

Tuesday 26 October 2021

The Manager
Market Announcement Office
Australian Securities Exchange Limited
20 Bridge Street
Sydney NSW 2000

**REGENEUS LTD (ASX:RGS)
FINAL AUDITED RESULTS FOR THE YEAR ENDED 30 JUNE 2021
ANNUAL REPORT**

Attached for immediate release to the market is Regeneus's 2021 Annual Report containing the final audited results for the year ended 30 June 2021.

Regeneus, in accordance with the class waiver from Listing Rule 4.3B, released its Appendix 4E on 31 August 2021 including its unaudited Financial Statements for the year ended 30 June 2021. At the time of lodgment of the Appendix 4E, Regeneus provided the following information to the market:

- that it was relying on the Amended ASIC Relief to extend the lodgment date for its audited annual accounts and other documents to be lodged with ASIC under section 320 of the Corporations Act; and
- that it would immediately make a further announcement to the market if it became aware that there would be a material difference between the unaudited annual accounts and the audited annual accounts.

Subsequent to the release of the Appendix 4E, the audit of the Financial Statements has now been completed. As a result, Regeneus has become aware of material differences between its unaudited Financial Statements lodged on 31 August 2021 and its audited Financial Statements being lodged today.

Those differences largely arose as a result of the following matters:

1. **valuation of New Life Sciences Capital investment:** the formal valuation of the institutional placement agreement entered into with New Life Sciences Capital, LLC and the initial investment of \$1,500,000 made by New Life Sciences on 12 May 2021 under which the Company granted New Life Sciences the right to subscribe for ordinary shares in the Company with an aggregate value of \$1,590,000 in respect of this initial subscription and a further investment of \$1,500,000 in a second placement (also with a subscription price of \$1,590,000) to be received within 6 months of the initial placement;

2. **valuation of investment in Sangui Bio Pty Ltd:** the Company's investment in a research company, Sangui Bio Pty Ltd, which was previously considered as immaterial and which has been valued at \$1.7 million as at balance date, with an increase in value of \$525k being shown in the current period. This investment is now included as a non-current financial asset (investment) and is measured at fair value through the Profit or Loss; and
3. **share options:** the company made adjustments to the fair value recorded for employee share options.

There were no other material changes to the Financial Statements.

The impact of these changes, and other minor changes, to the Financial Statements is detailed in the attached Schedule.

Yours faithfully



Helen Leung
Company Secretary

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

SCHEDULE
Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June	30 June 2021 Audited Financial Statements \$	30 June 2021 Unaudited Preliminary Financial Statements \$
Revenue	7,067,026	7,067,026
Other income	888,796	888,796
Research and development expenses	(1,444,013)	(1,295,851)
Occupancy expenses	(134,447)	(282,609)
Corporate expenses	(3,852,700)	(3,947,475)
Finance costs	(404,503)	(75,039)
Gain on Disposal of Regeneus Japan Inc	-	-
Loss on disposal of fixed assets	-	-
Fair value increase/(decrease) in institutional placement	137,198	(178,540)
Fair value increase on investments	525,000	-
Gain on settlement of AGC Inc	266	266
Realised foreign exchange loss	(140,961)	(82,664)
Foreign exchange gain	117,399	59,101
Profit/(loss) before income tax	2,759,061	2,153,011
Income tax (expense) / benefit	-	-
Profit/(loss) for the year	2,759,061	2,153,011
Other comprehensive (expense) / income	-	-
Total comprehensive income / (loss) for the year	2,759,061	2,153,011

Earnings per share	30 June 2021 Audited Financial Statements \$	30 June 2021 Unaudited Preliminary Financial Statements \$
Basic earnings per share		
Earnings per share from continuing operations	0.009	0.007
Diluted earnings per share		
Earnings per share from continuing operations	0.009	0.007

