical data including registry data for over 600 joints.

During the year, an increasing number of medical practitioners were offering autologous cell therapy procedures treating a broad range of diseases with no supporting clinical data. Among other things, this resulted in negative media during the first-half of the year. In November 2014, the Board conducted a strategic review of the HiQCell business. Key issues identified included: lack of scalability of the business model due to the TGA regulations requiring in-clinic cell processing; no reimbursement for the procedure; regulatory uncertainty both in Australia and other major jurisdictions; need for further controlled clinical data; low barriers to entry for medical practitioners with no expertise in the treatment of disease; resistance to change by established medical specialists; increasing media attention seeking regulatory change; and a more compelling business model and market opportunity for Progenza.

In January 2015, the TGA issued a discussion paper, "Regulation of autologous stem cell therapies - discussion paper for consultation". Submissions closed on 3 March 2015. The TGA received in excess of 80 responses representing a wide range of views including a substantial response from Regeneus with supporting clinical data. To date, the TGA has indicated that these responses are under review and has made no indication on timing of next steps.

Rather than continue to operate HiQCell in an uncertain market where it has little scalability, the Company has transitioned away from its external manufacturing and service model to medical partners and reduced all costs associated with this model, including existing cell processing facilities in Australia and Singapore. The Company will review the commercial opportunity for licencing the technology when there is greater certainty in the local market. The substantial knowledge and clinical data gained from the HiQCell procedures is significant and will assist Regeneus in the clinical development of Progenza.

### RGSH4K – human cancer vaccine

In 2014, Regeneus secured the exclusive worldwide rights to the human applications of a new therapeutic cancer vaccine technology developed at the Bill Walsh Translational Cancer Research Laboratory, part of the Kolling Institute of Medical Research at Royal North Shore Hospital in Sydney.

In May 2015, ethics approval was received to commence a first-in-human trial for a personalised therapeutic cancer vaccine that uses a patient's tumour to harness the body's own immune system to fight cancer cells.

The trial, known as ACTIVATE, is a single centre, open label, Phase 1 dose escalating study to evaluate the safety, tolerability and preliminary efficacy of RGSH4K.

To facilitate the trial, the Company has established an ethics-approved tumour bank for the banking of existing tumours or for new tumours. The Company anticipates the first patient will be dosed in Q1 FY16.

The Company will explore partnering options in conjunction with the Phase 1 study.

### CryoShot – allogeneic “off-the-shelf” stem cell therapy for dogs and horses

During the year the Company continued product development and generating further clinical data for canine and equine CryoShot.

In a controlled study of CryoShot for canine osteoarthritis, we established the number of dogs needed in our pre-pivotal US study and we identified important intellectual property to assist with predicting the conditions to improve the likelihood of success when using CryoShot.

We are well advanced in our preparations for the commencement of our pre-pivotal US trial for canine CryoShot to commence in Q1FY16.

### Kvax – canine cancer vaccine

Kvax is a therapeutic cancer vaccine for animals. Kvax provides a new customised therapy, which is specifically created to treat individual cancer types.

Kvax uses a small amount of tumour that is removed from the animal. The tumour sample is then sent to Regeneus' production facility, where a personalised vaccine is created. The vaccine is administered to the dog by its treating veterinarian over a number of weeks, stimulating the dog's immune system and enabling it to see the cancer cells as foreign. This process helps to prevent further growth of the existing tumour and the development of new tumours.

As Kvax is an autologous vaccine, it can be made available commercially in the US and Australia however its success will depend on positive efficacy data in defined cancer types. A clinical trial has commenced in the United States with VCA, a leading provider of pet health care services, that will provide important efficacy data in a single, defined tumour type, and will increase awareness of the Kvax cancer treatment with vets and dog owners in the US.

The Company is also planning a trial in FY16 in another major canine cancer type. Regeneus continues to explore global commercial partnering opportunities for Kvax.

### Cell secretions cream – for inflammatory skin conditions

During the year we made progress on development of a cell secretions cream for the management of acne and other inflammatory skin conditions. The cell secretions technology utilises the molecules (including cytokines and growth factors) that are secreted by mesenchymal stem cells. It is widely recognised that the therapeutic value of MSCs is due to these secretions and when applied to skin, there is a local anti-inflammatory effect, an acceleration of healing and reduction in scarring.

Regeneus has developed technology and protocols for the production of the secretions and is working on ways to scale up manufacture of the secretions and minimise costs of production. In November 2014, the Company was granted an Australian patent for the use of the secretions technology for the topical treatment of acne and other inflammatory skin conditions.

In a recent repeat insult patch test on participants with sensitive skin, the cell secretions were shown to be considered as a non-primary irritant and non-primary sensitiser to skin.

We continue to explore our partnering options for the technology in different regulatory pathways.

## Financial review

### Capital raising

In August 2014, Regeneus successfully completed a capital raising of \$6.3m. Structured in two parts, the first part was a private placement with institutional and sophisticated investors raising \$3.0m from the issue of 11,538,462 shares at \$0.26 and 3,846,154 options (1 for 3) exercisable August 2015 at \$0.40. The second, a Share Purchase Plan (SPP), closed oversubscribed by 10% raising \$3.3m from 12,953,604 shares at \$0.26 per share. Costs associated with the capital raising were \$200,056.

### Operating results

The loss of the Group for the financial year after income tax was \$6.6m (2014: \$7.5m). The loss includes an R&D Tax incentive of \$3.4m (2014: \$3.7m).

While the results were broadly in line with expectations, there were a number of one-off costs totaling \$1.6m. These costs were incurred as part of the implementation of strategic decisions following a review of the HiQCell business including: redundancies - \$637k; lease exit costs - \$204k; capital assets disposal losses \$278k; and Singapore operating costs \$363k. After adjusting for these one-off costs the loss for the year would be less than \$5.0m.

## Revenue

### Income from sale of goods

Income from sale of goods for 2015 at \$2.1 million was 2% less than 2014.

Overall income from sales of goods declined in the second half over the first half predominantly due to the decline in HiQCell treatments driven by uncertainty in the local regulatory environment. Revenue in the first half was \$528k, the second half was \$225k.

The number of CryoShot treatments was 906 compared to the prior year of 1,155. The revenue was significantly lower at \$131k compared to \$209K in 2014, driven by the number of company-funded clinical trials being undertaken. The volume of data these clinical trials will generate is expected to secure a commercial partner shortly.

Kvax treatments were initiated in the year with 26 treatments giving rise to revenue of \$26k.

### Licence fees

These represent technology licence fees for Research and Development and continue to be an important part of the ongoing relationships Regeneus has with key R&D partners.

In December 2013 a twelve month arrangement was secured with Cryosite Ltd to expand our R&D activities relating to the manufacture of Progenza. This undertaking is now complete and the arrangement has expired. New arrangements reflecting the Group's R&D strategy are under consideration.

|                             | 2015<br>\$'000 | 2014<br>\$'000 |
|-----------------------------|----------------|----------------|
| <b>Operating activities</b> |                |                |
| Licence fee income          | 900            | 904            |
| Income from sale of goods   | 920            | 998            |
| Interest received           | 241            | 193            |
| <b>Total revenue</b>        | <b>2,061</b>   | <b>2,095</b>   |

## Expenditure

### Research and Development expenses

R&D expenditure declined by 14%. This is reflective of the status of the various projects being undertaken. The achievement of positive production results in Progenza has resulted in collaborative projects with third parties reducing as the focus is increasingly about production for trials.

In line with the Group's policy and to comply with accounting standards, all costs associated with research and development are fully expensed in the period in which they are incurred as the Directors do not consider the Group can demonstrate all the factors required by the accounting standards to be able to capitalise development expenditure at this time.

### Selling expenses

These expenses were predominantly incurred as part of the development of the HiQCell business. Based on the current positioning of HiQCell they are actively being reduced.

### Occupancy costs

The expenditure on premises increased with a full year of the Group's new office at Pymble which includes laboratory, warehouse and office facilities. Additionally, costs were incurred in recognising redundant premises due in part to the reduced HiQCell activity.

### Corporate expenses

Corporate costs remained consistent with the prior year. In 2015 there were a number of one-off costs incurred including securing patents as well as restructuring costs. The benefit of the restructuring costs will be to drive a reduction in costs in 2016.

|                          | 2015<br>\$'000 | 2014<br>\$'000 | Movement<br>\$'000 |
|--------------------------|----------------|----------------|--------------------|
| Research and Development | 4,945          | 5,759          | (814)              |
| Selling                  | 1,678          | 2,253          | (575)              |
| Occupancy                | 757            | 628            | 129                |
| Corporate                | 3,814          | 3,875          | (61)               |
| Finance costs            | 56             | 349            | (293)              |
| <b>Total expenses</b>    | <b>11,250</b>  | <b>12,864</b>  | <b>(1,614)</b>     |

### Cash flows

The net cash inflows for the period were:

|                                                     | 2015<br>\$'000 | 2014<br>\$'000 |
|-----------------------------------------------------|----------------|----------------|
| Net cash (used in) operating activities             | (5,923)        | (6,239)        |
| Net cash provided by (used in) investing activities | 260            | (1,873)        |
| Net cash provided by financing activities           | 6,168          | 10,209         |
| Net change in cash and cash equivalents held        | 505            | 2,097          |

**Operating activities** - these amounts are the ongoing amounts paid as part of the normal operations offset by the receipt of the prior year R&D incentive of \$3.7m received September 2014 and \$2.3m in 2013.

**Investing activities** – in the current year minimal investment in capital equipment was required. Several cash securities held over premises fitout were released as lease payments were made.

**Financing activities** – the net proceeds from the share placement in August/September 2014; prior year related to the IPO in September 2013.

### Significant changes in state of affairs

During the year a strategic review of commercial operations of HiQCell was undertaken. In Singapore, regulatory changes have resulted in delays in commencing commercial operations and an increase in the cost structure associated with that location. Accordingly, Regeneus South East Asia Pte Ltd has been wound down.

### Changes in accounting policy

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

### Events subsequent to the reporting period

There are no events that have arisen after 30 June 2015 and prior to the signing of this financial report that would likely have a material impact on the financial results presented.

### Likely developments business strategies and prospects

Over FY16 and FY17 Regeneus will be focusing on the following business initiatives and strategies:

- Complete our first-in-human trial (safety study) of Progenza;
- Finalise arrangements with Japanese partners for the manufacture and clinical development of Progenza in the Japanese market;
- Identify partners for Progenza for Europe and USA;
- Explore new clinical applications for Progenza;
- Complete a first-in-human (safety study) for the human therapeutic cancer vaccine;
- Finalise arrangements with a suitable partner for CryoShot for a US pivotal trial and GMP manufacture; and
- Identify a partner for clinical development and commercialisation of Kvax.

**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 |   | Remuneration and nominations charter |   |
|-----------------------------------------|----------------|----|--------------------------|---|--------------------------------------|---|
|                                         | A              | B  | A                        | B | A                                    | B |
| Roger Aston                             | 11             | 10 | 1                        | 1 | 3                                    | 3 |
| John Martin                             | 11             | 11 | 1                        | 1 | 3                                    | 3 |
| Graham Vesey                            | 11             | 10 | -                        | - | -                                    | - |
| Barry Sechos                            | 11             | 11 | 1                        | 1 | 3                                    | 3 |
| Glen Richards (Appointed 1 April 2015)  | 3              | 3  | -                        | - | -                                    | - |
| Ben Herbert (Resigned 10 November 2014) | 5              | 5  | -                        | - | -                                    | - |

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

**Dividends paid or recommended**

No dividends have been paid or declared since the start of the financial year (2014: nil).

