



Annual Report 2017



The Annual General Meeting of Regeneus Ltd will be held in the offices of Grant Thornton, Level 17, 383 Kent Street Sydney on Thursday 2 November 2017 at 1.00 pm.

Who we are

Regeneus Ltd (ASX: RGS) is an ASX-listed clinical-stage regenerative medicine company developing a portfolio of cell-based therapies to address significant unmet medical needs in the human and animal health markets. Our initial focus is on osteoarthritis (OA) and other musculoskeletal disorders, cancer and dermatology.

Our product pipeline is underpinned by proprietary stem cell and immuno-oncology technologies that seek to take advantage of the body's capability for healing and repair and address the underlying causes of disease.

More information about Regeneus Ltd can be found at [***regeneus.com.au***](http://regeneus.com.au)



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Highlights for FY17

Successful Progenza STEP trial results for osteoarthritis

- Primary endpoint of safety and tolerability met
- Significant, rapid and sustained reduction in knee pain in both Progenza cohorts
- Significant improvement in cartilage volume compared to placebo
- Positive signs of disease modification consistent with preclinical results
- Positive clinical data and AGC collaboration supports Progenza licensing opportunities for OA and other indications in Japan and ROW

Progress on ACTIVATE cancer vaccine trial

- Recruitment across all 3 dose cohorts
- Positive safety profile across all dose cohorts
- Ongoing banking of tumours
- Commenced preclinical study for RGS4K in combination with PD-1

Collaboration with Asahi Glass Co., Ltd. (AGC) on Progenza for Japan

- Collaboration with AGC of Japan, a leading manufacturer of biopharmaceuticals, for exclusive manufacture of Progenza stem cell technology for Japan
- RGS to receive US\$16.5m in payments – US\$5.5m paid upfront; US\$1m paid on successful completion of STEP trial for OA; and 2 further payments of US\$5m each payable on development milestones
- AGC acquires 50% of RGS Japan Inc., which has exclusive rights for the clinical development and commercialisation of Progenza for all indications in Japan

Key patents granted

- Patent allowed in Japan covering Progenza technology – allogeneic stem cells and secretions for the treatment of osteoarthritis and other inflammatory conditions in humans and animals
- Patent allowed in EU, USA and China covering Sygenus stem cell secretions technology for the topical treatment of acne
- 56 patents or patent applications across 14 patent families

Progress on animal health trials

- Ongoing recruitment for CryoShot pre-pivotal trial for OA at University of Pennsylvania
- Completed a successful Kvax study for treatment of canine osteosarcoma with VCA in USA showing Kvax is well tolerated and confers increased progression free interval and survival
- Ongoing recruitment for Kvax cancer vaccine trial for B cell lymphoma at Sydney Small Animal Specialist Hospital

Financial highlights

- Licence fee revenues up 715% to \$9.9m (FY16: \$1.2m) driven by A\$8.9m (US\$6.5m) received from AGC
- Profit of \$3.3m up from prior year (FY16: \$3.6m loss)
- R&D tax incentive of \$2.6m in line with prior year (FY16: \$2.7m)
- Quarterly cash used in operations (excluding R&D incentive) maintained at \$1.7m (FY16: \$1.5m per quarter)
- 30 June cash available \$4.1m (FY16: \$0.5m)

Letter from the Chairman and the 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 2017.

During the period, we achieved significant licensing, clinical, intellectual property and commercial milestones that position the company to unlock significant value in the business over the next 12 months.

Progenza – unlocking significant value in our stem cell technology platform

About Progenza

PROGENZA is the company's lead cell therapy technology platform being developed for the treatment of osteoarthritis and other musculoskeletal disorders. It also has the potential to be used for other inflammatory conditions that have limited treatment options. Progenza is made from expanded allogeneic mesenchymal stem cells (MSCs) from human adipose (fat) tissue and contains the bioactive secretions of the cells. Progenza cells work by secreting cytokines, growth factors and exosomes to reduce inflammation and pain and promote healing and repair in the damaged or diseased tissue. It is a scalable technology that has the demonstrated capability to produce millions of doses of cells from a single donor.

Strategic collaboration with AGC in Japan

On 29 December 2016, we were delighted to announce a strategic collaboration and licensing agreement with AGC of Japan, a leading global manufacturer of biopharmaceuticals. Under the collaboration, AGC has exclusive rights to manufacture Progenza for all clinical applications in Japan and is responsible for the GMP manufacture of Progenza for a planned phase 2 trial in Japan. AGC has acquired a 50% interest in Regeneus Japan Inc., a vehicle that has the exclusive rights for the clinical development and commercialisation of Progenza in Japan. AGC will work closely with Regeneus to help secure the best clinical and commercialisation partners.

Under the agreement, Regeneus is entitled to receive US\$16.5m from AGC. US\$5.5m was paid upfront in January this year and a further US\$1m was paid in June for the successful completion of the STEP trial. There are 2 further development milestones totalling US\$10m. We look forward to meeting the next milestone in this financial year.

About AGC Group (TYO: 5201)

ASAHI GLASS CO., LTD. (AGC),
Headquarters: Tokyo, President &
CEO: Takuya Shimamura

AGC is a world-leading glass solution provider and supplier of flat, automotive and display glass, chemicals, biopharmaceuticals, ceramics and other high-tech materials and components. With more than a century of technical innovation, and cutting-edge products AGC Group employs over 50,000 people worldwide and generates annual sales of approximately 1.3 trillion Japanese Yen through businesses in about 30 countries.

About Osteoarthritis

OSTEOARTHRITIS continues to be an unmet medical need and is a significant global concern due to wear and tear on joints for ageing populations. Worldwide, osteoarthritis is estimated to be the fourth leading cause of disability. There is no cure for the debilitating disease and non-steroidal anti-inflammatory medication is the most common treatment for the pain symptoms although they can have adverse effects with over use. Stem cell products, such as Progenza, may address the treatment gap for patients who have persistent joint pain and are seeking to delay or avoid total knee replacement.

Positive results from Phase 1 STEP trial for Progenza for osteoarthritis

We were pleased to announce on 22 May positive results from the Phase 1 safety trial of Progenza in patients with knee osteoarthritis (OA), meeting the primary endpoint of safety and tolerability. The study showed that a single injection into the knee of either dose of Progenza (3.9 million cells or 6.7 million cells) in patients appeared safe and was well tolerated. We were also pleased to confirm that Progenza showed durable and clinically meaningful pain relief in patients with knee OA. No serious adverse events occurred and a single injection of Progenza was well tolerated. No trends or findings of concern were identified from the data collected from patients' blood tests, physical examinations, ECG's, or other safety measurements, indicating Progenza is safe and well tolerated.

Secondary endpoints were assessed to explore the efficacy of Progenza. We were

pleased to find that patients treated with either dose of Progenza showed a statistically significant within group reduction in pain. On the contrary, the placebo group showed no statistically significant reduction in pain during the study. Examination of knee joint structure by MRI showed a statistically significant improvement in lateral tibial

cartilage volume for patients treated with 3.9 million cells compared to a worsening in placebo patients.

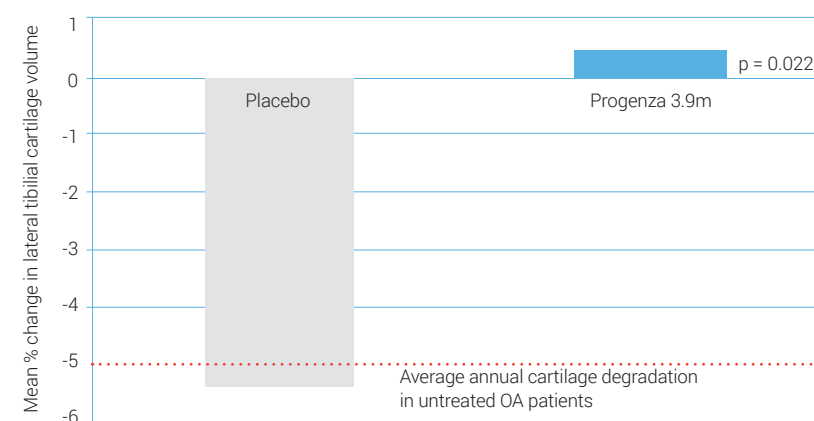
This builds on previously reported Regeneus preclinical findings in an OA model in rabbits which showed that Progenza treated joints showed no deterioration from the time of

Leading Sydney-based sports medicine specialist, Dr Donald Kuah, the Principal Investigator on the trial said "This study confirms a benign safety profile for Progenza when given as an intra-articular injection. Progenza significantly reduced pain, and in the majority of patients, Progenza alleviated pain to clinically meaningful levels, defined as 30% or more reduction from baseline. The same pain reduction was not seen in the placebo group. The beneficial effect of Progenza on the knee structure reinforces Progenza preclinical findings and may offer the potential for disease modification."

Progenza-treated patients showed rapid and sustained pain reduction



Progenza 3.9m treated patients showed significant stabilisation in cartilage loss vs. placebo



injection, in contrast to the vehicle control group, which continued to deteriorate.

Japanese patent to grant for Progenza

On 24 May, the Japanese Patent Office issued a decision to grant a key patent for the composition, manufacture and use of Progenza for the treatment of a wide range of inflammatory conditions including osteoarthritis. The Japanese Patent, Application Number 201-531048 entitled "Therapeutics using cells and cell secretions" provides commercial rights in Japan through to 2032. Corresponding grants have been granted in Australia and New Zealand and are being pursued for grant in other key territories including the USA and Europe. We now have 56 patents or patent applications across 14 patent families which provides a substantial competitive advantage for the company's product pipeline.