Consolidated Statement of Financial Position

As at 30 June	30 June 2021 Audited Financial Statements \$	30 June 2021 Unaudited Preliminary Financial Statements \$
Current Assets		
Cash and cash equivalents	3,792,695	3,792,695
Trade and other receivables	-	-
R&D incentive receivable	751,428	751,428
Other current assets	112,152	112,152
Financial assets at amortised cost	2,070,227	570,227
Total current assets	6,726,502	5,226,502
Non-current assets		
Other financial assets	1,750,000	-
Property, plant and equipment	20,849	20,849
Right of use assets under lease	12,992	12,992
Intangible assets	-	-
Total non-current assets	1,783,841	33,841
Total assets	8,510,343	5,260,343
Current liabilities		
Trade and other payables	1,108,116	1,108,116
Provisions	183,379	183,379
Borrowings	-	-
Lease liabilities	5,296	5,296
Contract liabilities	-	-
Total current liabilities	1,296,791	1,296,791
Non-current liabilities		
Lease liabilities	8,547	8,547
Provisions	16,738	16,738
Derivative financial instrument	3,042,802	1,528,206
Total non-current liabilities	3,068,087	1,553,491
Total liabilities	4,364,878	2,850,282
Net assets	4,145,465	2,410,061
Equity		
Issued capital	38,258,870	38,286,543
Other contributed equity	-	-
Accumulated losses	(34,648,789)	(36,479,839)
Reserves	535,384	603,357
Total equity	4,145,465	2,410,061

Annual Report 2021

Who we are

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

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



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Letter from CEO and Chairman

Dear Shareholders

We are pleased to share Regeneus' FY2021 Annual Report for what has been a transformational year for the Company.

Regeneus made great progress, working collaboratively with Kyocera to meet program milestones since signing our Collaboration Agreement with Kyocera to develop and commercialise Progenza for osteoarthritis in Japan. We have also initiated the early work and preparation for future Progenza studies in the US and recently entered an exciting new partnership with the Australian Department of Defence to develop Sygenus, Regeneus' stem cell bioactive secretome technology, for combat casualty care with a first in human study on pain. The year also saw the award of key patents for both Progenza and Sygenus across multiple markets, supporting our robust IP portfolio strategy.

The Board was pleased to appoint Karolis Rosickas as CEO mid-year to lead Regeneus in delivering key R&D activities and explore business development opportunities. We have also streamlined the business, with a strict focus on operating costs and the Company is now operating in its newly optimised structure.

Q4 FY2021 saw up to A\$4.5 million secured in a successful three-stage placement to fund the initiation of Progenza™ Osteoarthritis (OA) Phase 2 trial in the US and for general working capital needs. These funds have given us access to capital to quickly complete the preparatory work to initiate US Phase 2 trial and allow us to continue to build on the progress we have made in 2021.



Progress on Progenza™

Our collaboration with Kyocera on Progenza™ for knee osteoarthritis (AO) in Japan has progressed positively over 2021 with continued preparatory work to progress to Phase 2 and move toward application for regulatory approval. Over the year we have commenced initial manufacturing work as well as early engagement with the Japanese regulator, PDMA. In Q4 FY2021, we finalised and commenced with Kyocera the additional non-clinical and manufacturing process work required for commencement of Phase 2 in Japan. The Progenza pre-clinical research collaboration announced in July 2021 with Kolling Institute's Raymond Purves Bone and Joint Research Laboratory supports this work for Japan and our preparations for a US Phase 2 study.

In the US, we initiated the FDA pre-IND consultation preparation process during FY2021, working with global consultancy and clinical research organisation IQVIA and we anticipate meeting with the FDA in Q2 FY2022. The Company has also entered into a manufacturing agreement for the US GMP final product.

Over FY2021 we also saw positive progress on our suite of patent protection expanding successfully for Progenza™ as planned with patents granted in Europe and Japan for the treatment of pain, supplementing previously granted patents for inflammatory conditions.

Going forward, we anticipate receipt of the next milestone payment of US\$3.0 million under the Collaboration and Licence Agreement with Kyocera in December 2022.

We are actively exploring options for this additional funding to progress Progenza™ into Phase 2 trials and beyond in the US market. These include public development funding opportunities, future licensing and commercialisation partnerships, and potential future capital raising activity. The US Progenza™ OA Phase 2 trial is anticipated to launch in Q2 CY2022 subject to securing further additional funding.