**4. 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 |
|------------------|-------------|-----------------------------|---------------------|
| 02/06/2010       | 30/05/2020  | 0.006                       | 308,040             |
| 01/07/2010       | 28/06/2020  | 0.136                       | 2,310,300           |
| 23/07/2010       | 20/07/2020  | 0.136                       | 770,100             |
| 01/01/2011       | 29/12/2020  | 0.136                       | 539,070             |
| 21/02/2011       | 18/02/2021  | 0.136                       | 1,001,674           |
| 11/03/2011       | 08/03/2021  | 0.140                       | 100,000             |
| 25/05/2011       | 22/05/2021  | 0.280                       | 60,000              |
| 25/07/2011       | 22/07/2021  | 0.280                       | 25,000              |
| 01/07/2011       | 28/06/2021  | 0.280                       | 857,143             |
| 01/12/2011       | 28/11/2021  | 0.280                       | 1,271,428           |
| 16/09/2013       | 15/09/2018  | 0.250                       | 4,435,710           |
| 04/12/2013       | 03/12/2018  | 0.250                       | 2,986,400           |
| 21/10/2014       | 20/10/2019  | 0.160                       | 900,000             |

During 2015, 3,864,154 unlisted options were issued as follows:

- 15 August 2014 - 3,589,743 options issued at exercise price \$0.40, expired 15 August 2015;
- 6 November 2014 - 256,411 options issued at exercise price \$0.40, expired 15 August 2015.



All unexercised, vested options expire on the earlier of their expiry date or within a period set out in the plans. These options were issued 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. The unlisted options were issued as part of the capital raising and expire 15 August 2015. The options do not entitle the holder to participate in any share issue of the Company.

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 the 19 September 2013. These were financed by a full recourse loan provided by the Company to the option holders.

## 5. 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 (2014: Nil).

## 6. 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;
- To drive a high performance culture by setting challenging objectives and rewarding high performing individuals; and
- To 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; and
- 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 ; and
- 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 32,601,677 (2014: 18,640,103) 'For' votes on its Remuneration Report for the financial year ending 30 June 2014. 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 five (5) financial years:

| Item                        | 2015    | 2014    | 2013    | 2012    | 2011    |
|-----------------------------|---------|---------|---------|---------|---------|
| EPS (cents)                 | (0.03)  | (0.05)  | (0.05)  | (0.03)  | (0.01)  |
| Dividends (cents per share) | \$0     | \$0     | \$0     | \$0     | \$0     |
| Net (loss) (\$000)          | (6,607) | (7,523) | (5,195) | (3,261) | (1,093) |
| Share price (\$)            | \$0.15  | \$0.40  | \$0.25* | n/a     | n/a     |

\*\$0.25 share price on listing 19 September 2014.

## b. Details of remuneration

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

| Executive Directors               |      | Short term employee benefits |                |                                |                          | Post employment benefits | Long term benefits          | Termination benefits    | Share-based payments | Total \$         | % of remuneration that is performance based |
|-----------------------------------|------|------------------------------|----------------|--------------------------------|--------------------------|--------------------------|-----------------------------|-------------------------|----------------------|------------------|---------------------------------------------|
|                                   |      | Cash salary and fees \$      | Cash bonus \$  | Back pay of Directors' fees \$ | Non-monetary benefits \$ | Superannuation \$        | Other long term benefits \$ | Termination payments \$ | Options \$           |                  |                                             |
| John Martin                       | 2015 | 304,679                      | 150,000        | -                              | -                        | 28,944                   | 10,233                      | -                       | 62,324               | 556,180          | 38%                                         |
|                                   | 2014 | 303,160                      | 137,300        | -                              | -                        | 40,115                   | -                           | -                       | 278,030              | 758,605          | 55%                                         |
| Graham Vesey                      | 2015 | 261,063                      | 140,000        | -                              | -                        | 24,801                   | (7,514)                     | -                       | 62,324               | 480,674          | 42%                                         |
|                                   | 2014 | 293,722                      | 45,767         | 210,069                        | -                        | 38,398                   | 14,928                      | -                       | 272,176              | 875,060          | 60%                                         |
| <b>Non-executive Directors</b>    |      |                              |                |                                |                          |                          |                             |                         |                      |                  |                                             |
| Roger Aston                       | 2015 | 67,165                       | -              | -                              | -                        | 5,194                    | -                           | -                       | -                    | 72,359           | 0%                                          |
|                                   | 2014 | 55,838                       | -              | -                              | -                        | 3,777                    | -                           | -                       | -                    | 59,615           | 0%                                          |
| Barry Sechos                      | 2015 | 45,000                       | -              | -                              | -                        | -                        | -                           | -                       | -                    | 45,000           | 0%                                          |
|                                   | 2014 | 45,000                       | -              | -                              | -                        | -                        | -                           | -                       | -                    | 45,000           | 0%                                          |
| Glen Richards<br>Appointed 1/4/15 | 2015 | 11,250                       | -              | -                              | -                        | -                        | -                           | -                       | -                    | 11,250           | 0%                                          |
|                                   | 2014 | -                            | -              | -                              | -                        | -                        | -                           | -                       | -                    | -                | 0%                                          |
| Ben Herbert<br>Resigned 10/11/14  | 2015 | 45,833                       | -              | -                              | -                        | -                        | -                           | -                       | -                    | 45,833           | 0%                                          |
|                                   | 2014 | 72,083                       | 45,000         | 22,068                         | -                        | -                        | -                           | -                       | -                    | 139,151          | 0%                                          |
| <b>2015 Total</b>                 |      | <b>734,990</b>               | <b>290,000</b> | <b>-</b>                       | <b>-</b>                 | <b>58,939</b>            | <b>2,719</b>                | <b>-</b>                | <b>124,648</b>       | <b>1,211,296</b> |                                             |
| <b>2014 Total</b>                 |      | <b>769,803</b>               | <b>228,067</b> | <b>232,137</b>                 | <b>-</b>                 | <b>82,290</b>            | <b>14,928</b>               | <b>-</b>                | <b>550,206</b>       | <b>1,877,431</b> |                                             |

Other long term benefits include the movement in both 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 cash bonus and back pay of Directors' fees relate to the successful IPO in September 2013, and Directors fees that had been incurred in 2009, accrued in 2013, paid 2014.

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

| Name          | Fixed remuneration | At risk - STI | At risk - options |
|---------------|--------------------|---------------|-------------------|
| John Martin   | 62%                | 27%           | 11%               |
| Graham Vesey  | 58%                | 29%           | 13%               |
| Roger Aston   | 100%               | -             | -                 |
| Barry Sechos  | 100%               | -             | -                 |
| Glen Richards | 100%               | -             | -                 |
| Ben Herbert   | 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 |
|----------------------------------|----------------|-------------------|---------------|
| John Martin                      | 304,679        | Unspecified       | Three months  |
| Graham Vesey                     | 200,000        | Unspecified       | Three months  |
| Roger Aston                      | 75,000         | Unspecified       | Nil           |
| Barry Sechos                     | 45,000         | Unspecified       | Nil           |
| Glen Richards                    | 45,000         | Unspecified       | Nil           |
| Ben Herbert<br>Resigned 10/11/14 | 40,000         | Unspecified       | Nil           |

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.

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 | Number lapsed | Exercise price \$ | First exercise date | Last exercise date |
|---------------------------------|----------------|------------|-----------------------------------|---------------|---------------|-------------------|---------------------|--------------------|
| Graham Vesey                    | 714,285        | 16/09/2013 | 0.1561                            | 714,285       | -             | 0.25              | 01/07/2013          | 15/09/2018         |
| Graham Vesey                    | 714,285        | 16/09/2013 | 0.1561                            | 714,285       | -             | 0.25              | 30/06/2014          | 15/09/2018         |
| Graham Vesey                    | 714,285        | 16/09/2013 | 0.1561                            | 714,285       | -             | 0.25              | 30/06/2015          | 15/09/2018         |
| John Martin                     | 714,285        | 16/09/2013 | 0.1561                            | 714,285       | -             | 0.25              | 30/06/2013          | 15/09/2018         |
| John Martin                     | 714,285        | 16/09/2013 | 0.1561                            | 714,285       | -             | 0.25              | 30/06/2014          | 15/09/2018         |
| John Martin                     | 714,285        | 16/09/2013 | 0.1561                            | 714,285       | -             | 0.25              | 30/06/2015          | 15/09/2018         |
| Wild Rose Pty Ltd - John Martin | 37,500         | 16/09/2013 | 0.1561                            | 37,500        | -             | 0.25              | 11/09/2013          | 15/09/2018         |
| John Martin                     | 500,000        | 01/07/2011 | 0.1758                            | 500,000       | -             | 0.28              | 31/12/2011          | 28/06/2021         |

The following options over ordinary shares in the Company were forfeited (lapsed) during the year:

| Name          | Number of options forfeited (lapsed) during the year |
|---------------|------------------------------------------------------|
| John Martin   | Nil                                                  |
| Graham Vesey  | Nil                                                  |
| Roger Aston   | Nil                                                  |
| Barry Sechos  | Nil                                                  |
| Glen Richards | Nil                                                  |
| Ben Herbert   | Nil                                                  |

**e. Bonuses included in remuneration**

Details of the short-term incentive cash bonuses awarded as remuneration to each key management personnel, the percentage of the available bonus that was paid in the financial year, and the percentage that was forfeited because the person did not meet the service and performance criteria is set out below. No part of the bonus is payable in future years.

| Name          | Included in remuneration \$ | Percentage vested in year | Percentage forfeited in year |
|---------------|-----------------------------|---------------------------|------------------------------|
| John Martin   | 150,000                     | 100%                      | 0%                           |
| Graham Vesey  | 140,000                     | 100%                      | 0%                           |
| Roger Aston   | -                           | -                         | -                            |
| Barry Sechos  | -                           | -                         | -                            |
| Glen Richards | -                           | -                         | -                            |
| Ben Herbert   | -                           | -                         | -                            |

**f. Other information****Options held by key management personnel**

The number of options to acquire shares in the Company held during the 2015 reporting period by each of the key management personnel of the Group; including their related parties are set out below.

| Name          | Year ended 30 June 2015  |                         |           |                |                        |                                                           |                                                              |
|---------------|--------------------------|-------------------------|-----------|----------------|------------------------|-----------------------------------------------------------|--------------------------------------------------------------|
|               | Balance at start of year | Granted as remuneration | Exercised | Other changes  | Balance at end of year | Vested and exercisable at the end of the reporting period | Vested and un-exercisable at the end of the reporting period |
| John Martin   | 2,680,355                | -                       | -         | 128,205        | 2,808,560              | 2,680,355                                                 | 128,205                                                      |
| Graham Vesey  | 2,142,855                | -                       | -         | 128,206        | 2,271,061              | 2,142,855                                                 | 128,206                                                      |
| Roger Aston   | -                        | -                       | -         | -              | -                      | -                                                         | -                                                            |
| Barry Sechos  | -                        | -                       | -         | -              | -                      | -                                                         | -                                                            |
| Glen Richards | -                        | -                       | -         | -              | -                      | -                                                         | -                                                            |
| Ben Herbert   | -                        | -                       | -         | -              | -                      | -                                                         | -                                                            |
| <b>Totals</b> | <b>4,823,210</b>         | <b>-</b>                | <b>-</b>  | <b>256,411</b> | <b>5,079,621</b>       | <b>4,823,210</b>                                          | <b>256,411</b>                                               |

Other changes refers to unlisted options over ordinary shares issued in conjunction with the private placement of August 2014. These options expire 15/08/2015, with an exercise price of \$0.40.