Advancing clinical partnering of Progenza

The combination of positive STEP trial results, our new manufacturing and development collaboration with AGC in Japan and the Progenza patent in Japan, puts us in a strong position to advance our clinical licensing discussions for Progenza in Japan and other key markets. Japan continues to be one of the best markets for licensing and development of regenerative medicines. These market conditions have been driven by Japan's accelerated regulatory approval process specifically designed for regenerative medicine products like Progenza. These laws allow for the conditional marketing approval of regenerative medicine products that demonstrate safety and probable efficacy without the pre-requirement of an expensive phase 3 trial.

We are in continuing discussions with

potential partners for the clinical development and commercialisation of Progenza in Japan and we also continue to engage with parties interested in licensing Progenza for territories other than Japan.

In another positive regulatory development, in December 2016, the US President signed into law the 21st Century Cures Act. This Act includes specific provisions intended to accelerate the US Food and Drug Administration's approval pathway for regenerative medicines. This means that the US joins Europe and Japan with specific regulatory frameworks to address and accelerate the development and access for regenerative medicines for serious unmet medical needs.

Progenza – chronic pain research

Chronic pain is a symptom of osteoarthritis and Progenza has shown promising results in the STEP trial for the significant and rapid reduction of knee pain for osteoarthritis sufferers.

To achieve further insight into Progenza and its potential to reduce chronic pain unrelated to osteoarthritis, Regeneus, through a research consortium with Macquarie University and the University of Adelaide has received an Australian Research Council Linkage Grant to undertake pre-clinical research into the use of Progenza to relieve chronic pain. The 3 year research project commenced in March this year and will seek to develop a better understanding of chronic pain.

RGSH4K - human cancer vaccine

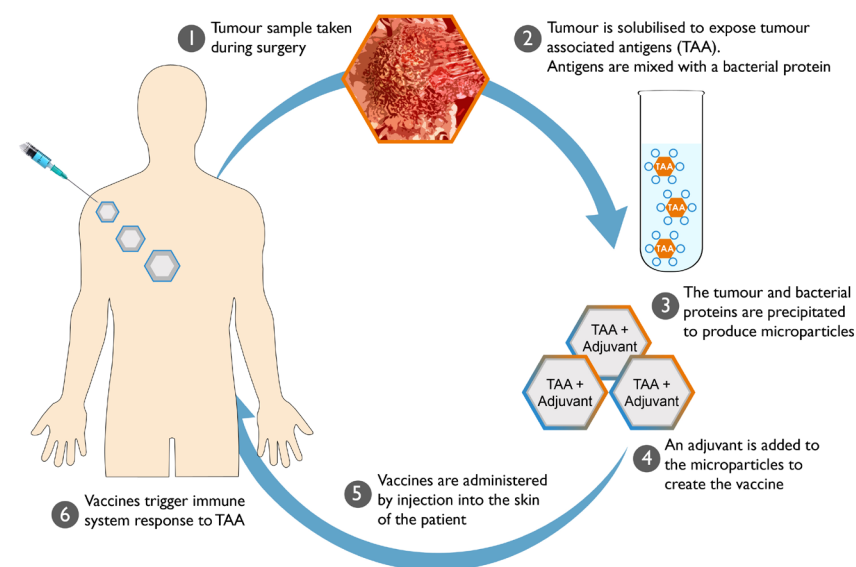
The ACTIVATE trial is a single centre, open label, Phase 1 dose escalating trial to evaluate the safety, tolerability and preliminary efficacy of RGSH4K.

We have recruited patients into all 3 dose levels without any unexpected safety concerns. We anticipate the trial being fully recruited by the end of this financial year.

This technology uses a patient's tumour to harness the body's own immune system to fight cancer cells. As part of the trial, the company has established a tumour bank to enable the banking of both previously collected and new tumours. These tumours are used as source material for the manufacture of the cancer vaccine.

Sygenus – cell secretions technology

Sygenus is the new name for the Group's cell secretions technology platform that utilises the molecules (including cytokines, growth factors and exosomes) that are secreted by MSCs and work to reduce pain and inflammation and encourage accelerated healing and repair. These allogeneic MSC secretions are being further developed to be used topically for the application to treat inflammatory skin conditions such as acne and the reduction of pain and accelerated healing for wounds. Inflammatory skin conditions and wound healing are promising and near-term areas for topical regenerative medicine products.



Human health development pipeline

Program	Technology platform	Pre-clinical	Phase 1	Phase 2	Phase 3	Filing	Approval
Progenza	Allogeneic adipose MSCs & secretions	Osteoarthritis					
RGSH4K	Immunotherapy for oncology	Solid Tumours					
Sygenus	Allogeneic adipose MSC secretions	Derm / Wound					

These secretions are included with MSCs in our Progenza product and have demonstrated no safety concerns in our Progenza preclinical and clinical testing.

We are now conducting preclinical studies of the secretions to test for its pain modulation and wound healing effects. We are also conducting studies on the effects of secretions in a gel format on acne.

We continue our discussions with parties for the development and commercialisation opportunities for topical applications, in both the therapeutic and cosmetic markets.

Patents granted for acne

During the year, patents were allowed in US, Europe and China covering the use of the company's stem cell secretions technology Sygenus for the topical treatment of acne.

The patent granted in China provides commercial rights in China through to 2032. This was the first Regeneus patent to be granted in China. The granted patent is specific for the topical treatment of acne, however, Regeneus has additional patent applications that cover the use of Sygenus for other skin conditions.

CryoShot - allogeneic stem cells for canine osteoarthritis

CryoShot is the company's cell therapy technology for the treatment of canine and equine OA and other musculoskeletal disorders. CryoShot is made from expanded allogeneic MSCs from canine or equine adipose tissue. CryoShot works by reducing inflammation and promoting healing and repair in the damaged or diseased tissue. It is a scalable technology that has the demonstrated capability to produce commercial quantities of doses of cells from a single donor.

Pre-pivotal canine OA trial

We continue to recruit for our pre-pivotal trial assessing CryoShot as a treatment for canine OA. This placebo-controlled trial of 80 dogs is being undertaken at the University of Pennsylvania School of Veterinary Medicine. All trial participants are followed for 90 days. The results of the trial will be used to finalise the design of a pivotal US Food and Drug Administration (FDA) trial with good manufacturing practice (GMP) grade product. Recruitment for the trial is scheduled for completion by the end of FY18.

Collaboration with animal pharmaceutical company

In November 2015, we entered into a collaboration and licence agreement with a major animal pharmaceutical company for the development and commercialisation of CryoShot. Upon completion of the pre-pivotal trial, our partner has an option to exclusively licence the CryoShot technology. Under the terms of the licence, we will receive an upfront licence fee and be entitled to other developmental milestone payments to be agreed at the time. The partner will be responsible for funding the pivotal trial and GMP manufacture of CryoShot and have exclusive global rights for sales and marketing for canine applications. We will receive a royalty on all CryoShot sales.

Kvax - canine cancer vaccine

Osteosarcoma trial with VCA

During the year the company completed a small osteosarcoma trial conducted by Dr. Phil Bergman at VCA in the USA. The purpose of the trial was to test the safety, tolerability and preliminary efficacy of Kvax with an aggressive cancer like osteosarcoma.

The results showed that Kvax administered after limb amputation is well tolerated and appears to confer increased progression free interval and survival compared to historically reported dogs with osteosarcoma treated with limb amputation only.

Lymphoma trial with SASH

A dog trial of Kvax in combination with chemotherapy for the treatment of canine lymphoma. The trial is being conducted at Small Animal Specialist Hospital (SASH) in Sydney and is currently recruiting cases. There have been no significant safety concerns to date.

Financial highlights for FY17

Our financial results for FY17 reflect the strength of our strategic initiatives. The significant licensing activities with AGC and the ongoing financial discipline in managing the expenses enabled a positive financial result. Highlights for the period include:

- Licence fee revenues up 715% to \$9.9m (FY16: \$1.2m) driven by AGC licence fees of US\$6.5m (A\$8.9m)

Animal health development pipeline

Program	Technology platform	Manufacturing & process development	Safety & efficacy studies	Pivotal trial	Market approval
CryoShot Canine	Allogeneic adipose MSCs	Osteoarthritis			
CryoShot Equine	Allogeneic adipose MSCs	Osteoarthritis			
Kvax	Immunotherapy for oncology	Naturally occurring advanced cancers (conditional approval)			

- Full year profit of \$3.3m up significantly from prior year loss (FY16: \$3.6m loss)
- R&D tax incentive of \$2.6m (FY16: \$2.7m)
- Quarterly cash used in operations (excluding R&D incentive and AGC net receipt) maintained at \$1.7m (FY16: \$1.5m per quarter)
- Cash at year end \$4.1m (FY16: \$0.5m)

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

Looking forward

FY18 will be an important year in the development of the company with a number of key commercial, clinical and R&D milestones in sight including:

- Advance discussions to secure clinical and commercialisation partners for Progenza in Japan and other jurisdictions
- Complete and report on ACTIVATE Phase 1 cancer vaccine trial
- Complete and report on activities undertaken with Sygenus topical secretions technology
- Complete and report on CryoShot canine pre-pivotal trial

We look forward to meeting and capitalising on these milestones and other developments to continue to unlock value in the company's assets.

Thanks

We would 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.

Finally, we would like to thank our shareholders for your continued support and patience as we develop the business and add value through the development and partnering of our regenerative medicine products.