Sygenus Development

The Company moved into an exciting next step in development of Sygenus, Regeneus' stem cell bioactive secretome technology, by entering a partnership in Q4 FY2021 with the Australian Department of Defence to develop Sygenus for combat casualty care. Funding of A\$300,000 will be used to optimise the Sygenus formulation for combat casualties and conduct a first in human study on pain. Sygenus will be used as an analgesic gel applied to damaged tissue, with Regeneus having previously reported how the analgesic effect of Sygenus is more potent and longer lasting than morphine, the mainstay for acute severe battlefield pain.

During FY2021, Regeneus was also awarded several Sygenus patents including a US patent for treatment of a broad range of non-inflammatory conditions with adipose derived secretions, extending protection to 2032. A further patent was also granted in Canada for treatment of acne, extending to 2032.

Financial Highlights & Outlook

For FY 2021, Regeneus reported significant growth with A\$7.1 million in revenues, comprising payment and accruals of related milestone payments in relation to the ongoing licensing and collaboration arrangements with Kyocera to develop Progenza™ for osteoarthritis in Japan. The Company also recorded a profit for FY2021 of \$2.76 million, which reflects the transformative agreement with Kyocera and receipt of related licensing and milestone payments during the financial year. The Board anticipates continued positive progress in the Progenza program in Japan over FY2022, with continued investment in R&D activities and development of our US program.

In Q4 FY2021, the Company successfully secured up to A\$4.5 million in a three-stage placement of the Company's ordinary shares to New Life Sciences Capital, LLC, a U.S.-based institutional investor. Funds from the Placements will be used to accelerate the work needed to initiate a Progenza™ OA Phase 2 trial in the US and to fund general working capital needs. This includes our ongoing work in FY2022 with regulatory consultants in preparation for pre-IND consultation with the US FDA, initiating GMP final product manufacturing, and preparatory work with Clinical Research Organisations to conduct the Phase 2 trial.

Looking ahead to FY2022, business operations are now fully optimised to focus on R&D delivery and potential business development opportunities while keeping a strict focus on operating costs. We look forward to continued success in progressing our collaboration with Kyocera for the development of Progenza™ for knee osteoarthritis in Japan.

The Company is actively exploring all options for additional funding to progress Progenza™ into Phase 2 trials and beyond in the US market. There remains large unmet medical need in treating knee osteoarthritis and significant market potential for next generation therapeutics.

Options being considered include public development funding opportunities, future licensing and commercialisation partnerships and potential future capital raising activity. We are also in discussions with several large pharmaceutical and orthopaedic companies to explore potential strategic partnerships and licensing opportunities for Progenza™ outside Japan.

The Board would like to thank all shareholders for their ongoing support, as well as the Regeneus team and our clinical and research partners for their work in what has been a challenging year as the world responded to COVID-19.

We look forward to updating you on progress as we explore all the available options and move forward in progressing on the longer-term potential of Regeneus' platform and pipeline candidates.

Barry Sechos, Chairman

Karolis Rosickas, CEO

FY21 Highlights

\$7.1M

Revenue, up 325% from \$1.67 million FY20.

\$2.76M

Net profit in FY2021.

\$300k

Committed funding from Australian Department of Defence to develop Sygenus for combat casualty care.

\$3.8M

Cash Balance to drive R&D and business development activities.

Transformative Licence and Collaboration Agreement

with Kyocera Corporation to exclusively develop and commercialise Progenza™ for treatment of knee osteoarthritis (OA) in Japan.

Positive collaboration with Kyocera over FY21

moving forward on development of Progenza™ OA in Japan with preparatory work to progress to Phase 2 and move toward application for regulatory approval.

Initiated US FDA pre-IND consultation preparation

process, entered manufacturing agreement for US GMP final product & conducting required non-clinical work for US market.

Partnered with Australian Department of Defence

with \$300k of committed future funding to develop Sygenus, our stem cell bioactive secretome technology, for combat casualty care with first in human study on pain.