**Shares held by key management personnel**

The number of ordinary shares in the Company during the 2015 reporting period held by each of the Group's key management personnel, including their related parties, is set out below:

| Name                            | Year ended 30 June 2015  |                         |                      |                  |                                         |
|---------------------------------|--------------------------|-------------------------|----------------------|------------------|-----------------------------------------|
|                                 | Balance at start of year | Granted as remuneration | Received on exercise | Purchased        | Held at the end of the reporting period |
| John Martin                     | 6,869,292                | -                       | -                    | 384,616          | 7,253,908                               |
| Graham Vesey                    | 15,495,352               | -                       | -                    | 384,616          | 15,879,968                              |
| Roger Aston                     | -                        | -                       | -                    | 51,179           | 51,179                                  |
| Barry Sechos                    | -                        | -                       | -                    | -                | -                                       |
| Glen Richards                   | -                        | -                       | -                    | 2,333,333        | 2,333,333                               |
| Ben Herbert (Resigned 10/11/14) | 9,009,412                | -                       | -                    | -                | 9,009,412                               |
| <b>Totals</b>                   | <b>31,374,056</b>        | <b>-</b>                | <b>-</b>             | <b>3,153,744</b> | <b>34,527,800</b>                       |

**End of audited remuneration report.**

## 7. 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 in Australia.

## 8. 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 is 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.

## 9. Non-audit services

During the year, Grant Thornton, the Group's auditors, performed certain other services in addition to their statutory audit duties. The Board has considered the non-audit services provided during the year by the auditor and, in accordance with written advice, is satisfied that the provision of those non-audit services during the year is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by the Group to ensure they do not impact upon the impartiality and objectivity of the auditor; and
- The non-audit services do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

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 24 to the Financial Statements.

## 10. 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 16 and forms part of this Directors' report.

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



John Martin

CEO and Executive Director

Dated this day 31 August 2015





Grant Thornton

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W www.grantthornton.com.au

**Auditor's Independence Declaration  
To the Directors of Regeneus Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Regeneus Limited for the year ended 30 June 2015, 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*

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants

*L M Worsley*

L M Worsley  
Partner - Audit & Assurance

Sydney, 31 August 2015

Grant Thornton Audit Pty Ltd ACN 130 913 594  
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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 third edition of the Corporate Governance Principles and Recommendations which was released by the ASX Corporate Governance Council on 27 March 2014 and became effective for financial years beginning on or after 1 July 2014.

The Group's corporate governance statement for the financial year ending 30 June 2015 is dated as at 30 June 2015 and was approved by the Board on 28 August 2015. The corporate governance statement is available on Regeneus' website at:

[regeneus.com.au/investor-centre/corporate-governance](http://regeneus.com.au/investor-centre/corporate-governance)

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

| Consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2015 |      |                    |                    |
|---------------------------------------------------------------------------------------------------------|------|--------------------|--------------------|
|                                                                                                         | Note | 2015<br>\$         | 2014<br>\$         |
| Revenue                                                                                                 | 6    | 2,061,094          | 2,094,643          |
| Cost of sales                                                                                           |      | (915,399)          | (621,498)          |
| <b>Gross profit</b>                                                                                     |      | <b>1,145,695</b>   | <b>1,473,145</b>   |
| Other income                                                                                            | 6    | 3,498,045          | 3,867,666          |
| Research and development expenses                                                                       |      | (4,945,183)        | (5,758,409)        |
| Selling expenses                                                                                        |      | (1,677,794)        | (2,253,138)        |
| Occupancy expenses                                                                                      |      | (757,306)          | (627,913)          |
| Corporate expenses                                                                                      |      | (3,814,532)        | (3,875,367)        |
| Finance costs                                                                                           | 7    | (55,446)           | (349,202)          |
| <b>Loss before income tax</b>                                                                           |      | <b>(6,606,521)</b> | <b>(7,523,218)</b> |
| Income tax benefit                                                                                      | 23   | -                  | -                  |
| <b>Loss for the year</b>                                                                                |      | <b>(6,606,521)</b> | <b>(7,523,218)</b> |
| Other comprehensive (expense) / income                                                                  |      | (1,154)            | 1,154              |
| <b>Total comprehensive loss for the year</b>                                                            |      | <b>(6,607,675)</b> | <b>(7,522,064)</b> |
| <b>Earnings per share</b>                                                                               |      |                    |                    |
| Basic earnings per share                                                                                |      |                    |                    |
| Earnings per share from continuing operations                                                           | 25   | (0.03)             | (0.05)             |
| Diluted earnings per share                                                                              |      |                    |                    |
| Earnings per share from continuing operations                                                           | 25   | (0.03)             | (0.05)             |

| Consolidated statement of financial position as at 30 June 2015 |      |                  |                   |
|-----------------------------------------------------------------|------|------------------|-------------------|
|                                                                 | Note | 2015<br>\$       | 2014<br>\$        |
| <b>Current assets</b>                                           |      |                  |                   |
| Cash and cash equivalents                                       | 8    | 3,012,812        | 2,507,497         |
| Other financial assets                                          | 9    | -                | 127,754           |
| Trade and other receivables                                     | 10   | 66,571           | 134,266           |
| Inventories                                                     | 11   | 98,975           | 205,709           |
| Current tax assets                                              | 12   | 3,417,566        | 3,730,576         |
| Other current assets                                            | 13   | 532,458          | 383,472           |
| <b>Total current assets</b>                                     |      | <b>7,128,382</b> | <b>7,089,274</b>  |
| <b>Non-current assets</b>                                       |      |                  |                   |
| Property, plant and equipment                                   | 14   | 891,883          | 1,361,529         |
| Intangible assets                                               | 15   | 26,110           | 30,001            |
| Other non-current assets                                        | 16   | 1,532,886        | 1,778,250         |
| <b>Total non-current assets</b>                                 |      | <b>2,450,879</b> | <b>3,169,780</b>  |
| <b>Total assets</b>                                             |      | <b>9,579,261</b> | <b>10,259,054</b> |
| <b>Current liabilities</b>                                      |      |                  |                   |
| Trade and other payables                                        | 17   | 781,101          | 921,004           |
| Provisions                                                      | 18   | 109,868          | 167,751           |
| Other current liabilities                                       | 19   | 368,570          | 608,900           |
| <b>Total current liabilities</b>                                |      | <b>1,259,539</b> | <b>1,697,655</b>  |
| <b>Non-current liabilities</b>                                  |      |                  |                   |
| Provisions                                                      | 18   | 47,588           | -                 |
| Other non-current liabilities                                   | 19   | -                | 253,371           |
| <b>Total non-current liabilities</b>                            |      | <b>47,588</b>    | <b>253,371</b>    |
| <b>Total liabilities</b>                                        |      | <b>1,307,127</b> | <b>1,951,026</b>  |
| <b>Net assets / (net liabilities)</b>                           |      | <b>8,272,134</b> | <b>8,308,028</b>  |
| <b>Equity</b>                                                   |      |                  |                   |
| Issued capital                                                  | 20.1 | 31,076,819       | 24,908,920        |
| Retained earnings / (accumulated losses)                        |      | (25,295,813)     | (18,792,423)      |
| Reserves                                                        | 20.2 | 2,491,128        | 2,191,531         |
| <b>Total equity</b>                                             |      | <b>8,272,134</b> | <b>8,308,028</b>  |

| For year ended 30 June 2015                                       |                     |                            |                         |                                            |                                           |                    |
|-------------------------------------------------------------------|---------------------|----------------------------|-------------------------|--------------------------------------------|-------------------------------------------|--------------------|
|                                                                   | Share capital<br>\$ | Share option reserve<br>\$ | Retained earnings<br>\$ | Foreign currency translation reserve<br>\$ | Total attributable to parent owners<br>\$ | Total equity<br>\$ |
| <b>Balance at 1 July 2013</b>                                     | <b>6,651,935</b>    | <b>1,748,445</b>           | <b>(11,269,205)</b>     | <b>-</b>                                   | <b>(2,868,825)</b>                        | <b>(2,868,825)</b> |
| Reported loss for the year                                        | -                   | -                          | (7,523,218)             | -                                          | (7,523,218)                               | (7,523,218)        |
| Reported other comprehensive income (expense)                     | -                   | -                          | -                       | 1,154                                      | 1,154                                     | 1,154              |
| Employee share-based payment option expense                       | -                   | 1,647,792                  | -                       | -                                          | 1,647,792                                 | 1,647,792          |
| Shares issued on exercise of options                              | 1,650,438           | -                          | -                       | -                                          | 1,650,438                                 | 1,650,438          |
| Transfer to share capital for options exercised                   | 1,205,860           | (1,205,860)                | -                       | -                                          | -                                         | -                  |
| Issue of share capital - net of transaction costs                 | 15,400,687          | -                          | -                       | -                                          | 15,400,687                                | 15,400,687         |
| Transfer from reserves to retained earnings for options forfeited | -                   | -                          | -                       | -                                          | -                                         | -                  |
| <b>Balance at 30 June 2014</b>                                    | <b>24,908,920</b>   | <b>2,190,377</b>           | <b>(18,792,423)</b>     | <b>1,154</b>                               | <b>8,308,028</b>                          | <b>8,308,028</b>   |
| <b>Balance at 1 July 2014</b>                                     | <b>24,908,920</b>   | <b>2,190,377</b>           | <b>(18,792,423)</b>     | <b>1,154</b>                               | <b>8,308,028</b>                          | <b>8,308,028</b>   |
| Reported loss for the year                                        | -                   | -                          | (6,606,521)             | -                                          | (6,606,521)                               | (6,606,521)        |
| Reported other comprehensive income (expense)                     | -                   | -                          | -                       | (1,154)                                    | (1,154)                                   | (1,154)            |
| Employee share-based payment option expense                       | -                   | 403,882                    | -                       | -                                          | 403,882                                   | 403,882            |
| Shares issued on exercise of options                              | -                   | -                          | -                       | -                                          | -                                         | -                  |
| Transfer to share capital for options exercised                   | -                   | -                          | -                       | -                                          | -                                         | -                  |
| Issue of share capital - net of transaction costs                 | 6,167,899           | -                          | -                       | -                                          | 6,167,899                                 | 6,167,899          |
| Transfer from reserves to retained earnings for options forfeited | -                   | (103,131)                  | 103,131                 | -                                          | -                                         | -                  |
| <b>Balance at 30 June 2015</b>                                    | <b>31,076,819</b>   | <b>2,491,128</b>           | <b>(25,295,813)</b>     | <b>-</b>                                   | <b>8,272,134</b>                          | <b>8,272,134</b>   |

| For year ended 30 June 2015                                |           |                    |                    |
|------------------------------------------------------------|-----------|--------------------|--------------------|
|                                                            | Note      | 2015<br>\$         | 2014<br>\$         |
| <b>Operating activities</b>                                |           |                    |                    |
| Receipts from customers                                    |           | 2,070,083          | 1,984,467          |
| Payments to suppliers and employees                        |           | (11,902,514)       | (10,803,142)       |
| Interest received                                          |           | 153,465            | 127,151            |
| Other income                                               |           | 80,479             | 137,090            |
| R&D tax refund                                             |           | 3,730,576          | 2,327,288          |
| Finance costs                                              |           | (55,446)           | (12,105)           |
| <b>Net cash (used in) operating activities</b>             | <b>26</b> | <b>(5,923,357)</b> | <b>(6,239,251)</b> |
| <b>Investing activities</b>                                |           |                    |                    |
| Investment in short term deposit                           |           | 127,754            | (4,828)            |
| Purchase of property, plant and equipment                  |           | (193,017)          | (1,174,695)        |
| Receipts from sale of property, plant and equipment        |           | 8,237              | -                  |
| Purchase of intangibles                                    |           | (14,841)           | (1,180)            |
| Deposits                                                   |           | 332,640            | (692,640)          |
| <b>Net cash provided by (used in) investing activities</b> |           | <b>260,773</b>     | <b>(1,873,343)</b> |
| <b>Financing activities</b>                                |           |                    |                    |
| Proceeds from issue of shares                              |           | 6,167,899          | 10,209,433         |
| <b>Net cash provided by financing activities</b>           |           | <b>6,167,899</b>   | <b>10,209,433</b>  |
| Net change in cash and cash equivalents held               |           | 505,315            | 2,096,839          |
| Cash and cash equivalents at beginning of financial year   |           | 2,507,497          | 410,658            |
| <b>Cash and cash equivalents at end of financial year</b>  | <b>8</b>  | <b>3,012,812</b>   | <b>2,507,497</b>   |

## 1. Nature of operations

Regeneus is a Sydney-based ASX listed clinical-stage regenerative medicine company that develops innovative cell-based therapies for human and animal health markets, with a focus on osteoarthritis and musculoskeletal disorders as well as oncology and dermatology diseases. The portfolio of therapeutic products is being developed using the Company's proprietary stem cell and immuno-oncology technology platforms.