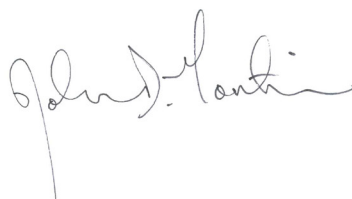
Dr. Roger Aston

Chairman

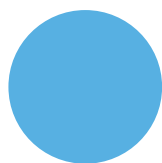


John Martin

Chief Executive Officer







Directors' report

Your Directors present their report for Regeneus Ltd and its controlled entities (the Group) for the financial year ended 30 June 2017.

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

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)

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

2,680,355

CSO - Executive Director

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

Other current directorships

None

Previous directorships of (last 3 years)

None

Interests in shares

15,879,968

Interests in options

2,142,855

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)

None

Interests in shares

200,000

Interests in options

Nil

Dr. Glen Richards joined the Board in 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.

Other current directorships

Greencross Ltd

1300Smiles Ltd

Previous directorships (last 3 years)

None

Interests in shares

2,333,333

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.

Principal activities

Regeneus is an ASX-listed clinical-stage regenerative medicine company, using stem cell and immuno-oncology technologies to develop a portfolio of cell-based therapies to address significant unmet medical needs in the human and animal health markets with a focus on osteoarthritis and other musculoskeletal disorders, oncology and dermatology diseases.

The Company is focused on unlocking value in its clinical-stage human and animal pipeline products through generating positive clinical data, technology development, partnering and licensing.

Operating and financial review

Review of operations

During the year, Regeneus achieved significant milestones positioning the Group for future growth including:

AGC licensing of Progenza

- AGC licence – exclusive rights to manufacture Progenza for all clinical applications in Japan and is responsible for the manufacture of GMP Progenza for the phase 2 trial in Japan

Progenza human clinical STEP trial success

- Progenza STEP trial – allogeneic stem cells for human osteoarthritis met both primary clinical endpoints of safety and tolerability with positive signs of disease modification and achieving other secondary endpoints

Ongoing clinical trials

- RGSH4K ACTIVATE trial – autologous cancer vaccine progresses well with patients safely dosed in all 3 dose cohorts and the tumour bank holding a significant number of tumours
- CryoShot pre-pivotal trial – allogeneic off-the-shelf stem cells for canine osteoarthritis at University of Pennsylvania is ongoing
- Kvax trials – autologous canine cancer vaccine trial of lymphoma trial at Small Animal Specialist Hospital in Sydney is ongoing

Partnering and technology development

- Continuing discussions with potential partners for the clinical development and commercialisation of Progenza in Japan
- Patent for Progenza in Japan
- Patent of Sygenus for acne in China

A more detailed review of operational highlights is set out in the Letter from the Chairman and the CEO.

Financial review

Operating results

The Group produced a profit after income tax for the year of \$3.27 million, a significant improvement from prior year loss of \$3.57 million.

The improvement was primarily driven by the licence fee received from AGC and it highlights the financial benefit that the licensing strategy delivers.

Licence fee income

Licence fee income exceeded \$9.9 million including the AGC Japanese manufacturing licence fees of \$8.9 million (US\$6.5 million). An increase of 715%. Other licence fee income for the use of the Group's technology locally declined slightly.

The revenue from other operational activities declined as the move to a licensing business from marginally profitable early stage commercial activities was completed.

Revenue from operating activities

	2017 \$'000	2016 \$'000
Operating activities		
Licence fee income	9,940	1,219
Income from sale of goods	54	517
Interest received	75	142
Total revenue	10,069	1,878

Research and development expenses

Research and development activities include staff and other costs associated with product research, preliminary manufacture and the conduct of clinical trials for the company's products for humans and animals. Expenditure for the year was \$4.4 million, similar to FY16 \$4.3 million.

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

Selling expenses

The selling and marketing expenses reflect the costs incurred in supporting general marketing activities of the corporation.

Occupancy costs

Occupancy costs of \$420k are the direct lease costs of the Pymble corporate office and the associated utility costs.

Corporate expenses

The corporate expense increase of 6.7% was due primarily to increased activities associated with protection of the Group's intellectual property portfolio including patent.

Other expenses

The expenses identified as other expenses are individually significant items of expenditure associated with the Japanese licence arrangements. These costs include withholding tax, legal fees and other professional fees.

Expenses

	2017 \$'000	2016 \$'000	Movement \$'000
Research and development	4,456	4,309	(147)
Selling	238	375	137
Occupancy	420	473	53
Corporate	2,912	2,730	(182)
Finance costs	16	20	4
Expenses from operations	8,042	7,907	(135)
Other expenses	1,300	-	(1,300)
Share of loss on investment	9	-	(9)
Total expenses	9,351	7,907	(1,444)

Cash flows

The net cash inflows for the period were:

	2017 \$'000	2016 \$'000
Net cash provided by (used in) operating activities	3,587	(2,253)
Net cash provided by (used in) investing activities	(227)	(231)
Net cash provided by (used in) financing activities	246	-
Net change in cash and cash equivalents held	3,606	(2,484)

Operating activities

Cash provided by operating activities of \$3.6 million was a material improvement of \$5.8 million from the prior year. This improvement was a direct reflection of the significant licence fees received from AGC of \$8.9 million (US\$6.5 million) offset partially by the cash impact of withholding tax expense and fees associated with the licence arrangements.

Excluding the benefit of the R&D incentive and the net Japanese licence fees, the cash outflow from operations was \$6.8 million compared to FY16 \$5.7 million. There were minor increases across most expense categories and a decline in other revenue that contributed to this increase in cash used. This outcome was in line with the strategic focus on research and development and licensing activities in Japan.

Investing activities

This is predominantly investment in capital equipment supporting the business.

Financing activities

The cash provided by financing activities is the early repayment of 16% of the shareholder loan.

Significant changes in state of affairs

During the year the Group entered a strategic collaboration with AGC licencing exclusive rights to manufacture Progenza for all clinical applications in Japan. As disclosed in the Operating and financial review this arrangement provided a significant benefit to the Group's financial position. There were no other significant changes in the state of affairs of the Group during the reporting period.

Changes in accounting policy

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

Events subsequent to the reporting period

In the period since 30 June 2017 to the signing of the financial report, the Board of Directors reviewed the maturity of the shareholder loan facility, relating to the funding of employee options exercised as part of the IPO in 2013. The Directors considered that it was in all shareholders' interest if the loan was extended 9 months to 15 June, 2018.

The Directors will seek approval of this decision at the Annual General Meeting.

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

Likely developments, business strategies and prospects

FY18 will provide critical foundations for the long-term success of Regeneus.

The following activities and business initiatives will be core elements of the strategic deliverables required for that success:

- Advance discussions to secure clinical and commercialisation partners for Progenza in Japan and other jurisdictions
- Complete and report on ACTIVATE Phase 1 cancer vaccine trial
- Complete and report on activities undertaken with Sygenus topical secretions technology
- Complete and report on CryoShot canine pre-pivotal trial

Corporate Governance Statement

The Board is committed to achieving and demonstrating the highest standards of corporate governance. As such, Regeneus Ltd and its controlled entities (the Group) have adopted the 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 2017 is dated as at 30 June 2017 and was approved by the Board on 17 August 2017. The corporate governance statement is available on Regeneus' website at: regeneus.com.au/about/corporate-governance

Directors' meetings

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

Directors' meetings

Directors' name	Board meetings		Audit and risk committee		Remuneration and nominations charter	
	A	B	A	B	A	B
Roger Aston	6	6	2	-	1	1
John Martin	6	6	2	2	1	1
Graham Vesey	6	6	-	-	-	-
Barry Sechos	6	6	2	2	1	1
Glen Richards	6	6	-	-	-	-

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 (2016: nil).

Unissued shares under option

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

Unissued shares under option

Date of granting	Expiry date	Exercise price of option \$	Number under option
01/07/2010	26/08/2020	0.136	770,100
01/01/2011	29/12/2020	0.136	462,060
21/02/2011	18/02/2021	0.136	1,001,674
01/07/2011	28/06/2021	0.280	500,000
16/09/2013	15/09/2018	0.250	4,323,210
04/12/2013	03/12/2018	0.250	1,665,000
21/10/2014	20/10/2019	0.160	900,000

During 2017, no unlisted options were issued, (2016: nil).

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.

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.

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 (2016: nil).

Remuneration report (audited)

The Directors of the Group present the Remuneration Report for Executive Directors, Non-executive Directors and other key management personnel prepared in accordance with the Corporations Act 2001 and the Corporations Regulations 2001. The Remuneration Report is set out under the following main headings:

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

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

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

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

Regeneus has structured a remuneration framework that is market competitive and complementary to the reward strategy of the Group. The Board has established a Remuneration and Nominations Committee which operates in accordance with its charter as approved by the Board and is responsible for making recommendations to the Board for reviewing and approving

compensation arrangements for the Directors and the Executive team. The remuneration structure that has been adopted by the Group consists of the following components:

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

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

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

Short term incentive (STI)

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

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

Performance area:

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

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

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

Regeneus received 76% 'For' votes on its Remuneration Report for the financial year ending 30 June 2016 (2015: 86%). The Company received no specific feedback on its Remuneration Report at the Annual General Meeting.