IP Portfolio strengthened

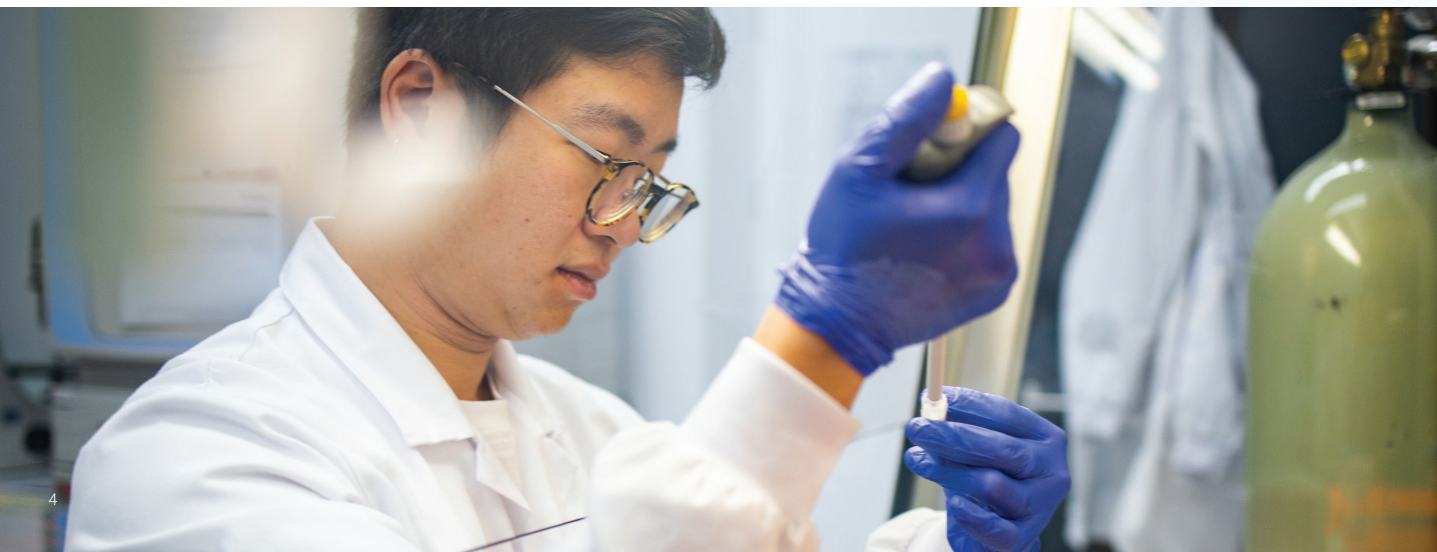
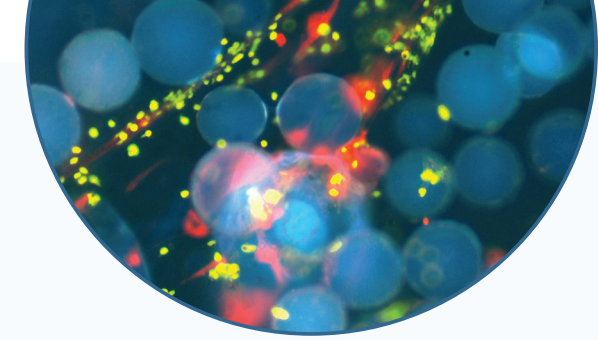
for Progenza™ and Sygenus platform technologies across key markets and indications.

Successful CEO transition

with the appointment of experienced executive and healthcare entrepreneur Karolis Rosickas to lead Regeneus' next phase of growth.

Newly optimised structure

with streamlining of costs over FY2021, ensuring key R&D activities and business development supported.



Directors' report

Your Directors present their report for Regeneus Ltd and its controlled entities (the Group) for the financial year ended 30 June 2021.

Directors

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

Barry Sechos

Non-executive Chairman

Professor Graham Vesey

CSO and Executive Director

Leo Lee

Non-executive Director

Resigned as CEO and Executive Director 2nd November 2020. Appointed as Non-executive Director 2nd November 2020.

Dr John Chiplin

Non-executive Director

Dr Alan Dunton

Non-executive Director

Resigned 25 February 2021

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

Chairman

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

Other current directorships

Phoslock Environmental Technologies Ltd

Previous directorships (last 3 years)

Concentrated Leaders Fund Ltd (resigned 31 August 2021)

Interests in shares

7,700,000

Interests in options

Nil

Interests in options

Nil

CSO - Executive Director

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

Other current directorships

None

Previous directorships (last 3 years)

None

Interests in shares

15,879,968

Interests in options

1,029,500

Non-executive Directors

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

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

Other current directorships

None

Previous directorships (last 3 years)

None

Interests in shares

15,890,893

Interests in options

1,250,000

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

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

Other current directorships

Adalta Ltd

Scancell Holdings plc

N4Pharma plc

Biotherapy Services Ltd

Previous directorships (last 3 years)

Adalta Ltd

Cynata Therapeutics Ltd

Interests in shares

Nil

Interests in options

1,000,000

Dr. Alan Dunton resigned from the Board on 25 February 2021 having served as a director since April 2019. Dr Dunton is a senior pharmaceutical and biotechnology industry leader with over 35 years experience in senior company leadership roles.