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 the 30 June 2015, Regeneus is a Public Group, incorporated and domiciled in Australia.

The address of its registered office and its principal place of business is 25 Bridge St., Pymble, NSW 2073, 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 2015 were approved and authorised for issue by the Board of Directors on 28 August 2015.

### 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.

### Adoption of new and revised accounting standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current annual reporting period.

Significant effects on current, prior or future periods arising from the first-time application of the standards discussed above in respect of presentation, recognition and measurement of accounts are described in the following notes.

### New and revised standards that are effective for these financial statements

A number of new and revised standards are effective for annual periods beginning on or after 1 July 2014. Information on these new standards is presented below.

#### AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities

AASB 2012-3 adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.

AASB 2012-3 is applicable to annual reporting periods beginning on or after 1 January 2014.

The adoption of these amendments has not had a material impact on the Group as the amendments merely clarify the existing requirements in AASB 132.

#### AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets

These narrow-scope amendments address disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

When developing IFRS 13 Fair Value Measurement, the IASB decided to amend IAS 36 Impairment of Assets to require disclosures about the recoverable amount of impaired assets.

The IASB noticed however that some of the amendments made in introducing those requirements resulted in the requirement being more broadly applicable than the IASB had intended. These amendments to IAS 36 therefore clarify the IASB's original intention that the scope of those disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal.

AASB 2013-3 makes the equivalent amendments to AASB 136 Impairment of Assets and is applicable to annual reporting periods beginning on or after 1 January 2014.

The adoption of these amendments has not had a material impact on the Group as they are largely of the nature of clarification of existing requirements.



#### AASB 2013-5 Amendments to Australian Accounting Standards – Investment Entities

The amendments in AASB 2013-5 provide an exception to consolidation to investment entities and require them to measure unconsolidated subsidiaries at fair value through profit or loss in accordance with AASB 9 Financial Instruments (or AASB 139 Financial Instruments: Recognition and Measurement where AASB 9 has not yet been adopted). The amendments also introduce new disclosure requirements for investment entities that have subsidiaries.

These amendments apply to investment entities, whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. Examples of entities which might qualify as investment entities would include Australian superannuation entities, listed investment companies, pooled investment trusts and Federal, State and Territory fund management authorities.

AASB 2013-5 is applicable to annual reporting periods beginning on or after 1 January 2014.

This Standard has not had any impact on the Group as it does not meet the definition of an 'investment entity' in order to apply this consolidation exception.

#### AASB 2014-1 Amendments to Australian Accounting Standards (Part A: Annual Improvements 2010-2012 and 2011-2013 Cycles)

Part A of AASB 2014-1 makes amendments to various Australian Accounting Standards arising from the issuance by the IASB of International Financial Reporting Standards Annual Improvements to IFRSs 2010-2012 Cycle and Annual Improvements to IFRSs 2011-2013 Cycle.

Among other improvements, the amendments arising from Annual Improvements to IFRSs 2010-2012 Cycle:

- Clarify that the definition of a 'related party' includes a management entity that provides key management personnel services to the reporting entity (either directly or through a group entity);
- Amend AASB 8 Operating Segments to explicitly require the disclosure of judgements made by management in applying the aggregation criteria;

Among other improvements, the amendments arising from Annual Improvements to IFRSs 2011-2013 Cycle clarify that an entity should assess whether an acquired property is an investment property under AASB 140 Investment Property and perform a separate assessment under AASB 3 Business Combinations to determine whether the acquisition of the investment property constitutes a business combination.

Part A of AASB 2014-1 is applicable to annual reporting periods beginning on or after 1 July 2014.

The adoption of these amendments has not had a material impact on the Group as they are largely of the nature of clarification of existing requirements.

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

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Group. Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

#### AASB 9 Financial Instruments (applicable for annual reporting periods beginning on or after 1 January 2018)

The standard introduces new requirements for the classification and measurement of financial assets and liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.

The main changes are:

- a. Financial assets that are debt instruments will be classified based on:
  - i. The objective of the Group's business model for managing the financial assets; and
  - ii. The characteristics of the contractual cash flows.
- b. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.
- c. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:

- a. The change attributable to changes in credit risk are presented in other comprehensive income (OCI); and
- b. The remaining change is presented in profit or loss.

If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

Otherwise, the following requirements have been carried forward unchanged from AASB 139 into AASB 9:

- a. Classification and measurement of financial liabilities; and
- b. De-recognition requirements for financial assets and liabilities.

AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that will enable entities to better reflect their risk management activities in the financial statements.

Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and applies to all financial instruments that are subject to impairment accounting. The Group is yet to undertake a detailed assessment of the impact of AASB 9. However, based on the Group's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.

#### AASB 15 Revenue from Contracts with Customers

AASB 15:

- Replaces AASB 118 Revenue, AASB 111 Construction Contracts and some revenue-related Interpretations;
- Establishes a new revenue recognition model;
- Changes the basis for deciding whether revenue is to be recognised over time or at a point in time;
- Provides new and more detailed guidance on specific topics (e.g., multiple element arrangements, variable pricing, rights of return, warranties and licensing);
- Expands and improves disclosures about revenue;

The Group is yet to undertake a detailed assessment of the impact of AASB 15. However, based on the Group's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2018.

#### AASB 2014-1 Amendments to Australian Accounting Standards (Part E: Financial Instruments)

Part E of AASB 2014-1 makes amendments to Australian Accounting Standards to reflect the AASB's decision to defer the mandatory application date of AASB 9 Financial Instruments to annual reporting periods beginning on or after 1 January 2018. Part E also makes amendments to numerous Australian Accounting Standards as a consequence of the introduction of Chapter 6 Hedge Accounting into AASB 9 and to amend reduced disclosure requirements for AASB 7 Financial Instruments: Disclosures and AASB 101 Presentation of Financial Statements.

When these amendments are first adopted for the year ending 30 June 2016, there will be no material impact on the Group.

#### AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to AASB 116 prohibit the use of a revenue-based depreciation method for property, plant and equipment. Additionally, the amendments provide guidance in the application of the diminishing balance method for property, plant and equipment.

The amendments to AASB 138 present a rebuttable presumption that a revenue-based amortisation method for intangible assets is inappropriate. This rebuttable presumption can be overcome (i.e., a revenue-based amortisation method might be appropriate) only in two (2) limited circumstances:

- The intangible asset is expressed as a measure of revenue, for example when the predominant limiting factor inherent in an intangible asset is the achievement of a revenue threshold (for instance, the right to operate a toll road could be based on a fixed total amount of revenue to be generated from cumulative tolls charged); or
- When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

#### AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101

The amendments:

- Clarify the materiality requirements in AASB 101, including an emphasis on the potentially detrimental effect of obscuring useful information with immaterial information;
- Clarify that AASB 101's specified line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position can be disaggregated;
- Add requirements for how an entity should present subtotals in the statement(s) of profit and loss and other comprehensive income and the statement of financial position;
- Clarify that entities have flexibility as to the order in which they present the notes, but also emphasise that understandability and comparability should be considered by an entity when deciding that order;
- Remove potentially unhelpful guidance in IAS 1 for identifying a significant accounting policy.

When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the financial statements.

#### AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality

The Standard completes the AASB's project to remove Australian guidance on materiality from Australian Accounting Standards. When this Standard is first adopted for the year ending 30 June 2016, there will be no impact on the financial statements. The Group does not anticipate the early adoption of any of the above Australian Accounting Standards.

### 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 accounting policies below.

##### a. Basis of consolidation

A controlled entity is any entity that Regeneus has the power to control the financial and operating policies of the entity so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

A list of controlled entities is contained in Note 4 to the financial statements. All controlled entities have a June financial year end.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. All inter-Group balances and transactions between entities in the Group have been eliminated on consolidation.

##### 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. In previous periods the Group reported segments of Human Health and Veterinary Health. This segregation of information provided no benefit to the CODM. 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 Group incurred a loss after income tax of \$6,606,521 (2014: \$7,523,218), had net cash outflows from operating activities of \$5,923,357 (2014: \$6,239,251) for the year ended 30 June 2015 and has accumulated losses of \$25,295,813 as at 30 June 2015 (2014: \$18,792,423). Notwithstanding the losses incurred and negative operating cash flows, 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. As at 30 June 2015 Regeneus had positive net assets.

The Directors have a number of strategies in progress to maintain the Group in a positive cash flow position including; product licensing, raising additional capital, including issuance of securities, which along with the R&D rebate ensures available funds for ongoing operations.

Should the above transactions or assumptions not materialise, there is material uncertainty whether the consolidated entity will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in these financial statements.

##### d. Comparative figures

When required by accounting standards, comparative figures have been adjusted to conform to changes in the presentation for the current financial year.

##### e. 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.

##### f. Income tax

The income tax expense (revenue) 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.

#### g. Inventories

Inventories are measured at the lower of cost and net realisable value. The average cost method has been used to value inventory. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

#### h. 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.

#### i. Depreciation

The depreciable amount of fixed assets are depreciated on either a straight line or reducing balance basis 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         | 20%                   |
| Leasehold improvements straight line | 20%                   |

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.

#### j. 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 these criteria are expensed.



**k. 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).

**l. Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to entities in the Group are classified as finance leases. Finance 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.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight line basis over the life of the lease term.

**m. 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.

**n. Financial instruments**

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

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.

Financial assets and financial liabilities are measured initially at fair value adjusted by transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

Financial assets and financial liabilities are measured subsequently as described.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counter-party will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counter-party and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counter-play default rates for each identified group.

**Financial liabilities**

The Group's financial liabilities include trade and other payables, and finance lease obligations.

Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through profit or loss, that are carried subsequently at fair value with gains or losses recognised in profit or loss.

**o. 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;
- Retained earnings/(Accumulated losses) include all current and prior period retained profits/(losses).

**p. Post employment benefits and short term employee benefits**

The Group pays fixed contributions into independent entities in relation to several plans.

The Group has no legal or constructive obligations to pay contributions in addition to fixed contributions, which are recognised as an expense in the period that the relevant employee services are received.

Short term employee benefits, including annual leave entitlement, are current liabilities included in employee benefits, measured at the undiscounted amount that the Group expects to pay as a result of the unused entitlement. All amounts are expected to be settled within 1 year.

**q. Non current liabilities - provisions**

The Group's liabilities for long service leave are included in non-current liabilities - provisions, 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.

**r. Share-based employee remuneration**

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

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the equity instruments granted.

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.

**s. Revenue**

Revenue is recognised when it is probable that economic benefits associated with the transaction will flow to the Consolidated Group. Revenue is measured at the fair value of the consideration received or receivable. Licence fee revenue is recognised on a straight line basis over the period that the licence covers.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Revenue relating to the provision of services is recognised when the services are provided.

Interest revenue is recognised using the effective interest rate method.

All revenue is stated net of the amount of goods and services tax (GST).

**t. Government grant**

The Group recognises an unconditional government grant, the Export Market Development Grant (EMDG).

The EMDG is an annual application-based grant that reimburses the Group for applicable expenses incurred in developing export markets. The EMDG is a 'capped' grant scheme, with applications scaled back depending on funds available. In accord with the uncertainty, the grant income is recognised as Other income when received.

**u. 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.

**v. Research and development**

Expenditure during the research phase of a project is recognised as an expense when incurred. The research and development tax 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 tax asset.

**w. Operating expenses**

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin. Expenditure for warranties is recognised and charged against the associated provision when the related revenue is recognised.

**x. Significant management judgements and estimates in applying accounting policies**

The Directors evaluate estimates and judgements 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 judgements, 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 over the page. Actual results may be substantially different.

**Useful lives of depreciable assets**

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and IT equipment.

**Inventories**

Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date.

**Share options and performance rights**

Share options were valued using a variation of the binomial option 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.