Consequences of performance on shareholder wealth

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

Consequences of performance on shareholder wealth

Item	2017	2016	2015	2014	2013
EPS (cents)	0.016	(0.017)	(0.032)	(0.05)	(0.05)
Dividends (per share)	\$0	\$0	\$0	\$0	\$0
Net profit (loss) (\$000)	3,271	(3,574)	(6,607)	(7,523)	(5,195)
Share price (\$)	\$0.12	\$0.14	\$0.15	\$0.40	\$0.25*

* \$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 remuneration are shown in the following table:

Details of remuneration

		Short term	Post employment	Long term		
Executive Directors		Cash salary and fees \$	Super-annuation \$	Other benefits \$	Total \$	Performance related
John Martin	2017	304,679	28,944	8,131	341,754	0%
	2016	304,679	28,944	11,637	345,260	0%
Graham Vesey	2017	200,000	19,000	11,200	230,200	0%
	2016	200,000	19,000	19,611	238,611	0%
Non-executive Directors						
Roger Aston	2017	75,000	-	-	75,000	0%
	2016	71,204	3,796	-	75,000	0%
Barry Sechos	2017	45,000	-	-	45,000	0%
	2016	45,000	-	-	45,000	0%
Glen Richards	2017	45,000	-	-	45,000	0%
	2016	45,000	-	-	45,000	0%
Total	2017	669,679	47,944	19,331	736,954	
Total	2016	665,883	51,740	31,248	748,871	

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

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

Details of remuneration

Name	Fixed remuneration	At risk – STI	At risk – options
John Martin	100%	-	-
Graham Vesey	100%	-	-
Roger Aston	100%	-	-
Barry Sechos	100%	-	-
Glen Richards	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:

Service agreements

Name	Base salary \$	Term of agreement	Notice period
John Martin	304,679	Unspecified	3 months
Graham Vesey	200,000	Unspecified	3 months
Roger Aston	75,000	Unspecified	Nil
Barry Sechos	45,000	Unspecified	Nil
Glen Richards	45,000	Unspecified	Nil

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

Share-based remuneration

Name	Number granted	Grant date	Value per option at grant date \$	Number vested	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

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 above.

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.

Bonuses included in remuneration

Name	Included in remuneration \$	Percentage vested in year	Percentage forfeited in year
John Martin	-	-	-
Graham Vesey	-	-	-
Roger Aston	-	-	-
Barry Sechos	-	-	-
Glen Richards	-	-	-

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

The number of options to acquire shares in the Company held during the 2017 reporting period by each of the key management personnel of the Group, including their related parties are set out below. No options were forfeited during the year (2016: nil).

Options held by key management personnel

Name	Balance at 1 July 2016	Other changes	Balance at end of year	Vested and exercisable at 30 June 2017	Vested, un-exercisable at 30 June 2017
John Martin	2,680,355	-	2,680,355	2,680,355	-
Graham Vesey	2,142,855	-	2,142,855	2,142,855	-
Roger Aston	-	-	-	-	-
Barry Sechos	-	-	-	-	-
Glen Richards	-	-	-	-	-
Totals	4,823,210	-	4,823,210	4,823,210	-

Shares held by key management personnel

The number of ordinary shares in the Company during the 2017 reporting period held by each of the Group's key management personnel, including their related parties, are set out below:

Shares held by key management personnel

Name	Held at 1 July 2016	Granted as remuneration	Purchased	Held at 30 June 2017
John Martin	7,253,908	-	-	7,253,908
Graham Vesey	15,879,968	-	-	15,879,968
Roger Aston	51,179	-	-	51,179
Barry Sechos	-	-	200,000	200,000
Glen Richards	2,333,333	-	-	2,333,333
Totals	25,518,388	-	200,000	25,718,388

End of audited remuneration report.

Environmental legislation

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

Indemnities given to auditors and officers and insurance premiums paid

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

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

Non-audit services

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

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

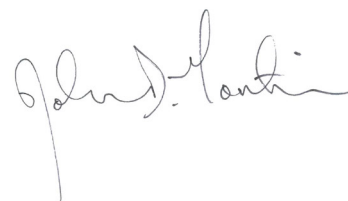
Proceedings on behalf of the Group

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

Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 21 and forms part of this Directors' Report.

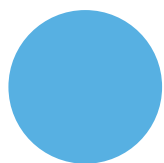
Signed in accordance with a resolution of the Board of Directors:



John Martin

CEO and Executive Director

Dated this day 22 August 2017



Auditor's independence declaration



Grant Thornton

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W www.grantthornton.com.au

Auditor's Independence Declaration To the Directors of Regeneus Ltd

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Regeneus Ltd for the year ended 30 June 2017, 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. Worsley

Louise M Worsley
Partner - Audit & Assurance

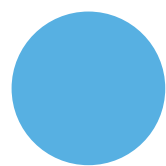
Sydney, 22 August 2017

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

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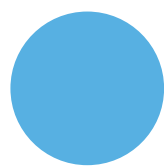




Consolidated statement of profit or loss and other comprehensive income

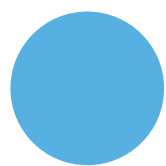
For the year ended 30 June	Note	2017 \$	2016 \$
Revenue	6	10,068,580	1,877,759
Cost of sales		(55,062)	(291,743)
Gross profit		10,013,518	1,586,016
Other income	6	2,608,222	2,746,943
Research and development expenses		(4,456,201)	(4,309,379)
Selling expenses		(238,184)	(374,611)
Occupancy expenses		(420,296)	(472,600)
Corporate expenses		(2,911,525)	(2,730,343)
Finance costs	7	(16,220)	(19,899)
Other expenses	8	(1,299,615)	-
Share of loss on investments accounted for using equity method	16	(9,107)	-
Profit/(loss) before income tax		3,270,592	(3,573,873)
Income tax (expense) / benefit	24	-	-
Profit/(loss) for the year attributable to owners of the parent		3,270,592	(3,573,873)
Other comprehensive (expense) / income		-	-
Total comprehensive profit/(loss) for the year attributable to owners of the parent		3,270,592	(3,573,873)

Earnings per share			
Basic earnings per share			
Earnings per share from continuing operations	26	0.016	(0.017)
Diluted earnings per share			
Earnings per share from continuing operations	26	0.016	(0.017)



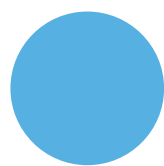
Consolidated statement of financial position

As at 30 June	Note	2017 \$	2016 \$
Current Assets			
Cash and cash equivalents	9	4,135,136	528,670
Trade and other receivables	10	87,877	21,774
Inventories	11	21,948	30,076
R&D incentive receivable	12	2,608,222	2,732,110
Other current assets	13	1,407,741	190,054
Total current assets		8,260,924	3,502,684
Non-current assets			
Property, plant and equipment	14	610,127	801,562
Intangible assets	15	5,759	11,254
Investments accounted for using the equity method	16	78,000	-
Other non-current assets	17	210,000	1,619,307
Total non-current assets		903,886	2,432,123
Total assets		9,164,810	5,934,807
Current liabilities			
Trade and other payables	18	743,209	906,312
Provisions	19	115,484	99,273
Other current liabilities	20	17,502	-
Total current liabilities		876,195	1,005,585
Non-current liabilities			
Provisions	19	188,707	144,482
Total non-current liabilities		188,707	144,482
Total liabilities		1,064,902	1,150,067
Net assets		8,099,908	4,784,740
Equity			
Issued capital	21.1	31,076,819	31,076,819
Accumulated losses		(24,629,684)	(27,916,645)
Reserves	21.2	1,652,773	1,624,566
Total equity		8,099,908	4,784,740



Consolidated statement of changes in equity

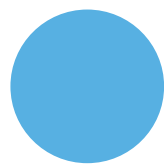
For the year ended 30 June	Share capital \$	Share option reserve \$	Accumulated loses \$	Total attributable to parent owners \$	Total equity \$
Balance at 1 July 2015	31,076,819	2,491,128	(25,295,813)	8,272,134	8,272,134
Reported loss for the year	-	-	(3,573,873)	(3,573,873)	(3,573,873)
Reported other comprehensive income/(expense)	-	-	-	-	-
Employee share-based payment option expense	-	86,479	-	86,479	86,479
Transfer from reserves to retained earnings for options forfeited	-	(953,041)	953,041	-	-
Balance at 30 June 2016	31,076,819	1,624,566	(27,916,645)	4,784,740	4,784,740
Balance at 1 July 2016	31,076,819	1,624,566	(27,916,645)	4,784,740	4,784,740
Reported profit for the year	-	-	3,270,592	3,270,592	3,270,592
Reported other comprehensive income (expense)	-	-	-	-	-
Employee share-based payment option expense	-	44,576	-	44,576	44,576
Transfer from reserves to retained earnings for options forfeited	-	(16,369)	16,369	-	-
Balance at 30 June 2017	31,076,819	1,652,773	(24,629,684)	8,099,908	8,099,908



Consolidated statement of cash flows

For the year ended 30 June	Note	2017 \$	2016 \$
Operating activities			
Receipts from customers		10,140,776	1,931,268
Payments to suppliers and employees		(7,978,201)	(7,637,200)
Interest received		8,340	55,021
Other material expenses	8	(1,299,615)	-
R&D incentive refund		2,732,110	3,417,566
Finance costs		(16,220)	(19,899)
Net cash provided by / (used in) operating activities	27	3,587,190	(2,253,244)
Investing activities			
Payments for investments		(87,107)	-
Purchase of property, plant and equipment		(149,949)	(249,670)
Receipts from sale of property, plant and equipment		9,600	18,772
Net cash (used in) by investing activities		(227,456)	(230,898)
Financing activities			
Proceeds from related party loan		1,250,000	-
Repayment of related party loan		(1,250,000)	-
Receipts from shareholder loan		246,732	-
Net cash provided by financing activities		246,732	-
Net change in cash and cash equivalents held		3,606,466	(2,484,142)
Cash and cash equivalents at beginning of financial year		528,670	3,012,812
Cash and cash equivalents at end of financial year	9	4,135,136	528,670

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



Notes to the consolidated financial statements

1. Nature of operations

Regeneus 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 2017, 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 2017 were approved and authorised for issue by the Board of Directors on 22 August 2017.