Dr Dunton has served as a director of 18 companies and is based in Florida, USA. He is the founder and principal of Danerius, LLC a consultancy that provides specialised advisory services to pharmaceutical and biotechnology organisations both in the private and public sectors. Over the last few years, Dr Dunton has also served as an independent board director for a variety of publicly listed biopharmaceutical and drug development companies such as Palatin Technologies, Oragenics and CorMedix and the private company Cytogel Pharma.

Other current directorships

None

Previous directorships (last 3 years)

None

Interests in shares

Nil

Interests in options

Nil

Company Secretary

Sandra McIntosh resigned as Company Secretary and Head of Corporate Operations on 30 June 2021, Sandra had been with the Company since 2009.

Hang Ling (Helen) Leung was appointed Company Secretary of Regeneus, effective 1 July 2021.

Principal activities

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

Operating and financial review

Review of operations

The Company's strategy focuses on bringing its lead stem cell technology platform Progenza™ to commercialisation in Japan, targeting osteoarthritis (OA). Regeneus progressed positively with this strategy in FY2021, signing an exclusive licence and collaboration agreement in August 2020 with Japanese manufacturer Kyocera Corporation for the commercialisation of Progenza™ to treat knee osteoarthritis (OA) in Japan.

Regeneus is targeting Phase II trials for Progenza™ to treat knee OA in Japan, US, and Australia by 2022, and will continue to explore co-development and licensing options for Progenza™ for neuropathic pain. The Company's second stem cell technology platform, Sygenus, is also a priority, with Regeneus exploring co-development and licensing options for Sygenus to treat burns and wounds, neuropathic pain, inflammatory skin conditions, and rare/orphan skin diseases globally.

Highlights of the year in review include:

- Entered Licence and Collaboration Agreement with Kyocera Corporation to exclusively develop and commercialise Progenza™ for treatment of knee osteoarthritis in Japan, with Regeneus receiving upfront and future development and regulatory milestone payments, and single to high double-digit royalties on future sales.
- Payments received in FY2021 include AU\$1.4 million on entering the Licence and Collaboration Agreement with Kyocera, followed by a second milestone payment of AU\$5.6 million in October 2020 on delivery of the initial Progenza™ OA data package. An R&D Tax Incentive of AU\$677k was also received from the Australian Tax Office for FY2020.
- Successful CEO transition, with the appointment of experienced executive and healthcare entrepreneur Karolis Rosickas to lead Regeneus' next phase of growth, and Mr Leo Lee moving on to pursue a new opportunity and remaining as non-executive director on the Board of Regeneus.
- Moved forward over 2021 in collaboration with Kyocera on development of Progenza™ OA in Japan, with continued preparatory work to progress to Phase 2 and move toward application for regulatory approval.