## 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 2015                            | 30 June 2014 |
| Regeneus Animal Health Pty Ltd                                        | Australia - 25 Bridge Street, Pymble NSW 2073          | Non trading                   | 100%                                    | 100%         |
| Cell Ideas Pty Ltd                                                    | Australia - 25 Bridge Street, Pymble NSW 2073          | Non trading - owns various IP | 100%                                    | 100%         |
| Regeneus South East Asia Pte Ltd - incorporated on 24th February 2014 | Singapore - 4 Sussex Gardens, Singapore                | No longer trading             | 100%                                    | 100%         |

## 5. Segment reporting

### Identification of reportable income segments

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 a reassessment 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. Comparative information has been restated in line with the current operating segment.

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

|                             | 2015<br>\$       | 2014<br>\$       |
|-----------------------------|------------------|------------------|
| <b>Operating activities</b> |                  |                  |
| Licence fee income          | 900,000          | 904,000          |
| Income from sale of goods   | 920,353          | 998,036          |
| Interest received           | 240,741          | 192,607          |
| <b>Total revenue</b>        | <b>2,061,094</b> | <b>2,094,643</b> |
| <b>Other income</b>         |                  |                  |
| Grant income                | 80,479           | 100,841          |
| R&D tax incentive           | 3,417,566        | 3,730,576        |
| Other income                | -                | 36,249           |
| <b>Total other income</b>   | <b>3,498,045</b> | <b>3,867,666</b> |

## 7. Results for the year

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

|                                                            | 2015<br>\$    | 2014<br>\$     |
|------------------------------------------------------------|---------------|----------------|
| <b>a. Expenses</b>                                         |               |                |
| Cost of sales                                              | 915,399       | 621,498        |
| Rental expense on operating leases - minimum lease payment | 621,987       | 247,911        |
| Amortisation of intangible assets                          | 18,732        | 15,855         |
| Depreciation                                               | 385,983       | 317,821        |
| Loss on disposal of assets                                 | 270,468       | 103,908        |
| Employment expenses (excludes share-based payment)         | 4,737,554     | 4,231,394      |
| Superannuation expense                                     | 357,278       | 401,210        |
| Share-based payments                                       | 403,882       | 1,647,792      |
| Write-off of inventories                                   | -             | 2,956          |
| <b>b. Finance costs</b>                                    |               |                |
| - Interest expense                                         | 22,397        | 342,305        |
| - Bank charges                                             | 33,049        | 6,897          |
| <b>Total finance costs</b>                                 | <b>55,446</b> | <b>349,202</b> |

## 8. Cash and cash equivalents

Cash and cash equivalents include the following components:

|                                        | 2015<br>\$       | 2014<br>\$       |
|----------------------------------------|------------------|------------------|
| Cash on hand                           | 163              | 500              |
| Cash at bank (AUD account)             | 3,011,862        | 2,482,160        |
| Cash at bank (SGD account)             | 787              | 24,837           |
| <b>Total cash and cash equivalents</b> | <b>3,012,812</b> | <b>2,507,497</b> |

## 9. Other financial assets

|                                     | 2015<br>\$ | 2014<br>\$     |
|-------------------------------------|------------|----------------|
| Term deposits                       | -          | 127,754        |
| <b>Total other financial assets</b> | <b>-</b>   | <b>127,754</b> |

## 10. Trade and other receivables

Trade and other receivables consist of the following:

|                                          | 2015<br>\$    | 2014<br>\$     |
|------------------------------------------|---------------|----------------|
| Trade receivables                        | 66,571        | 134,266        |
| <b>Total trade and other receivables</b> | <b>66,571</b> | <b>134,266</b> |

All amounts are short term. The net carrying value of trade receivables is considered a reasonable approximation of fair value. All of the Group's trade and other receivables have been reviewed for indicators of impairment of which none were noted.

## 11. Inventories

Inventories consist of the following:

|                                       | 2015<br>\$    | 2014<br>\$     |
|---------------------------------------|---------------|----------------|
| Raw materials and consumables at cost | 144,975       | 205,709        |
| Less: Provisions                      | (46,000)      | -              |
| <b>Total inventories</b>              | <b>98,975</b> | <b>205,709</b> |

## 12. Current tax asset

|                                | 2015<br>\$       | 2014<br>\$       |
|--------------------------------|------------------|------------------|
| <b>Current</b>                 |                  |                  |
| R&D tax refund receivable      | 3,417,566        | 3,730,576        |
| <b>Total current tax asset</b> | <b>3,417,566</b> | <b>3,730,576</b> |

## 13. Other current assets

|                                   | 2015<br>\$     | 2014<br>\$     |
|-----------------------------------|----------------|----------------|
| <b>Other current assets</b>       |                |                |
| Prepayments                       | 71,970         | 137,702        |
| Security deposits                 | 368,743        | 150,000        |
| GST receivable                    | 77,937         | 95,770         |
| Other receivables                 | 13,808         | -              |
| <b>Total other current assets</b> | <b>532,458</b> | <b>383,472</b> |

## 14. Plant and equipment

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

|                                     | Office<br>equipment<br>\$ | Lab<br>equipment<br>\$ | Leasehold<br>improve-<br>ments<br>\$ | Equipment in<br>clinics<br>\$ | Office<br>fitout<br>\$ | Total<br>\$      |
|-------------------------------------|---------------------------|------------------------|--------------------------------------|-------------------------------|------------------------|------------------|
| <b>Gross carrying amount</b>        |                           |                        |                                      |                               |                        |                  |
| Balance 1 July 2014                 | 204,176                   | 415,509                | -                                    | 317,852                       | 972,265                | 1,909,802        |
| Additions                           | 17,477                    | 36,326                 | -                                    | 13,825                        | 125,389                | 193,017          |
| Disposals                           | (113,602)                 | (98,956)               | -                                    | (225,535)                     | (125,389)              | (563,482)        |
| <b>Balance 30 June 2015</b>         | <b>108,051</b>            | <b>352,879</b>         | <b>-</b>                             | <b>106,142</b>                | <b>972,265</b>         | <b>1,539,337</b> |
| <b>Depreciation and impairment</b>  |                           |                        |                                      |                               |                        |                  |
| Balance 1 July 2014                 | (116,537)                 | (228,344)              | -                                    | (109,302)                     | (94,090)               | (548,273)        |
| Disposals                           | 83,121                    | 67,397                 | -                                    | 136,284                       | -                      | 286,802          |
| Depreciation                        | (37,594)                  | (78,711)               | -                                    | (81,498)                      | (188,180)              | (385,983)        |
| <b>Balance 30 June 2015</b>         | <b>(71,010)</b>           | <b>(239,658)</b>       | <b>-</b>                             | <b>(54,516)</b>               | <b>(282,270)</b>       | <b>(647,454)</b> |
| <b>Carrying amount 30 June 2015</b> | <b>37,041</b>             | <b>113,221</b>         | <b>-</b>                             | <b>51,626</b>                 | <b>689,995</b>         | <b>891,883</b>   |

|                                     |                  |                  |           |                  |                 |                  |
|-------------------------------------|------------------|------------------|-----------|------------------|-----------------|------------------|
| <b>Gross carrying amount</b>        |                  |                  |           |                  |                 |                  |
| Balance 1 July 2013                 | 175,035          | 376,902          | 213,018   | 188,716          | -               | 953,671          |
| Additions                           | 29,141           | 47,275           | -         | 132,459          | 972,265         | 1,181,140        |
| Disposals                           | -                | (8,668)          | (213,018) | (3,323)          | -               | (225,009)        |
| <b>Balance 30 June 2014</b>         | <b>204,176</b>   | <b>415,509</b>   | <b>-</b>  | <b>317,852</b>   | <b>972,265</b>  | <b>1,909,802</b> |
| <b>Depreciation and impairment</b>  |                  |                  |           |                  |                 |                  |
| Balance 1 July 2013                 | (79,217)         | (147,534)        | (77,481)  | (40,876)         | -               | (345,108)        |
| Disposals                           | -                | 8,199            | 105,882   | 575              | -               | 114,656          |
| Depreciation                        | (37,320)         | (89,009)         | (28,401)  | (69,001)         | (94,090)        | (317,821)        |
| <b>Balance 30 June 2014</b>         | <b>(116,537)</b> | <b>(228,344)</b> | <b>-</b>  | <b>(109,302)</b> | <b>(94,090)</b> | <b>(548,273)</b> |
| <b>Carrying amount 30 June 2014</b> | <b>87,639</b>    | <b>187,165</b>   | <b>-</b>  | <b>208,550</b>   | <b>878,175</b>  | <b>1,361,529</b> |

The Company has an option to acquire the fit-out premises at the end of the finance lease in January 2016 for \$150,000.

## 15. Intangible assets

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

|                                     | Acquired software licenses \$ | Total \$        |
|-------------------------------------|-------------------------------|-----------------|
| <b>Gross carrying amount</b>        |                               |                 |
| Balance at 1 July 2014              | 67,720                        | 67,720          |
| Addition, separately acquired       | 14,841                        | 14,841          |
| <b>Balance at 30 June 2015</b>      | <b>82,561</b>                 | <b>82,561</b>   |
| <b>Amortisation and impairment</b>  |                               |                 |
| Balance at 1 July 2014              | (37,719)                      | (37,719)        |
| Amortisation                        | (18,732)                      | (18,732)        |
| <b>Balance at 30 June 2015</b>      | <b>(56,451)</b>               | <b>(56,451)</b> |
| <b>Carrying amount 30 June 2015</b> | <b>26,110</b>                 | <b>26,110</b>   |
| <b>Gross carrying amount</b>        |                               |                 |
| Balance at 1 July 2013              | 66,541                        | 66,541          |
| Addition, separately acquired       | 1,179                         | 1,179           |
| <b>Balance at 30 June 2014</b>      | <b>67,720</b>                 | <b>67,720</b>   |
| <b>Amortisation and impairment</b>  |                               |                 |
| Balance at 1 July 2013              | (21,864)                      | (21,864)        |
| Amortisation                        | (15,855)                      | (15,855)        |
| <b>Balance at 30 June 2014</b>      | <b>(37,719)</b>               | <b>(37,719)</b> |
| <b>Carrying amount 30 June 2014</b> | <b>30,001</b>                 | <b>30,001</b>   |

## 16. Other non-current assets

|                                       | 2015 \$          | 2014 \$          |
|---------------------------------------|------------------|------------------|
| <b>Non-current</b>                    |                  |                  |
| Shareholder loan                      | 1,322,031        | 1,234,755        |
| Security deposits                     | 210,000          | 542,640          |
| Other non-current assets              | 855              | 855              |
| <b>Total other non-current assets</b> | <b>1,532,886</b> | <b>1,778,250</b> |

The shareholder loan is a full recourse, interest free, loan for 4 years, maturing July 2017.