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.

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 2016. Information on these new standards is presented below:

AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations

The amendments to AASB 11 Joint Arrangements state that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a 'business', as defined in AASB 3 Business Combinations, should:

- apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except principles that conflict with the guidance of AASB 11. This requirement also applies to the acquisition of additional interests in an existing joint operation that results in the acquirer retaining joint control of the joint operation (note that this requirement applies to the additional interest only, i.e. the existing interest is not re-measured) and to the formation of a joint operation when an existing business is contributed to the joint operation by one of the parties that participate in the joint operation; and
- provide disclosures for business combinations as required by AASB 3 and other Australian Accounting Standards.

AASB 2014-3 is applicable to annual reporting periods beginning on or after 1 January 2016.

The adoption of these amendments has not had a material impact on the Group.

AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements

The amendments introduce the equity method of accounting as one of the options to account for an entity's investments in subsidiaries, joint ventures and associates in the entity's separate financial statements.

AASB 2014-9 is applicable to annual reporting periods beginning on or after 1 January 2016.

The adoption of these amendments has not had a material impact on the Group.

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

The Standard makes amendments to AASB 101 Presentation of Financial Statements arising from the IASB's Disclosure Initiative project.

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 AASB 101 for identifying a significant accounting policy

AASB 2015-2 is applicable to annual reporting periods beginning on or after 1 January 2016.

The adoption of these amendments has not had a material impact on the Group.

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 (December 2014)

The standard introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking expected loss' impairment model and a substantially changed approach to hedge accounting. 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:
 - a. The objective of the Group's business model for managing the financial assets
 - b. 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) Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments.

d) 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.

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

- The change attributable to changes in credit risk are presented in Other Comprehensive Income (OCI)
- 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:

- Classification and measurement of financial liabilities

- 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 2019.

AASB 16 Leases

AASB 16:

- Replaces AASB 117 Leases and some lease-related interpretations
- Requires all leases to be accounted for 'on-balance sheet' be lessees, other than short-term and low value asset leases
- Provides new guidance on the application of the definition of lease and on sale and lease back accounting
- Largely retains the existing lessor accounting requirements in AASB 117
- Requires new and different disclosures about leases.

The Group is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the Group's preliminary assessment, the likely impact on the first time adoption of the Standard for the 30 June 2020 includes:

- There will be a significant increase in lease assets and financial liabilities recognised on the balance sheet
- The reported equity will reduce as the carrying amount of lease assets will reduce more quickly than the carrying amount of lease liabilities
- EBIT in the statement of profit or loss and other comprehensive income will be higher

as the implicit interest in lease payments for former off balance sheet leases will be presented as part of finance costs rather than being included in operating expenses

- Operating cash outflows will be lower and financing cash flows will be higher in the statement of cash flows as principal repayments on all lease liabilities will now be included in financing activities rather than operating activities. Interest can also be included within financing activities.

AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15

AASB 2014-5 incorporates the consequential amendments arising from the issuance of AASB 15.

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 2019.

AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)

AASB 2014-7 incorporates the consequential amendments arising from the issuance of AASB 9.

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 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between and Investor and its Associate or Joint Venture

The amendments address a current inconsistency between AASB10 Consolidated Financial Statements and AASB 128 Investments in Associates and Joint Ventures.

The amendments clarify that, on a sale or contribution of assets to a joint venture or associate or on a loss of control when joint control or significant influence is retained in a transaction involving an associate or a joint venture, any gain or loss recognised will depend on whether the assets or subsidiary constitute a business, as defined in AASB 3 Business Combinations. Full gain or loss is recognised when the assets or subsidiary constitute a business, whereas gain or loss attributable to other investors' interests is recognised when the assets or subsidiary do not constitute a business. This amendment effectively introduces an exception to the general requirement in AASB 10 to recognise full gain or loss on the loss of control over a subsidiary. The exception only applies to the loss of control over a subsidiary that does not contain a business, if the loss of control is the result of a transaction involving an associate or a joint venture that is accounted for using the equity method.

Corresponding amendments have also been made to AASB 128.

When these amendments are first adopted for the year ending 30 June 2019, there will be no material impact on the financial statements

AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15

AASB 2015-8 amends the mandatory application date of AASB 15 Revenue from Contracts with Customers so that AASB 15 is required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2017. It also defers the consequential amendments that were originally set out in AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15.

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 2019.

AASB 2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107

AASB 2016-2 amends AASB 107 Statement of Cash Flows to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

When these amendments are first adopted for the year ending 30 June 2018, there will be no material impact on the financial statements.

AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15

The amendments clarify the application of AASB 15 in three specific areas to reduce the extent of diversity in practice that might otherwise result from differing views on how to implement the requirements of the new standard. They will help companies:

1. Identify performance obligations (by clarifying how to apply the concept of 'distinct');
2. Determine whether a company is a principal or an agent in a transaction (by clarifying how to apply the control principle);
3. Determine whether a licence transfers to a customer at a point in time or over time (by clarifying when a company's activities significantly affect the intellectual property to which the customer has rights).

The amendments also create two additional practical expedients available for use when implementing AASB 15:

1. For contracts that have been modified before the beginning of the earliest period presented, the amendments allow companies to use hindsight when identifying the performance obligations, determining the transaction price, and allocating the transaction price to the satisfied and unsatisfied performance obligations.
2. Companies applying the full retrospective method are permitted to ignore contracts already complete at the beginning of the earliest period presented.

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 2019.

Interpretation 22 Foreign Currency Transactions and Advance Consideration

Interpretation 22 looks at what exchange rate to use for translation when payments are made or received in advance of the related asset, expense or income.

Although AASB 121 The Effects of Changes in Foreign Exchange Rates sets out requirements about which exchange rate to use when recording a foreign currency transaction on initial recognition in an entity's functional currency, the IFRS Interpretations Committee had observed diversity in practice in circumstances in which an entity recognises a non-monetary liability arising from advance consideration. The diversity resulted from the fact that some entities were recognising revenue using the spot exchange rate at the date of the receipt of the advance consideration while others were using the spot exchange rate at the date that revenue was recognised.

Interpretation 22 addresses this issue by clarifying that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the nonmonetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.

When this interpretation is adopted for the year ending 30 June 2019, there will be no material impact on the financial statements.

3. Summary of accounting policies

Overall considerations

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

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

a. Basis of consolidation

Controlled entities

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as of 30 June 2017. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June.

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

Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

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

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

Investments in associates and joint arrangements

Associates are those entities over which the Group is able to exert significant influence but which are not subsidiaries.

A joint venture is an arrangement that the Group controls jointly with one or more other investors, and over which the Group has rights to a share of the arrangement's net assets rather than direct rights to underlying assets and obligations for underlying liabilities. A joint arrangement in which the Group has direct rights to underlying assets and obligations for underlying liabilities is classified as a joint operation.

Investments in all joint ventures are accounted for using the equity method.

Interests in joint operations are accounted for by recognising the Group's assets (including its share of any assets held jointly), its



liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of the revenue from the sale of the output by the joint operation), and its expenses (including its share of any expenses incurred jointly). These are incorporated in the financial statements under the appropriate headings.

Any goodwill or fair value adjustment attributable to the Group's share in the associate or joint venture is not recognised separately and is included in the amount recognised as investment.

The carrying amount of the investment in associates and joint ventures is increased or decreased to recognize the Group's share of the profit or loss and other comprehensive income of the associate and joint venture, adjusted where necessary to ensure consistency with the accounting policies of the Group.

Unrealised gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in those entities.

Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

If an entity's share of losses of an associate or a joint venture equals or exceeds its interest in the associate or joint venture, the entity discontinues recognising its share of further losses. The interest in an associate or a joint venture is the carrying amount of the investment in the associate or joint venture determined using the equity method together with any long-term interests that, in substance, form part of the entity's net investment in the associate or joint venture. For example, an item for which settlement

is neither planned nor likely to occur in the foreseeable future is, in substance, an extension of the entity's investment in that associate or joint venture. Such items may include preference shares and long-term receivables or loans, but do not include trade receivables, trade payables or any long-term receivables for which adequate collateral exists, such as secured loans. Losses recognised using the equity method in excess of the entity's investment in ordinary shares are applied to the other components of the entity's interest in an associate or a joint venture in the reverse order of their seniority (ie priority in liquidation).

After the entity's interest is reduced to zero, additional losses are provided for, and a liability is recognised, only to the extent that the entity has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. If the associate or joint venture subsequently reports profits, the entity resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

b. Segment reporting

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

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

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

c. Going concern basis of accounting

The Group achieved, for the year ended 30 June 2017, a profit after income tax of \$3,270,592 (2016: \$3,573,873 loss), had net cash inflows from operating activities of \$3,587,190 (2016: \$2,253,244 outflow) and as at 30 June 2017 has accumulated losses of \$24,629,684 (2016: \$27,916,645).

Having granted to AGC an initial manufacturing licence in 2017 and after due consideration of additional commercial licensing opportunities 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 2017 Regeneus had positive net assets of \$8,099,908 (2016: \$4,784,740).