- Initiated US FDA pre-IND consultation preparation process, entered into a manufacturing agreement for the US GMP final product and started to conduct the required non-clinical work for the US market.
- Research collaboration entered into with Raymond Purves Bone and Joint Research Laboratories at the Kolling Institute of Medical Research, Australia. Study supports additional non-clinical work required prior to commencing Phase 2 clinical trials in Japan and in preparation for a US Phase 2 study.
- Australian Department of Defence will provide A\$300k funding to develop Sygenus, Regeneus' stem cell bioactive secretome technology, for combat casualty care with first in human study on pain.
- Regeneus' Progenza™ IP portfolio strengthened in FY2021 with key patents awarded for the treatment of pain in Europe and Japan, extending protection to 2032 in both markets. An Australian patent was also awarded covering use of biomarkers to monitor disease progression in patients undergoing mesenchymal cell therapy for inflammatory conditions, extending to 2034.
- Patent portfolio protection extended for Regeneus' second platform technology Sygenus, including US patent awarded for treatment of broad range of non-inflammatory conditions with adipose derived secretions, extending protection to 2032. Patents were also awarded in Canada, Hong Kong and China, expanding the application of the platform technology into the US\$53B Aesthetic Therapeutics market.
- Business is now operating with newly optimised structure, with costs being streamlined over FY2021, ensuring key R&D activities and business development supported to drive successful development of Progenza™ and Sygenus.
- Up to AU\$4.5 million secured in three-stage placement with New Life Sciences Capital, LLC (New Life Sciences) to fund initiation of Progenza™ Osteoarthritis (OA) Phase 2 trial in the US and for general working capital needs. At commencement 1,353,982 and 1,900,000 shares were issued and relate to the convertible financial instrument that was issued to raise AU\$1.5 million. Second and third placements are planned to follow in 6 and 12 months. The third placement is subject to the mutual agreement of Regeneus and New Life Sciences. Prior to commencement of the first placement New Life Sciences was issued 3,800,000 options.
- Q1 FY2021 saw the issuance of 22.46 million shares to Japan-based manufacturer AGC Inc (AGC), related to the previously agreed option to convert upfront payments of US\$2.5 million to equity ownership on termination of the AGC-Regeneus agreement in December 2019. Upon invoking those rights and with the issuance of shares, AGC became the single largest shareholder in the Group.

- The Company's investment in Sangui Bio Pty Ltd, which was previously considered as immaterial has been valued at \$1.7 million as at balance date, with an increase in value of \$525k being shown in the current period.

Financial review

Operating results

The Group's operating results for the year was a profit of \$2.8 million (FY20: Loss of \$0.9 million). The improved result is reflective of the \$5.6 million milestone payment received in October 2020 from Kyocera for the successful completion of the due diligence process. This payment is in addition to the \$1.4 million received from Kyocera in August 2020 on completion of the execution of the Licence and Collaboration Agreement.

Revenue from operating activities

	2021 \$'000	2020 \$'000	Movement \$'000
Operating activities			
Licence & other fee revenue	7,067	1,663	5,404
Total revenue	7,067	1,663	5,404

Expenses

	2021 \$'000	2020 \$'000	Movement \$'000
Research and development	1,444	1,238	206
Occupancy	134	263	(129)
Corporate	3,853	3,439	414
Finance costs	405	271	134
Expenses from operations	5,836	5,211	625
Other expenses	-	18	(18)
Realised foreign exchange loss on contract liability	141	88	53
Total expenses	5,977	5,317	660

Research and development expenses

Research and development activities include staff and other costs associated with product research, GMP manufacture and the conduct of clinical trials for the Company's products. R&D expenditure for the year was \$1.4 million (FY20 \$1.2 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.

Occupancy costs

Occupancy costs of \$134k (FY20 \$263k), relate to the Licence Agreement entered into with BioPoint Pty Ltd in September 2020 relating to the BioPoint premises used by the Company as its laboratory facilities.

Corporate expenses

Corporate expenses at \$3,853k in line with prior year expenses (FY20 \$3,439k). This category of expenditure includes: corporate employees, Directors, IP, compliance, depreciation and business development costs.

Finance costs

Finance costs of \$405k (FY20 \$271k) relate to costs associated with the institutional placement and the interest on the directors loans, which were repaid in full in the December 2020 quarter.

Financial Position

The Consolidated Statement of Financial Position net assets is equal to \$4.1 million (FY20: net assets \$1.1 million).

The significant improvement over the 12 month period is predominantly reflective of the increase in cash to \$3.8 million (FY20: \$1 million) and a reduction in current liabilities to \$1.3 million (FY20: \$3.6 million). This improvement is a result of the receipt of the milestone payments from Kyocera during the year, the reduction in borrowing as a result of the repayment of the Director's loan of \$1.1 million and the receipt of the initial investment of \$1.5 million from new Life Sciences under the institutional placement agreement entered into.

During the year the loan facilities available to the company of \$4 million were cancelled.