Included within the loan are balances owing by the Directors as follows:

|              | 2015 \$ | 2014 \$ |
|--------------|---------|---------|
| John Martin  | 295,925 | 295,925 |
| Graham Vesey | 150,552 | 150,552 |

## 17. Trade and other payables

Trade and other payables consists of the following:

|                                       | 2015 \$        | 2014 \$        |
|---------------------------------------|----------------|----------------|
| <b>Current</b>                        |                |                |
| Trade payables                        | 453,349        | 434,844        |
| Amounts payable to related parties    | -              | 10,548         |
| Accruals                              | 256,096        | 279,983        |
| PAYG payable                          | 71,656         | 93,919         |
| Superannuation payable                | -              | 101,710        |
| <b>Total trade and other payables</b> | <b>781,101</b> | <b>921,004</b> |

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

### 17.1 Foreign currency risk

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

|           | 2015 \$ | 2014 \$ |
|-----------|---------|---------|
| US dollar | 67,878  | 7,325   |
| GBP       | 13,412  | 2,047   |
| Yen       | -       | 20,874  |

## 18. Provisions

|                              | 2015<br>\$     | 2014<br>\$     |
|------------------------------|----------------|----------------|
| <b>Current: Annual leave</b> |                |                |
| Opening balance 1 July       | 167,751        | 149,801        |
| Benefits accrued (expensed)  | (57,883)       | 17,950         |
| <b>Balance as at 30 June</b> | <b>109,868</b> | <b>167,751</b> |

|                                        | 2015<br>\$    | 2014<br>\$ |
|----------------------------------------|---------------|------------|
| <b>Non-current: Long service leave</b> |               |            |
| Opening balance 1 July                 | -             | -          |
| Benefits accrued                       | 47,588        | -          |
| <b>Balance as at 30 June</b>           | <b>47,588</b> | <b>-</b>   |

## 19. Other liabilities

|                                            | 2015<br>\$     | 2014<br>\$     |
|--------------------------------------------|----------------|----------------|
| <b>Current</b>                             |                |                |
| Deferred income                            | 115,200        | 120,000        |
| Lease liability                            | 253,370        | 488,900        |
| <b>Total other current liabilities</b>     | <b>368,570</b> | <b>608,900</b> |
| <b>Non-current</b>                         |                |                |
| Lease liability                            | -              | 253,371        |
| <b>Total other non-current liabilities</b> | <b>-</b>       | <b>253,371</b> |

## 20. Equity

### 20.1 Share capital

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

|                                               | 2015 shares        | 2014 shares        | 2015<br>\$        | 2014<br>\$        |
|-----------------------------------------------|--------------------|--------------------|-------------------|-------------------|
| Shares issued and fully paid                  |                    |                    |                   |                   |
| Beginning of the year                         | 184,393,077        | 102,934,566        | 24,908,920        | 6,651,935         |
| Options exercised                             | -                  | 13,268,265         | -                 | 2,856,298         |
| Convertible notes and interest capitalised    | -                  | 25,560,246         | -                 | 5,623,256         |
| Shares issued                                 | 24,492,066         | 42,630,000         | 6,167,899         | 9,777,431         |
| <b>Closing balance at the end of the year</b> | <b>208,885,143</b> | <b>184,393,077</b> | <b>31,076,819</b> | <b>24,908,920</b> |

During 2015, 24,492,066 shares at \$0.26 and 3,846,154 unlisted options at \$0.40 with an expiration date of 15 August 2015, were issued as part of a capital raising program.

During 2014, the following shares were issued:

- 13,268,252 shares to satisfy share options previously granted under the Group's employee share option scheme;
- 42,630,000 shares for cash as part of the IPO;
- 25,560,257 shares for the conversion of all convertible notes and accrued interest at the time of the IPO;

Issue costs of \$200,056 (2014: \$722,569) associated with the issue of shares have been directly paid from the proceeds of the issues. These costs have been deducted from the issued capital in the statement of financial position, rather than charged as an expense of the Group, as they are considered to form part of the net equity raised.

## 20.2 Reserves

The details of reserves are as follows:

|                                                                   | Share option<br>reserve<br>\$ | Foreign currency<br>translation<br>reserve<br>\$ | Total reserves<br>\$ |
|-------------------------------------------------------------------|-------------------------------|--------------------------------------------------|----------------------|
| <b>Balance at 30 June 2013</b>                                    | <b>1,748,445</b>              | <b>-</b>                                         | <b>1,748,445</b>     |
| Share options expense                                             | 1,647,792                     | -                                                | 1,647,792            |
| Options exercised                                                 | (1,205,860)                   | -                                                | (1,205,860)          |
| Transfer from reserves to retained earnings for options forfeited | -                             | -                                                | -                    |
| Foreign currency translation                                      | -                             | 1,154                                            | 1,154                |
| <b>Balance at 30 June 2014</b>                                    | <b>2,190,377</b>              | <b>1,154</b>                                     | <b>2,191,531</b>     |
| Share options expense                                             | 403,882                       | -                                                | 403,882              |
| Options exercised                                                 | -                             | -                                                | -                    |
| Transfer from reserves to retained earnings for options forfeited | (103,131)                     | -                                                | (103,131)            |
| Foreign currency translation                                      | -                             | (1,154)                                          | (1,154)              |
| <b>Balance at 30 June 2015</b>                                    | <b>2,491,128</b>              | <b>-</b>                                         | <b>2,491,128</b>     |

As at 30 June 2015, the foreign currency translation reserve of \$1,154 was reversed. This reversal reflects the winding down of the Singapore entity.

## 21. Employee remuneration

### 21.1 Employee benefits expense

Expenses recognised for employee benefits are analysed below:

| Employee benefits - expense      | 2015<br>\$       | 2014<br>\$       |
|----------------------------------|------------------|------------------|
| Wages, salaries and bonuses      | 4,542,888        | 4,220,359        |
| Superannuation                   | 381,205          | 412,245          |
| Share-based payments             | 403,882          | 1,647,792        |
| <b>Employee benefits expense</b> | <b>5,327,975</b> | <b>6,280,396</b> |

## 21.2 Share-based employee remuneration

As at 30 June 2015 the Group maintained share-based option plans as part of employee remuneration.

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

| Share options                      | Employee share option plan |                              | Option share trust |                                | Total share options |                              |
|------------------------------------|----------------------------|------------------------------|--------------------|--------------------------------|---------------------|------------------------------|
|                                    | Number                     | Weight avg exercise price \$ | Number             | Weighted avg exercise price \$ | Number              | Weight avg exercise price \$ |
| Outstanding at 1 July 2013         | 20,283,007                 | 0.14                         | -                  | -                              | 20,283,007          | 0.14                         |
| Granted                            | -                          | -                            | 8,450,110          | 0.25                           | 8,450,110           | 0.25                         |
| Forfeited                          | -                          | -                            | -                  | -                              | -                   | -                            |
| Exercised                          | (12,740,252)               | 0.12                         | (528,000)          | 0.25                           | (13,268,252)        | 0.12                         |
| <b>Outstanding at 30 June 2014</b> | <b>7,542,755</b>           | <b>0.18</b>                  | <b>7,922,110</b>   | <b>0.25</b>                    | <b>15,464,865</b>   | <b>0.21</b>                  |
| Granted                            | -                          | -                            | 900,000            | 0.16                           | 900,000             | 0.16                         |
| Forfeited                          | (300,000)                  | 0.28                         | (500,000)          | 0.25                           | (800,000)           | 0.26                         |
| Exercised                          | -                          | -                            | -                  | -                              | -                   | -                            |
| <b>Outstanding at 30 June 2015</b> | <b>7,242,755</b>           | <b>0.17</b>                  | <b>8,322,110</b>   | <b>0.24</b>                    | <b>15,564,865</b>   | <b>0.21</b>                  |
| Exercisable at 30 June 2014        | 6,465,745                  | 0.17                         | 4,801,873          | 0.25                           | 11,267,618          | 0.20                         |
| Exercisable at 30 June 2015        | 7,242,755                  | 0.17                         | 7,087,110          | 0.25                           | 14,329,865          | 0.21                         |

The fair value of options granted under the Option share trust was determined using a variation of the binomial option pricing model. The weighted average share price at the date of exercise was \$0.16

Other details of options currently outstanding:

- The range of exercise prices is \$0.006 to \$0.28;
- The weighted average remaining contractual life is 4 years.



The following principal assumptions were used in the valuation:

| Valuation assumptions           |             |             |              |             |              |
|---------------------------------|-------------|-------------|--------------|-------------|--------------|
| Grant date                      | 2 Jun. 2010 | 1 Jul. 2010 | 23 Jul. 2010 | 1 Jan. 2011 | 21 Feb. 2011 |
| Share price at date of grant    | \$0.006     | \$0.136     | \$0.136      | \$0.136     | \$0.136      |
| Volatility                      | 45%         | 45%         | 45%          | 45%         | 45%          |
| Option life                     | 10 years    | 10 years    | 10 years     | 10 years    | 10 years     |
| Dividend yield                  | 0%          | 0%          | 0%           | 0%          | 0%           |
| Risk free investment rate       | 5.3%        | 5.10%       | 5.10%        | 5.60%       | 5.60%        |
| Fair value at grant date        | \$0.004     | \$0.085     | \$0.085      | \$0.086     | \$0.085      |
| Exercise price at date of grant | \$0.006     | \$0.136     | \$0.136      | \$0.136     | \$0.136      |

| Grant date                      | 11 Mar. 2011 | 25 Mar. 2011 | 1 Jul. 2011 | 25 Jul. 2011 | 1 Dec. 2011 |
|---------------------------------|--------------|--------------|-------------|--------------|-------------|
| Share price at date of grant    | \$0.140      | \$0.280      | \$0.280     | \$0.280      | \$0.280     |
| Volatility                      | 45%          | 45%          | 45%         | 45%          | 45%         |
| Option life                     | 10 years     | 10 years     | 10 years    | 10 years     | 10 years    |
| Dividend yield                  | 0%           | 0%           | 0%          | 0%           | 0%          |
| Risk free investment rate       | 5.60%        | 5.30%        | 5.30%       | 5.30%        | 4.50%       |
| Fair value at grant date        | \$0.220      | \$0.160      | \$0.180     | \$0.180      | \$0.170     |
| Exercise price at date of grant | \$0.140      | \$0.280      | \$0.280     | \$0.280      | \$0.280     |

| Grant date                      | 16 Sept. 2013 | 4 Dec. 2013 | 21 Nov. 2014 |
|---------------------------------|---------------|-------------|--------------|
| Share price at date of grant    | \$0.250       | \$0.470     | \$0.160      |
| Volatility                      | 65%           | 65%         | 244%         |
| Option life                     | 5 years       | 5 years     | 5 years      |
| Dividend yield                  | 0%            | 0%          | 0%           |
| Risk free investment rate       | 3.40%         | 3.50%       | 2.80%        |
| Fair value at grant date        | \$0.156       | \$0.327     | \$0.179      |
| Exercise price at date of grant | \$0.250       | \$0.250     | \$0.160      |

In total, \$403,884 (2014:\$1,647,792), 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 in the future.

## 22. Leasing

### 22.1 Operating leases as lessee

In November 2013 the Group entered a 5 year 4 month operating lease for its office and production facilities. The lease payments are secured by a cash deposit of \$210,000. The future minimum lease payments are as follows:

|              | Minimum lease payments due |                 |                     |             |
|--------------|----------------------------|-----------------|---------------------|-------------|
|              | Within 1 year<br>\$        | 1-5 years<br>\$ | After 5 years<br>\$ | Total<br>\$ |
| 30 June 2015 | 249,940                    | 766,559         | -                   | 1,016,499   |
| 30 June 2014 | 321,816                    | 1,474,990       | -                   | 1,796,806   |

### 22.2 Finance lease

The Group entered into a 2 year finance lease for the fit out of the new offices and laboratories. As of 30 June 2015, the net carrying amount of these assets is \$689,995 (2014: \$878,175). The lease liability is secured by a cash deposit of \$330,000.

|                                | Minimum lease payments due |                 |                     |                |
|--------------------------------|----------------------------|-----------------|---------------------|----------------|
|                                | Within 1 year<br>\$        | 1-5 years<br>\$ | After 5 years<br>\$ | Total<br>\$    |
| <b>30 June 2015</b>            |                            |                 |                     |                |
| Lease payments                 | 254,888                    | -               | -                   | 254,888        |
| Finance charges                | (1,517)                    | -               | -                   | (1,517)        |
| <b>Total lease liabilities</b> | <b>253,371</b>             | <b>-</b>        | <b>-</b>            | <b>253,371</b> |
| <b>30 June 2014</b>            |                            |                 |                     |                |
| Lease payments                 | 509,776                    | 254,888         | -                   | 764,664        |
| Finance charges                | (20,876)                   | (1,517)         | -                   | (22,393)       |
| <b>Total lease liabilities</b> | <b>488,900</b>             | <b>253,371</b>  | <b>-</b>            | <b>742,271</b> |