The Directors are expecting, by the end of FY18, that the Group will enter into a clinical development and commercialisation licence with a Japanese partner. This arrangement is expected to provide upfront funding and future payments contributing to the Group's funding requirements for the next 18 months. The Directors continue to review other available strategies to maintain the Group in a positive cash flow position including

further product licensing, funding of R&D or raising additional capital, including issuance of securities.

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	Life of lease
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 the recognition criteria of AASB 138 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).

I. 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 counterparty default rates for each identified group.

Financial liabilities

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

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. Employee benefits**Short-term employee benefits**

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

Other long-term employee benefits

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

The Group presents employee benefit obligations as current liabilities in the statement of financial position if the Group does not have an unconditional right to defer

settlement for at least twelve (12) months after the reporting period, irrespective of when the actual settlement is expected to take place.

Defined contribution plans

The Group pays fixed contributions into independent entities in relation to several state plans and insurance for individual employees. The Group has no legal or constructive obligations to pay contributions in addition to its fixed contributions, which are recognised as an expense in the period that relevant employee services are received.

q. Provisions, contingent liabilities and contingent assets

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

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

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

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

r. Share-based employee remuneration

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

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

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

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

ultimately exercised are different to that estimated on vesting.

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

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 income is recognised on a straight-line basis over the period that the licence covers. Licence fee income – Japan is recognised based on the achievement of contracted milestones.

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. 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.

u. Research and development

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

v. 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.

w. Significant management judgments and estimates in applying accounting policies

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data.

When preparing the financial statements, management undertakes a number of judgments, estimates and assumptions about

the recognition and measurement of assets, liabilities, income and expenses.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expense is provided 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.

Research and development claim

The Group's research and development

activities are eligible expenditure under the Australian Government tax incentive. Management has assessed these activities and expenditures to determine which are likely to be eligible under the incentive scheme. At each period end, management estimates the refundable R&D incentive available to the Group based on current information. This estimate is also reviewed by external tax advisors. For the years ended 30 June 2017 and 2016, the Group has recognised income of \$2.6 million and \$2.7 million respectively. Refer notes 6 and 12.

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

Joint venture assessment

In respect of Regeneus Japan Inc. management has determined that the Group does not have control in accordance with the criteria outlined in AASB 10. Management has made an assessment that the joint arrangement represents a joint venture rather than a joint operation in accordance with the requirements of AASB 11 and has therefore accounted for the investment using the equity method.

Revenue recognition

Management has determined that the Group has met the revenue criteria outline in AASB 118 in respect of the milestone payments received during the year under the AGC Manufacturing Licence Agreement. As part of this assessment management has made judgements relating to the probability of obtaining future milestone payments and the

probability that any of the payments received to date may be subject to repayment or claw back provisions.

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 2017	30 June 2016
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%

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

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.

Revenue of \$8,912,000 (2016: nil) is derived from a single external customer. This revenue is attributable to the current operating segment.

6. Revenue

	2017 \$	2016 \$
Operating activities		
Licence fee income	1,028,514	1,218,896
Licence fee income - Japan	8,912,000	-
Income from sale of goods	53,550	516,566
Interest received	74,516	142,297
Total revenue	10,068,580	1,877,759
Other income		
R&D incentive	2,608,222	2,732,110
Gain on sale of property, plant and equipment	-	14,833
Total other income	2,608,222	2,746,943

7. Results for the year

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

	2017 \$	2016 \$
a. Expense		
Cost of sales	55,062	291,743
Rental expense on operating leases – minimum lease payment	329,301	343,251
Amortisation of intangible assets	5,495	14,856
Depreciation	320,693	335,903
Loss on disposal of assets	11,091	148
Employment expenses (excludes share-based payment)	2,605,482	2,578,156
Superannuation expense	240,772	246,472
Share-based payments	44,576	86,479
b. Finance costs	320,693	335,903
Interest expense	12,802	14,597
Bank charges	3,418	5,302
Total finance costs	16,220	19,899

8. Other expenses

	2017 \$	2016 \$
Individually significant items of expenditure		
Withholding tax on Licence Fees	445,640	-
Legal, consulting and other professional fees	502,664	-
Exchange loss on US\$ account	351,311	-
Total other expenses	1,299,615	-

9. Cash and cash equivalents

Cash and cash equivalents include the following components:

	2017 \$	2016 \$
Cash on hand	38	38
Cash at bank (AUD account)	35,817	459,141
Cash at bank (USD account)	4,099,281	69,391
Total cash and cash equivalents	4,135,136	528,570

10. Trade and other receivables

Trade and other receivables consists of the following:

	2017 \$	2016 \$
Trade receivables	770	21,774
Other receivables	87,107	-
Total trade and other receivables	87,877	21,774

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:

	2017 \$	2016 \$
Raw materials and consumables at cost	46,132	76,076
Less: Provisions	(24,184)	(46,000)
Total inventories	21,948	30,076

12. R&D incentive receivable

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

	2017 \$	2016 \$
Current		
R&D incentive receivable	2,608,222	2,732,110
Total R&D incentive receivable	2,608,222	2,732,110

13. Other current assets

	2017 \$	2016 \$
Other current assets		
Prepayments	70,330	32,799
Security deposits	38,743	52,804
GST receivable	69,217	74,377
Other assets	700	30,074
Shareholder loan	1,228,751	-
Total other current assets	1,407,741	190,054

The shareholder loan is a full recourse, interest-free loan for 4 years, maturing September 2017 (refer note 35 - Subsequent events for further details on the Shareholder loan).

The Group's management consider that the shareholder loans are not impaired or past due for each of the 30 June reporting dates under review and are of good credit quality.

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

	2017 \$	2016 \$
John Martin	295,925	295,925
Graham Vesey	150,552	150,552

14. Plant and equipment

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

	Office equipment \$	Lab equipment \$	Clinical equipment \$	Office fit-out \$	Total \$
Gross carrying amount					
Balance 1 July 2016	111,064	399,196	102,917	1,168,665	1,781,842
Additions	61,552	88,397	-	-	149,949
Disposals	(53,003)	-	(50,801)	-	(103,804)
Balance 30 June 2017	119,613	487,593	52,116	1,168,665	1,827,987
Depreciation and impairment					
Balance 1 July 2016	(90,607)	(296,393)	(75,755)	(517,525)	(980,280)
Disposals	50,192	-	32,921	-	83,113
Depreciation	(16,229)	(50,548)	(6,986)	(246,930)	(320,693)
Balance 30 June 2017	(56,644)	(346,941)	(49,820)	(764,455)	(1,217,860)
Carrying amount 30 June 2017	62,969	140,652	2,296	404,210	610,127
Gross carrying amount					
Balance 1 July 2015	108,051	352,879	106,142	972,265	1,539,337
Additions	3,995	49,275	-	196,400	249,670
Disposals	(982)	(2,958)	(3,225)	-	(7,165)
Balance 30 June 2016	111,064	399,196	102,917	1,168,665	1,781,842
Depreciation and impairment					
Balance 1 July 2015	(71,010)	(239,658)	(54,658)	(282,270)	(647,454)
Disposals	102	1,700	1,275	-	3,077
Depreciation	(19,699)	(58,435)	(22,514)	(235,255)	(335,903)
Balance 30 June 2016	(90,607)	(296,393)	(75,755)	(517,525)	(980,280)
Carrying amount 30 June 2016	20,457	102,803	27,162	651,140	801,562

The Company exercised 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 \$
Gross carrying amount		
Balance at 1 July 2016	82,561	82,561
Balance at 30 June 2017	82,561	82,561
Amortisation and impairment		
Balance at 1 July 2016	(71,307)	(71,307)
Amortisation	(5,495)	(5,495)
Balance at 30 June 2017	(76,802)	(76,802)
Carrying amount 30 June 2017	5,759	5,759
Gross carrying amount		
Balance at 1 July 2015	82,561	82,561
Balance at 30 June 2016	82,561	82,561
Amortisation and impairment		
Balance at 1 July 2015	(56,451)	(56,451)
Amortisation	(14,856)	(14,856)
Balance at 30 June 2016	(71,307)	(71,307)
Carrying amount 30 June 2016	11,254	11,254

16. Investments accounted for using the equity method

The Group has one material joint venture – Regeneus Japan Inc. The investment is accounted for using the equity method in accordance with AASB 128. Summarised financial information for Regeneus Japan Inc. is set out below:

	2017 \$	2016 \$
Total assets (a)	156,000	-
Total liabilities	-	-
Net assets	156,000	-
(a) Includes cash and cash equivalents	156,000	-
Revenue	-	-
Expenses	(18,214)	-
Total comprehensive loss for the year	(18,214)	-
Share of comprehensive loss for the year	(9,107)	-

A reconciliation of the above summarised financial information to the carrying amount of the investment in Regeneus Japan Inc. is set out below:

Total net assets of Regeneus Japan Inc	156,000	-
Proportion of ownership interests held by the Group	50%	-
Carrying amount of the investment in Regeneus Inc.	78,000	-

The joint venture has no commitments or contingent liabilities as at 30 June 2017 (2016: nil)

17. Other non-current assets

	2017 \$	2016 \$
Non-current		-
Shareholder loan	-	1,409,307
Security deposits	210,000	210,000
Total other non-current assets	210,000	1,619,307

18. Trade and other payables

Trade and other payables consists of the following:

	2017 \$	2016 \$
Current		-
Trade payables	350,317	539,430
Accruals	331,184	188,100
PAYG Payable	61,708	178,782
Total trade and other payables	743,209	906,312

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

18.1 Foreign currency risk

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

	2017 \$	2016 \$
US dollar	17,436	59,875

19. Provisions

	2017 \$	2016 \$
Current: Annual leave		
Opening balance 1 July	99,273	109,868
Benefits accrued /(expensed)	16,211	(10,595)
Balance as at 30 June	115,484	99,273
Total current provisions	115,484	99,273
Non-current: Long service leave		
Opening balance 1 July	94,182	47,588
Benefits accrued	42,525	46,594
Balance as at 30 June	136,707	94,182
Non-current: Make good		
Opening balance 1 July	50,300	
Provision accrued	1,700	50,300
Balance as at 30 June	52,000	50,300
Total non-current provisions	188,707	144,482

The provision for the estimated cost for the make good of the operating lease and relates to the expected future cost and is based on management's best estimate of the cost to restore the leased premises to their agreed pre-fitout state at the expiration of the lease agreement.