Cash flows

The net cash inflows for the period were:

	2021 \$'000	2020 \$'000
Net cash provided by (used in) operating activities	2,419	(1,918)
Net cash (used in) provided by investing activities	(8)	16
Net cash provided by (used in) financing activities	400	2,628
Net change in cash and cash equivalents held	2,811	726

Operating activities

An increase in revenue to \$7.1 million (FY20: \$1.7 million) results from the receipt of two milestone payments from Kyocera under the Agreement entered into between the parties.

Financing activities

On 7 May 2021, the Company entered into an institutional placement agreement with New Life Sciences Capital, LLC. to raise up to \$4,500,000 of funding. New Life Sciences made an initial investment of \$1,500,000 on 12 May 2021 and the Company granted New Life Sciences the right to subscribe for ordinary shares in the Company with an aggregate value of \$1,590,000 in respect of this first subscription.

New Life Sciences will make a second investment of \$1,500,000 on or before 12 November 2021 and in consideration of this second investment, the Company has granted New Life Sciences the right to subscribe for further shares in the Company with an aggregate value of \$1,590,000. In addition, New Life Sciences may make a third investment of \$1,500,000 on or before 12 May 2022. This investment is subject to the mutual consent of the Company and New Life Sciences. If this third investment is made the Company will grant New Life Sciences the right to subscribe for further shares in the Company with an aggregate value of \$1,500,000.

At the commencement of the first placement, 1,353,982 and 1,900,000 shares were issued to New Life Sciences. The 1,353,982 shares issued for a value of \$103,444 are in relation to the commencement shares in lieu of a commencement fee. The 1,900,000 shares issued were in relation to the initial placement shares. Finally, 3,800,000 options were issued immediately before the first placement as part of the commencement transactions and can be exercised any time over a period of 36 months.

The investments contemplated by each placement referred to above are subject to conditions precedent customary for investment agreements of the nature of the placement agreement entered into with New Life Sciences.

The arrangements are subject to shareholder approval which will be sought at the Company's FY2021 Annual General Meeting. Refer to the notes of financial statements for more information.

Significant changes in state of affairs

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

Changes in accounting policy

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

Events subsequent to the reporting period

In the period from 30 June 2021 through to the signing of the financial report the following important events have occurred:

Effective from 1 July 2021 Hang Ling (Helen) Leung has been appointed as Company Secretary of Regeneus. This follows the resignation of Sandra McIntosh who had been with the company since 2009.

On 28 July 2021 Regeneus announced a research collaboration with Professor Christopher Little and the Raymond Purves Bone and Joint Research Laboratory at the Kolling Institute at the Royal North Shore Hospital, Australia.

This study will further explore the disease modifying effects of Progenza™ and assess Progenza™'s effect in modulating the inflammatory and immune responses in a preclinical model of post-traumatic osteoarthritis.

On 13 October 2021 New Life Sciences exercised its first subscription rights in relation to \$200,000 of its initial investment of \$1,500,000 and 2,898,551 ordinary shares in Regeneus were issued to New Life Sciences at \$0.069 per share on 14 October 2021. This first subscription right reduces the derivative financial instrument and New Life Sciences has until May 2023 to exercise the initial investment in full.

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

Likely developments, business strategies and prospects

Looking ahead to FY2022, business operations are now fully optimised to focus on R&D, clinical development, and potential business development opportunities while keeping a strict focus on operating costs. We look forward to continued success in progressing our collaboration with Kyocera for the development of Progenza™ for knee osteoarthritis in Japan. The Company is preparing to launch a Progenza™ OA Phase 2 trial in the United States after the product manufacture is completed and regulatory approvals obtained. Our partnership with the Australian Department of Defence is expected to advance to animal and human trials.

Corporate Governance Statement

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

The Group's corporate governance statement for the financial year ending 30 June 2021 is dated as at 30 June 2021 and was approved by the Board on 25 October 2021. The corporate governance statement is available on Regeneus' website at: regeneus.com.au/investors/corporate-governance

Directors' meetings

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

Directors' name	Board meetings		Audit and risk committee		Remunerations and nominations charter	
	A	B	A	B	A	B
Barry Sechos	7	7	2	2	2	2
Leo Lee	7	6	2	2	2	2
Graham Vesey	7	7	0	0	0	0
John Chiplin ¹	7	6	2	2	2	2
Alan Dunton ²	4	3	0	0	0	0

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

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

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

1. John Chiplin was appointed Chair of the Rem & Nom committee and appointed as a member of the Audit & Risk committee on 5 June 2020
2. Alan Dunton resigned from the Board 25 February 2021

Dividends paid or recommended

No dividends have been paid or declared since the start of the financial year (FY20: Nil).