## 23. 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 30% (2014: 30%) and the reported tax expense in profit or loss are as follows:

|                                                                                                 | 2015<br>\$  | 2014<br>\$  |
|-------------------------------------------------------------------------------------------------|-------------|-------------|
| <b>The prima facie tax on loss before income tax is reconciled to the income tax as follows</b> |             |             |
| Prima facie tax receivable on loss before income tax at 30% (2014: 30%)                         | (1,981,956) | (2,256,965) |
| Add:                                                                                            |             |             |
| Tax effect of:                                                                                  |             |             |
| - Research and development incentive                                                            | (1,025,270) | (1,119,173) |
| - Tax losses not brought to account                                                             | 3,013,652   | 3,204,542   |
| - Non-deductible expenses                                                                       | 198,787     | 295,899     |
| - Other non-allowable items                                                                     | (72,071)    | 30,146      |
| Less:                                                                                           |             |             |
| Tax effect of:                                                                                  |             |             |
| Other allowable items                                                                           | (133,143)   | (154,449)   |
| <b>Income tax benefit</b>                                                                       | <b>-</b>    | <b>-</b>    |
| <b>The applicable weighted average effective tax rates are as follows:</b>                      | <b>(0%)</b> | <b>(0%)</b> |

## 24. Auditor's remuneration

|                                                                  | 2015<br>\$     | 2014<br>\$     |
|------------------------------------------------------------------|----------------|----------------|
| <b>Audit and review of financial statements</b>                  |                |                |
| - Auditors of Regeneus Ltd                                       | 89,025         | 81,500         |
| - Auditors of Regeneus South East Asia Pte Ltd <sup>1</sup>      | 5,326          | 4,295          |
| <b>Remuneration for audit and review of financial statements</b> | <b>94,351</b>  | <b>85,795</b>  |
| <b>Other services</b>                                            |                |                |
| Taxation                                                         | -              | 2,634          |
| Corporate Finance                                                | -              | 20,250         |
| Other services                                                   | 1,600          | 3,187          |
| Other services - Regeneus South East Asia Pte Ltd <sup>1</sup>   | 5,457          | -              |
| <b>Total other service remuneration</b>                          | <b>7,057</b>   | <b>26,071</b>  |
| <b>Total auditor's remuneration</b>                              | <b>101,408</b> | <b>111,866</b> |

<sup>1</sup> These fees relate to the auditor services of Regeneus South East Asia Pte Ltd undertaken by Foo Kon Tan LLP (FKT). In respect of 2015 fees, FKT is not affiliated with Grant Thornton Audit Pty Ltd.

## 25. Earnings per share

Both the basic and diluted earnings per share have been calculated using the loss attributable to shareholders of the Parent Company as the numerator (i.e. no adjustments to the loss were necessary in 2015 or 2014).

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:

|                                                                                                | 2015<br>\$  | 2014<br>\$  |
|------------------------------------------------------------------------------------------------|-------------|-------------|
| <b>Earnings per share</b>                                                                      |             |             |
| Basic earnings per share from continuing operations                                            | (0.03)      | (0.05)      |
| The weighted average number of ordinary shares used as the denominator on calculating the EPS  | 204,732,440 | 166,539,157 |
| <b>Diluted earnings per share</b>                                                              |             |             |
| Diluted earnings per share from continuing operations                                          | (0.03)      | (0.05)      |
| The weighted average number of ordinary shares used as the denominator on calculating the DEPS | 204,732,440 | 166,539,157 |

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

## 26. Reconciliation of cash flows from operating activities

| Reconciliation of cash flows from operating activities       | 2015<br>\$         | 2014<br>\$         |
|--------------------------------------------------------------|--------------------|--------------------|
| <b>Cash flows from operating activities</b>                  |                    |                    |
| Loss for the period                                          | (6,606,521)        | (7,523,218)        |
| Non cash adjustments for:                                    |                    |                    |
| • Depreciation                                               | 385,983            | 317,821            |
| • Amortisation                                               | 18,732             | 15,855             |
| • Loss on disposal of plant and equipment                    | 270,468            | 103,908            |
| • Profit on disposal of plant and equipment                  | (2,027)            | -                  |
| • Equity settled share based transactions                    | 403,884            | 1,647,792          |
| • Non cash interest on finance leases                        | -                  | 19,079             |
| • Convertible note interest and interest on shareholder loan | -                  | 318,018            |
| • Unwinding of shareholder loan                              | (87,276)           | (65,455)           |
| • Employee expense in relation to shareholder loan           | -                  | 131,491            |
| • Unrealised foreign exchange movement                       | (1,154)            | 1,154              |
| Net changes in working capital:                              |                    |                    |
| • Change in inventories                                      | 106,734            | 25,348             |
| • Change in trade and other receivables                      | 67,695             | (107,690)          |
| • Change in other assets                                     | (148,986)          | 17,362             |
| • Change in trade and other payables                         | (15,930)           | (243,462)          |
| • Change in other employee obligations                       | (123,973)          | (24,128)           |
| • Change in tax assets                                       | 313,010            | (1,403,288)        |
| • Change in accrued liabilities                              | (493,701)          | 512,212            |
| • Change in provisions                                       | (10,295)           | 17,950             |
| <b>Net cash outflow from operating activities</b>            | <b>(5,923,357)</b> | <b>(6,239,251)</b> |

## 27. Related party transactions

During the period the Group used consulting services of companies in which a Director has a shareholding.

|                                                                             | 2015<br>\$    | 2014<br>\$     |
|-----------------------------------------------------------------------------|---------------|----------------|
| Channel Group Pty Ltd<br>Marketing and consulting services<br>(John Martin) | 11,375        | 135,010        |
| <b>Total paid to related parties</b>                                        | <b>11,375</b> | <b>135,010</b> |

## 28. Transactions with key management personnel

Key management personnel remuneration includes the following expenses:

|                                           | 2015<br>\$       | 2014<br>\$       |
|-------------------------------------------|------------------|------------------|
| Salaries                                  | 734,990          | 769,803          |
| Bonuses                                   | 290,000          | 228,067          |
| Back pay of Directors fees                | -                | 232,137          |
| <b>Total short term employee benefits</b> | <b>1,024,990</b> | <b>1,230,007</b> |
| Defined contribution pension plans        | 58,939           | 82,290           |
| Other long term benefits                  | 2,719            | 14,928           |
| Share based payments                      | 124,648          | 550,206          |
| <b>Total remuneration</b>                 | <b>1,211,296</b> | <b>1,877,431</b> |

During the year, no options were exercised. In 2014, options were exercised with a total exercise price of \$446K.

## 29. Contingent liabilities

The Group had no contingent liabilities as at 30 June 2015 (30 June 2014: \$Nil).

## 30. Capital expenditure commitments

There were no capital commitments as at the 30 June 2015 (30 June 2014: \$Nil).

## 31. Financial instruments

### a. Capital risk management

The Group's financial instruments consist mainly of deposits with banks, accounts receivable, accounts payable and financial liabilities.

### b. Categories of financial instruments

The total for each category of financial instrument, measured in accordance with AASB139 as detailed in the accounting policies to these financial statement, are as follows:

| Financial assets              | 2015<br>\$       | 2014<br>\$       |
|-------------------------------|------------------|------------------|
| Trade and other receivables   | 66,571           | 134,266          |
| Cash and cash equivalents     | 3,012,812        | 2,507,497        |
| Term deposit                  | -                | 127,754          |
| <b>Total financial assets</b> | <b>3,079,383</b> | <b>2,769,517</b> |

| Financial liabilities              | 2015<br>\$     | 2014<br>\$     |
|------------------------------------|----------------|----------------|
| Trade and other payables           | 781,101        | 921,004        |
| <b>Total financial liabilities</b> | <b>781,101</b> | <b>921,004</b> |

### c. Financial risk management objectives

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

The Group's risk management is coordinated in close 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. Exposure to currency risk arising from foreign currency transactions is limited to trade payables. The Group does not frequently transact with foreign suppliers and the total balance of trade payables denominated in a foreign currency is not material, therefore the Group's exposure is minimal.

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

#### 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 scheduled debt servicing payments for long-term financial liabilities as well as forecast cash inflows and outflows due in day-to-day business. The data used for analysing these cash flows is 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 marketable securities to meet its liquidity requirements for 180 day periods at a minimum. This objective 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 2015, the Group's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

|                                    | 2015<br>\$                 | 2014<br>\$                 |
|------------------------------------|----------------------------|----------------------------|
|                                    | Current within<br>6 months | Current within<br>6 months |
| Trade and other payables           | 781,101                    | 921,106                    |
| <b>Total financial liabilities</b> | <b>781,101</b>             | <b>921,106</b>             |

#### 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 and committed transactions.

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.

#### 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; and
- 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 hedges recognised in other comprehensive income.

Management assesses the Group's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage. 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.

## 32. Parent entity information

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

|                                                                   | 2015<br>\$         | 2014<br>\$         |
|-------------------------------------------------------------------|--------------------|--------------------|
| <b>Statement of financial position</b>                            |                    |                    |
| Current assets                                                    | 7,127,495          | 7,063,892          |
| Total assets                                                      | 9,579,341          | 10,323,102         |
| Current liabilities                                               | 1,259,539          | 1,675,629          |
| Total liabilities                                                 | 1,307,127          | 1,929,010          |
| Net assets                                                        | 8,272,214          | 8,394,092          |
| Issued capital                                                    | 31,076,819         | 24,908,920         |
| Retained earnings                                                 | (25,295,733)       | (18,705,205)       |
| Option reserve                                                    | 2,491,128          | 2,190,377          |
| <b>Total equity</b>                                               | <b>8,272,214</b>   | <b>8,394,092</b>   |
| <b>Statement of profit or loss and other comprehensive income</b> |                    |                    |
| Loss for the year                                                 | (6,693,670)        | (7,435,999)        |
| Other comprehensive income                                        | -                  | -                  |
| <b>Total comprehensive loss</b>                                   | <b>(6,693,670)</b> | <b>(7,435,999)</b> |

## 33. Post reporting date events

On 15 August 2015, 3,846,154 options expired. These options were part of the August 2014 private share placement with the options having a 12 month expiration and an exercise price of \$0.40.

## 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 2015 and of its performance for the financial year ended on that date; and
    - ii. Complying with Australian 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 and chief financial officer for the financial year ended 30 June 2015.
3. Note 2 confirms that the consolidated financial statements also comply with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:



CEO and Executive Director  
John Martin

Dated this 31 August 2015





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## **Independent Auditor's Report To the Members of Regeneus Limited**

### **Report on the financial report**

We have audited the accompanying financial report of Regeneus Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2015, 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, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

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

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

### **Auditor's responsibility**

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

Grant Thornton Audit Pty Ltd ACN 130 913 594  
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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

#### **Independence**

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

#### **Auditor's opinion**

In our opinion:

- a the financial report of Regeneus Limited is in accordance with the Corporations Act 2001, including:
  - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

#### **Emphasis of matter**

Without qualifying our opinion, we draw attention to Note 3 in the financial report which indicates that the consolidated entity incurred a net loss of \$6,606,521 during the year ended 30 June 2015 and the consolidated entity's cash outflows from operating activities for the year ended 30 June 2015 were \$5,923,357. These conditions, along with other matters as set forth in Note 3, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

**Grant Thornton****Report on the remuneration report**

We have audited the remuneration report included in pages 10 to 14 of the directors' report for the year ended 30 June 2015. 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.

**Auditor's opinion on the remuneration report**

In our opinion, the remuneration report of Regeneus Limited for the year ended 30 June 2015, complies with section 300A of the Corporations Act 2001.

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants

L M Worsley  
Partner - Audit & Assurance

Sydney, 31 August 2015

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below. The information is effective 30 September 2015.

## 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:

[regeneus.com.au/investor-centre/corporate-governance](http://regeneus.com.au/investor-centre/corporate-governance)

## Substantial shareholders

The number of substantial shareholders and their associates are set out below:

| Shareholder       | Number of shares |
|-------------------|------------------|
| Vesey Investments | 14,399,642       |

## Voting rights

### Ordinary shares

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

### Options

No voting rights.