20. Other liabilities

	2017 \$	2016 \$
Current		
Deferred income	17,502	-
Total other current liabilities	17,502	-

21. Equity

21.1 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.

	2017 shares	2016 shares	2017 \$	2016 \$
Shares issued and fully paid				
Beginning of the year	208,885,143	208,885,143	31,076,819	31,076,819
Shares issued	-	-	-	-
Closing balance at the end of the year	208,885,143	208,885,143	31,076,819	31,076,819

During 2017, no shares or options were issued. (2016: nil).

21.2 Reserves

The details of reserves are as follows:

	Share option reserve \$	Total reserves \$
Balance at 30 June 2015	2,491,128	2,491,128
Share options expense	86,479	86,479
Options exercised	-	-
Transfer from reserves to retained earnings for options forfeited	(953,041)	(953,041)
Balance at 30 June 2016	1,624,566	1,624,566
Share options expense	44,576	44,576
Options exercised	-	-
Transfer from reserves to retained earnings for options forfeited	(16,369)	(16,369)
Balance at 30 June 2017	1,652,773	1,652,773

22. Employee remuneration

22.1 Share-based employee remuneration

As at 30 June 2017 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	Weight avg exercise price \$	Number	Weight avg exercise price \$
Outstanding at 1 July 2015	7,242,755	0.17	8,322,110	0.24	15,564,865	0.21
Granted	-	-	-	-	-	-
Forfeited	(4,508,921)	0.18	(1,383,900)	0.25	(5,892,821)	0.20
Exercised	-	-	-	-	-	-
Outstanding at 30 June 2016	2,733,834	0.16	6,938,210	0.24	9,672,044	0.22
Granted	-	-	-	-	-	-
Forfeited	-	-	(50,000)	0.25	(50,000)	0.25
Exercised	-	-	-	-	-	-
Outstanding at 30 June 2017	2,733,834	0.16	6,888,210	0.24	9,622,044	0.22
Exercisable at 30 June 2016	2,733,834	0.16	6,138,210	0.25	8,872,044	0.22
Exercisable at 30 June 2017	2,733,834	0.16	6,538,210	0.24	9,272,044	0.22

Other details of options currently outstanding:

- The range of exercise prices is \$0.136 to \$0.28
- The weighted average remaining contractual life is 3 years

The following principal assumptions were used in the valuation:

Valuation assumptions Grant date	1 Jul 2010	1 Jan 2011	21 Feb 2011	1 Jul 2011
Share price at date of grant	\$0.136	\$0.136	\$0.136	\$0.280
Volatility	45%	45%	45%	45%
Option life	10 years	10 years	10 years	10 years
Dividend yield	0%	0%	0%	0%
Risk free investment rate	5.10%	5.60%	5.60%	5.30%
Fair value at grant date	\$0.085	\$0.086	\$0.085	\$0.180
Exercise price at date of grant	\$0.136	\$0.136	\$0.136	\$0.280

Grant date	16 Sep 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, \$44,576 (2016: \$86,479), 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.

23. Leasing

23.1 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			Total \$
	Within 1 year \$	1-5 years \$	After 5 years \$	
30 June 2017	277,798	225,165	-	502,963
30 June 2016	263,596	502,963	-	766,559

24. Income tax expense

The major components of tax expense and the reconciliation of the expected tax expense based on the domestic effective tax rate of Regeneus Ltd at 30% (2016: 30%) and the reported tax expense in profit or loss are as follows:

	2017 \$	2016 \$
The prima facie tax on profit / (loss) before income tax is reconciled to the income tax as follows:		
Prima facie tax receivable on profit / (loss) before income tax at 30% (2016: 30%)	981,178	(1,072,161)
Less:		
Tax effect of:		
- Research and development incentive	(782,467)	(819,633)
- Tax losses applied / (not brought to account)	(1,736,323)	15,201
Add:		
Tax effect of:		
- Non-deductible expenses	1,438,929	1,834,006
- Timing differences	98,683	42,587
Income tax benefit	-	-
The applicable weighted average effective tax rates are as follows	0%	0%

	2017 \$	2016 \$
Deferred Tax Losses not recognised		
Tax losses not recognised	876,033	6,663,778
Capital losses not recognised	833,534	833,529
Other deferred tax assets not recognised	1,433,723	1,104,779
Total	3,143,290	8,602,086
Potential tax benefit of 30%	942,987	2,580,626

25. Auditor's remuneration

	2017 \$	2016 \$
Audit and review of financial statements		
- Auditors of Regeneus Ltd	91,500	87,750
Remuneration for audit and review of financial statements	91,500	87,750
Other services		
Other services	-	-
Total other services remuneration	-	-
Total auditor's remuneration	91,500	87,750

26. 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 profit or loss were necessary in 2017 or 2016).

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:

	2017 \$	2016 \$
Earnings per share		
Basic earnings per share from continuing operations	0.016	(0.017)
The weighted average number of ordinary shares used as the denominator on calculating the EPS	208,885,143	208,885,143
Diluted earnings per share		
Diluted earnings per share from continuing operations	0.016	(0.017)
The weighted average number of ordinary shares used as the denominator on calculating the DEPS	208,885,143	208,885,143

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

27. Reconciliation of cash flows from operating activities

	2017 \$	2016 \$
Cash flows from operating activities		
Profit / (Loss) for the period	3,270,592	(3,573,873)
Non cash adjustments for:		
• Depreciation	320,693	335,903
• Amortisation	5,495	14,856
• Loss on disposal of plant and equipment	11,091	148
• Profit on disposal of plant and equipment	-	(14,833)
• Equity settled share-based transactions	44,576	86,479
• Interest - unwinding of shareholder loan	(66,176)	(87,276)
• Share of loss of on investments accounted for using the equity method	9,107	-
Net changes in working capital:		
• Change in inventories	8,128	68,899
• Change in trade and other receivables	21,004	44,798
• Change in other assets	(76,043)	343,259
• Change in trade and other payables	(46,029)	18,085
• Change in other employee obligations	(117,074)	107,126
• Change in tax assets	123,888	685,456
• Change in other liabilities	17,502	(368,570)
• Change in provisions	60,436	86,299
Net cash inflow / (outflow) from operating activities	3,587,190	(2,253,244)

28. Related party transactions and loans

During the period the Group entered into an R&D funding arrangement with Sherman Group Pty Ltd, a related party. The facility forward funded, via a loan, up to 80% of the Federal Government's R&D tax incentive claim. Sherman Group charged interest at the market rate for this type of funding. The loan was fully repaid in September 2016.

Related party transactions	2017 \$	2016 \$
Sherman Group Pty Ltd		
Loan received	1,250,000	-
Loan repaid	(1,250,000)	-
Interest charged	(10,575)	-
Net paid to related parties	(10,575)	-

Related party loan receivable	2017 \$	2016 \$
John Martin	295,925	295,925
Graham Vesey	150,552	150,552
Total related party loans	446,477	446,477

These loans relate to the shareholder loan, the terms of which are disclosed in Notes 13 and 17.

29. Transactions with key management personnel

Key management personnel remuneration includes the following expenses:

Related party loan receivable	2017 \$	2016 \$
Salaries	669,679	665,883
Bonuses	-	-
Total short-term employee benefits	669,679	665,883
Defined contribution pension plans	47,944	51,740
Other long-term benefits	19,331	31,248
Share-based payments	-	-
Total remuneration	736,954	748,871

During the year, no options were exercised.

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

30. Contingent liabilities

The Group had no contingent liabilities as at 30 June 2017 (30 June 2016: \$nil).

31. Capital expenditure commitments

There were no capital commitments as at the 30 June 2017 (30 June 2016: \$nil).

32. Financial instruments

a. Capital risk management

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

b. Categories of financial instruments

The total for each category of financial instrument, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statement, are as follows:

Financial assets	2017 \$	2016 \$
Trade and other receivables	770	21,774
Cash and cash equivalents	4,135,136	528,670
Shareholder loan	1,228,751	1,409,307
Total financial assets	5,364,657	1,959,751

Financial liabilities	2017 \$	2016 \$
Trade and other payables	681,501	727,530
Total financial liabilities	681,501	727,530

c. Financial risk management objective

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 and the effect of foreign exchange rate volatility on a US denominated bank account, balance at 30 June 2017 US\$3,141,693 (30 June 2016: \$52,000). Other exposure to currency risk arises from foreign currency transactions and 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.

The following table illustrates the sensitivity of profit in regards to the Group's financial assets and financial liabilities and the \$USD / \$AUD exchange rate 'all other things being equal'. It assumes a +/- 10% change of the \$AUD / \$USD exchange rate for the year ended at 30 June 2017 (2016: 10%). This percentage has been determined based on the average market volatility in exchange rates in the previous twelve (12) months. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting date.