## Distribution of equity security holders

| Holding              | Shares             | Options           |
|----------------------|--------------------|-------------------|
| 100,001 and over     | 172,525,770        | 14,510,027        |
| 10,001 to 100,000    | 32,994,495         | 1,054,838         |
| 5,001 to 10,000      | 2,396,515          | 8,333             |
| 1,001 to 5,000       | 952,535            | -                 |
| 1 to 1,000           | 15,828             | -                 |
|                      | <b>208,885,143</b> | <b>15,564,865</b> |
| Unmarketable parcels | 703,978            |                   |

## Buy back of shares

There is no buy back of shares on offer.

## Unissued equity securities

Options issued under the options plans total 15,564,865.

## Ordinary shares

| Twenty largest shareholders                        | Number held        | % of issued shares |
|----------------------------------------------------|--------------------|--------------------|
| Vesey Investments Pty Ltd                          | 14,399,642         | 6.9%               |
| HSBC Custody Nominees (Australia) Limited          | 10,264,371         | 4.9%               |
| Thomas Georg Mechtersheimer                        | 9,737,451          | 4.7%               |
| Dr. Marc Ronald Wilkins                            | 9,289,639          | 4.5%               |
| Ben Herbert                                        | 8,689,412          | 4.2%               |
| UBS Wealth Management Australia Nominees Pty Ltd   | 4,450,406          | 2.1%               |
| Tony Batterham                                     | 3,850,500          | 1.8%               |
| John Martin                                        | 3,759,682          | 1.8%               |
| George Miklos                                      | 3,080,400          | 1.5%               |
| Parros Pty Ltd                                     | 2,985,836          | 1.4%               |
| Mr. Pierre Frederic Malou                          | 2,925,792          | 1.4%               |
| SMC Capital                                        | 2,716,726          | 1.3%               |
| Sayers Investment (ACT) Pty Ltd                    | 1,988,543          | 1.0%               |
| Bacau Pty Ltd                                      | 1,940,732          | 0.9%               |
| J P Morgan Nominees Australia Limited              | 1,932,237          | 0.9%               |
| Rose Martin                                        | 1,863,642          | 0.9%               |
| Mrs. Ciara Yvonne Kelly and Mr. Paul Dominic Kelly | 1,774,512          | 0.9%               |
| MLB Holdings Pty Ltd                               | 1,704,188          | 0.8%               |
| Dr. Michael Muller                                 | 1,571,896          | 0.8%               |
| Duncan Thomson & Donna Thomson                     | 1,534,183          | 0.7%               |
| <b>Total</b>                                       | <b>90,459,790</b>  | <b>43.0%</b>       |
| <b>Balance of register</b>                         | <b>118,425,353</b> | <b>57.0%</b>       |
| <b>Grand total</b>                                 | <b>208,885,143</b> | <b>100.0%</b>      |

## Securities exchange

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

## 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

25 Bridge Street  
Pymble, NSW 2073, Australia

## Board of Directors

Dr. Roger Aston (Non-executive Chairman)  
John Martin (Chief Executive Officer)  
Dr. Graham Vesey (Executive Director)  
Barry Sechos (Non-executive Director)  
Dr. Glen Richards (Non-executive Director)

## Company Secretary

Sandra McIntosh

## Website

[regeneus.com.au](http://regeneus.com.au)

## Lawyers

Dibbs Barker  
Level 8, 123 Pitt Street  
Sydney NSW 2000

## Auditors

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

## Patent Attorneys

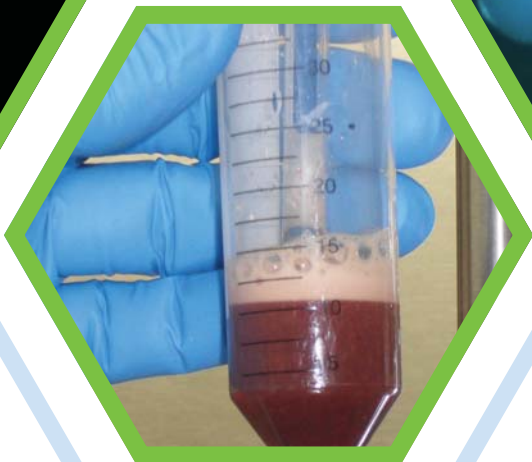
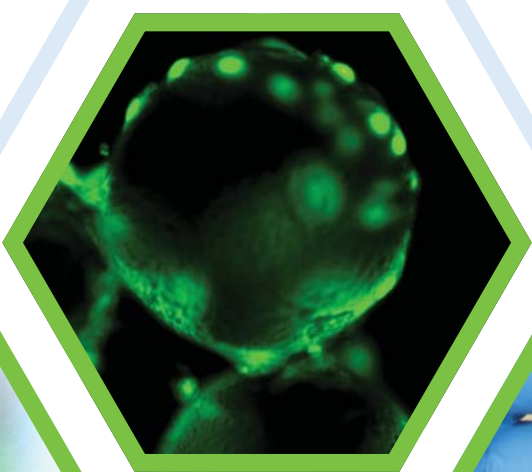
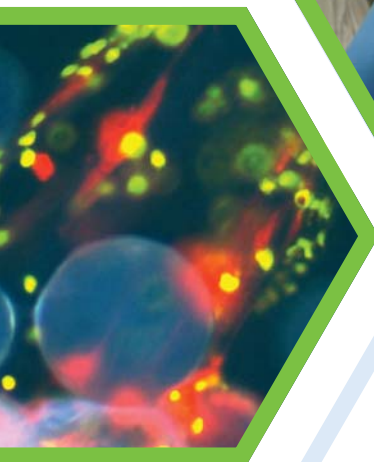
Spruson & Ferguson  
Level 35, 31 Market Street  
Sydney, NSW 2000

## Share Registry

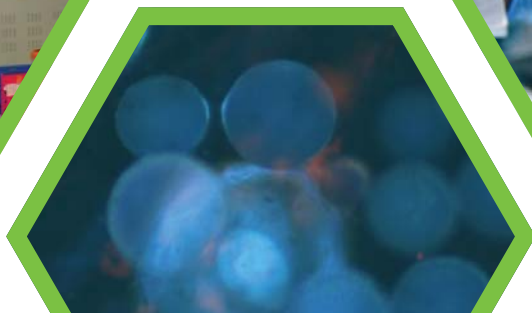
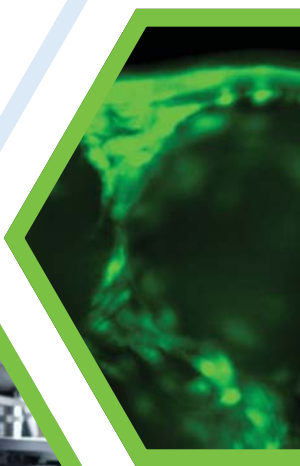
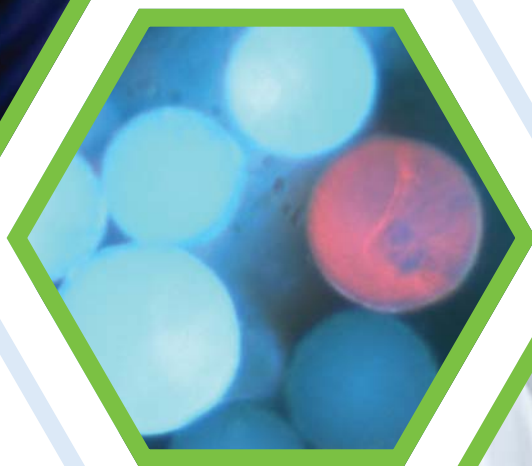
Link Market Services Limited  
Level 12, 680 George Street  
Sydney, NSW 2000

## Stock Exchange Listing

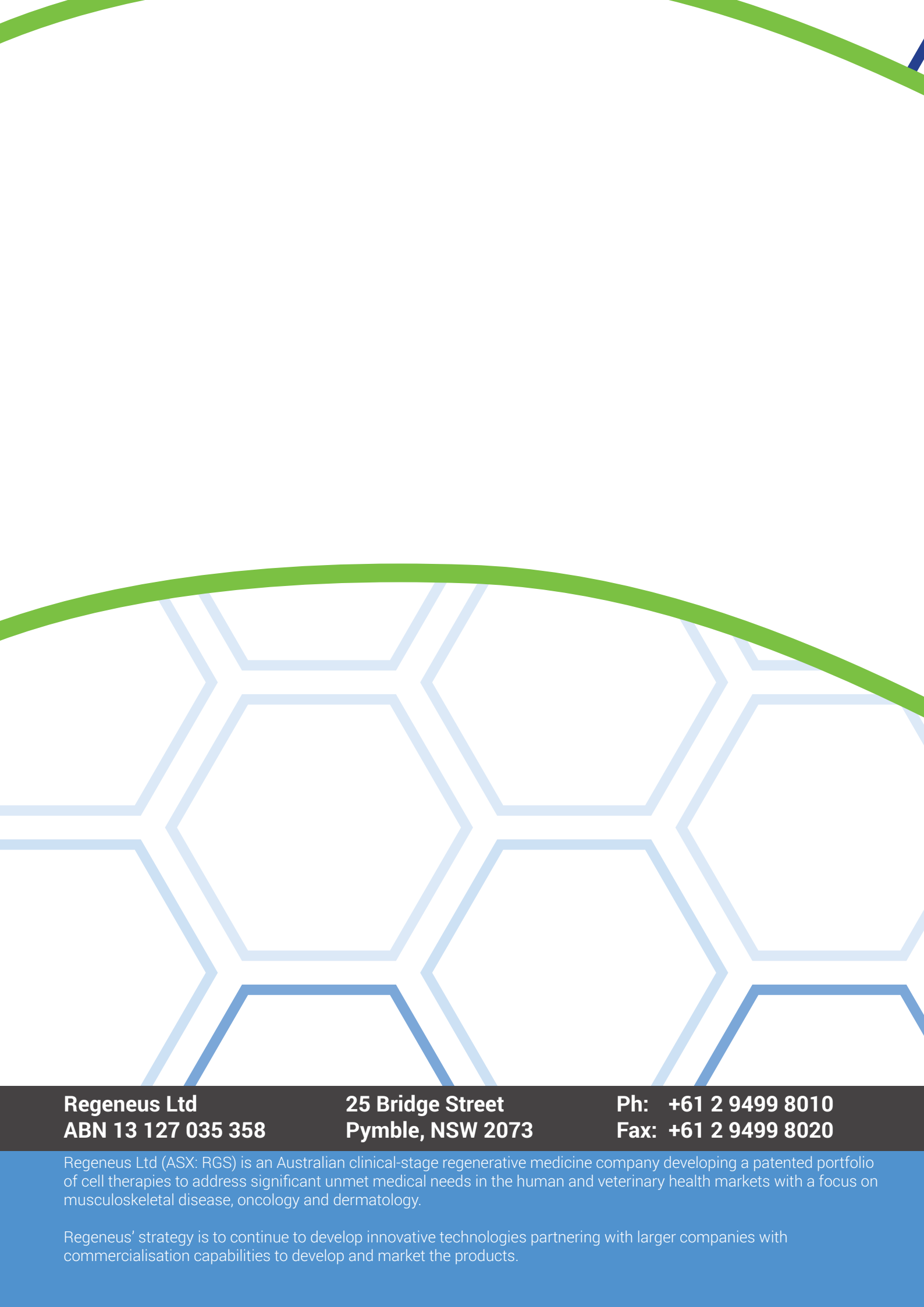
Australian Stock Exchange  
ASX Code: RGS











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Regeneus Ltd (ASX: RGS) is an Australian clinical-stage regenerative medicine company developing a patented portfolio of cell therapies to address significant unmet medical needs in the human and veterinary health markets with a focus on musculoskeletal disease, oncology and dermatology.

Regeneus' strategy is to continue to develop innovative technologies partnering with larger companies with commercialisation capabilities to develop and market the products.