Movements in the \$AUD / \$USD would have had the following impact:

Profit / (loss) Impact of exchange rate sensitivity	2017 \$	2016 \$
If the \$AUD had strengthened against the \$USD by 10% (2016: 10%)	(372,662)	(6,308)
If the \$AUD had weakened against the \$USD by 10% (2016: 10%)	455,476	7,710

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

e. Liquidity risk analysis

Liquidity risk is risk that the Group might be unable to meet its obligations. The Group manages its liquidity needs by monitoring forecast cash inflows and outflows due in day-to-day business. The data used for analysing these cash flows consistent with that used in the contractual maturity analysis below. Liquidity needs are monitored in a rolling 365 day projection.

The Group's objective is to maintain cash and deposits to meet its liquidity requirements for 180 day periods at a minimum. This objective 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 2017 the Group's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

Financial liabilities	2017 \$	2016 \$
	Current within 6 months	Current within 6 months
Trade and other payables	681,501	727,530
Total financial liabilities	681,501	727,530

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, shareholder loans, 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.

The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date.

There are no significant concentrations of credit risk within the Group.

g. Capital management policies and procedures

The Group's capital management objectives are:

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

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

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

33. Fair value measurement

Fair value hierarchy

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

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

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

Level 3: Unobservable inputs for the asset or liability

All assets and liabilities are considered to be Level 1 and their carrying values are considered to approximate fair value. There were no transfers between levels during the financial year.

34. Parent entity information

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

	2017 \$	2016 \$
Statement of financial position		
Current assets	8,260,824	3,502,584
Total assets	9,164,710	5,934,707
Current liabilities	876,195	1,005,585
Total liabilities	1,064,902	1,150,067
Net assets	8,099,808	4,784,640
Issued capital	31,076,819	31,076,819
Retained earnings	(24,629,784)	(27,916,745)
Option reserve	1,652,773	1,624,566
Total equity	8,099,808	4,784,640
Statement of profit or loss and other comprehensive income		
Profit / (Loss) for the year	3,270,592	(3,573,873)
Other comprehensive income	-	-
Total comprehensive profit or (loss)	3,270,592	(3,573,873)

35. Subsequent events

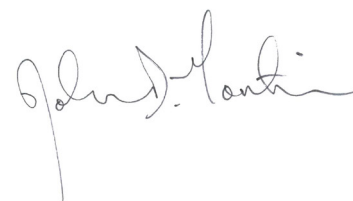
In the period since 30 June 2017 to the signing of the financial report, the Board of Directors reviewed the maturity of the shareholder loan facility, relating to the funding of employee options exercised as part of the IPO in 2013. The Directors considered that it was in all shareholders interest if the loan repayment was extended 9 months to 15 June 2018. The Directors will seek approval of this decision at the Annual General Meeting.

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

Directors' declaration

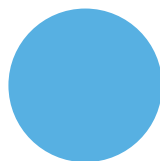
1. In the opinion of the Directors of the Group:
 - a. The consolidated financial statements and notes are in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of its financial position as at 30 June 2017 and of its performance for the financial year ended on that date; and
 - ii. complying with Accounting Standards (including the Australian Accounting interpretations) and the Corporations Regulations 2001; and
 - b. There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.
2. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and the chief financial officer for the financial year ended 30 June 2017.
3. Note 2 confirms that the consolidated financial statements also comply with International Financial Reporting Standards.

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



CEO and Executive Director
John Martin

Dated the 22nd day of August 2017.



Auditor's report



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Independent Auditor's Report to the Members of Regeneus Ltd

Report on the audit of the financial report

Opinion

We have audited the financial report of Regeneus Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- Giving a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the year ended on that date; and
- Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

Material Uncertainty Related to Going Concern

We draw attention to Note 3(c) in the financial statements, which indicates that the Group reported a net profit of \$3,270,592 during the year ended 30 June 2017, and as of that date, the Group has accumulated losses of \$24,629,684. As stated in Note 3(c), these events or conditions, along with other matters as set forth in Note 3(c), indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Accounting for the Asahi Glass contract (note 6 and note 16) On 28 December 2016 the Group entered into an agreement with Asahi Glass Co (AGC), a Japanese entity, for the exclusive manufacture of the Progenza stem cell technology for the Japanese market. The agreement entered into with Asahi Glass resulted in revenue of \$8.9 million being recognised by the Group during the year. A vehicle (JV) was also created upon entering into the agreement with AGC in order to conduct the clinical development and licensing of Progenza in Japan. A significant contract requires consideration of the key elements in order to determine appropriate accounting treatment. The key elements of focus arising from this contract include revenue recognition, accounting treatment of the JV and consideration of any other elements within the contract that may have an impact on the Group.	Our procedures included, amongst others: - reading and understanding the contracts entered into with AGC including the JV Agreement; - verifying cash received to bank statements and contracts; - verifying that milestones in the AGC agreement had been achieved and evaluating the appropriateness of the revenue recognition against requirements of AASB 118 <i>Revenues</i>; - reviewing and comparing to contracts management's key judgements related to the treatment of the Japanese entity as a joint venture; - verifying the initial investment in the joint venture to bank statements; and - reviewing the appropriateness of the related disclosures within the financial statements.



Key audit matter	How our audit addressed the key audit matter
Recognition of R&D incentive (note 6) The Group receives a 43.5% refundable tax offset (2016: 45%) of eligible expenditure under the research and development ("R&D") incentive scheme if turnover is less than \$20 million per annum. An R&D plan is filed with AusIndustry in the following financial year and, based on this filing, the Group receives the incentive in cash. Management, with the assistance of a management expert, performed a detailed review of the Group's total R&D expenditure to estimate the refundable tax offset receivable under the R&D incentive legislation. The receivable recorded at year-end represents an estimated claim for the period 1 July 2016 to 30 June 2017. This area is a key audit matter due to the inherent subjectivity that is involved in the Group making judgements in relation to the estimation and recognition of the R&D incentive income and receivable.	Our procedures included, amongst others: • comparing the methodology and nature of the expenditure included in the current year estimate of the R&D incentive calculation to the prior period claim; • utilising an internal R&D expert to assess the methodology used, consistency with ATO guidance of amounts and review the work performed by management's expert; • evaluating the qualification and expertise of management's expert in order to assess their professional competence and capabilities as they relate to the work undertaken; • comparing the eligible expenditure used in the estimate to the expenditure recorded in the general ledger; • assessing management's prior year estimates to actual results to support the reliability of the R&D incentive receivable; • inspecting copies of relevant correspondence with AusIndustry and the ATO related to the claims history; and • reviewing relevant disclosures in the financial statements.

Information Other than the Financial Report and Auditor's Report Thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors' for the Financial Report

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

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.



Auditor's Responsibilities for the Audit of the Financial Report

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

Further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 16 to 19 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Regeneus Ltd, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

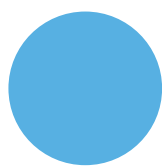
Responsibilities

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

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

L M Worsley
Partner - Audit & Assurance

Sydney, 22 August 2017



Additional shareholder information

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below. The information is effective 19 August 2017.

Corporate governance statement

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

regeneus.com.au/about/corporate-governance

Buy back of shares

There is no buy back of shares on offer.

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	172,274,950	9,622,044
10,001 to 100,000	33,302,121	-
5,001 to 10,000	2,383,642	-
1,001 to 5,000	909,841	-
1 to 1,000	14,589	-
	208,885,143	9,622,044
Unmarketable parcels	616,971	

Buy back of shares

There is no buy back of shares on offer.

Unissued equity securities

Options issued under the options plans total 9,622,044.

Ordinary shares

Twenty largest shareholders	Number held	% of issued shares
HSBC Custody Nominees	14,852,446	7.11
Vesey Investments Pty Ltd	14,399,642	6.89
Dr Marc Ronald Wilkins	7,985,161	3.82
Thomas Georg Mechtersheimer	6,540,623	3.13
Dr Benjamin Ross Herbert	5,687,897	2.72
BNP Paribas Nominees Pty Ltd	4,370,615	2.09
John Martin	3,759,682	1.80
Pierre Frederic Malou	2,820,542	1.35
SMC Capital Pty Ltd	2,716,726	1.30
Parros Pty Ltd	2,222,623	1.06
MLB Holdings Pty Ltd	2,200,000	1.05
Sayers Investment (ACT) Pty Ltd	2,100,000	1.01
George Miklos	2,086,096	1.00
KBRoss Pty Ltd	2,000,000	0.96
Bacau Pty Ltd	1,940,732	0.93
Rose Martin	1,863,642	0.89
Mrs Ciara Yvonne Kelly and Mr Paul Dominic Kelly	1,774,512	0.85
J P Morgan Nominees Australia Limited	1,714,705	0.82
Dr Michael Muller	1,571,896	0.75
Duncan Thomson & Donna Thomson	1,534,183	0.73
Total	84,141,723	40.28
Balance of register	124,743,420	59.72
Grand total	208,885,143	100.00

Securities exchange

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

Electronic communications

Regeneus encourages shareholders to receive information electronically. Shareholders who currently receive information by post can log in at www.linkmarketservices.com.au to provide their email address and elect to receive electronic communications. Electronic communications allows Regeneus to communicate with shareholders faster and reduce its use of paper.

Cash usage

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

Annual General Meeting 2017

The Regeneus AGM will be held at the premises of:

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

At 1.00pm on Thursday 2 November 2017

The external auditors will be present at the AGM to answer questions relevant to the external audit.



Registered Office and Principal Place of Business

25 Bridge Street
Pymble, NSW 2073

Board of Directors

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

Company Secretary

Sandra McIntosh

Website

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