Unissued shares under option

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

Date of granting	Expiry date	Exercise price of option \$	Number under option
31/01/2019	30/01/2024	0.2000	1,250,000
01/09/2019	01/10/2024	0.1000	550,000
01/07/2020	30/06/2025	0.1000	1,579,770
14/10/2020	14/10/2025	0.1075	1,000,000
14/10/2020	14/10/2025	0.1400	1,029,500
07/05/2021	11/05/2024	0.1651	3,800,000
24/05/2021	24/05/2026	0.1000	5,000,000
24/05/2021	24/05/2026	0.1000	5,000,000
24/05/2021	24/05/2026	0.1000	15,000,000

Of the balance of 34.2m options, 30.4m relate to options issued to staff as part of the Employee Share Option Plan and Option Trust Share plans and 3.8m options were issued under the recent subscription agreement with the institutional investor, New Life Sciences, LLC.

Of the 31.0m options issued to staff throughout the financial year 2.0m options were approved at the FY20 AGM and 25m were issued (FY20: 4.2m). 28.0m options were issued to staff under the employee share options plan in FY21 and 3.0m options were issued to directors under the Option Share Trust.

All unexercised, vested options expire on the earlier of their expiry date or within a period set out in the plans. 31.0m of the options issued are under the Employee Share Option Plan and Option Trust Share plans, and have been allotted to individuals on condition that they meet the agreed milestones before the options vest.

As part of the IPO, 12,740,252 employee options, that had an exercise price of less than 20 cents, were exercised prior to the listing on 19 September 2013. These were financed by a full recourse loan provided by the Company to the option holders. Loans associated with almost 8 million of these shares remain outstanding.

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 (FY20: nil).

Remuneration report (audited)

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

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

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

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

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

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

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

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

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

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

Short term incentive (STI)

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

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

The KPIs for the Executive team are summarised as follows:

Performance area:

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

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

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

Regeneus received 65,697,373 – 99.22% 'For' votes on its Remuneration Report for the financial year ending 30 June 2020 (FY19: 65,315,998 – 99.22%).

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

Consequences of performance on shareholder wealth

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

Item	2021	2020 (restated)	2019 (restated)	2018 (restated)	2017 (restated)
EPS (\$)	0.009	(0.003)	(0.029)	(0.024)	0.020
Dividends (per share)	\$0	\$0	\$0	\$0	\$0
Net profit (loss) (\$000)	2,759	(894)	(5,955)	(5,045)	4,111
Share price (\$)	\$0.074	\$0.070	\$0.085	\$0.12	\$0.12

b. Details of remuneration

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

Executive Directors		Short term					Total \$	Performance related
		Cash salary & fees \$	Incentive \$	Other benefits \$	Post employ Super-annuation \$	Share based payments		
Leo Lee ¹	2021	160,833	325,000	-	-	-	485,833	67%
	2020	298,750	-	-	-	212,714	511,464	42%
Karolis Rosickas ²	2021	166,667	75,000	-	-	331,964	573,631	71%
	2020	-	-	-	-	-	-	-
Graham Vesey	2021	154,000	-	23,735	14,630	40,450	232,815	17%
	2020	152,000	-	4,985	14,440	-	171,425	0%
Non-executive Directors								
Barry Sechos	2021	85,000	-	-	-	-	85,000	0%
	2020	85,000	-	-	-	-	85,000	0%
John Chiplin ³	2021	55,000	-	-	-	43,391	98,391	44%
	2020	55,000	-	-	-	-	55,000	0%
Alan Dunton ⁴	2021	36,667	-	-	-	-	36,667	0%
	2020	55,000	-	-	-	-	55,000	0%
Leo Lee ¹	2021	18,333	-	-	-	-	18,333	0%
	2020	-	-	-	-	-	-	-
Total	2021	690,250	400,000	23,735	14,630	415,805	1,544,420	
Total	2020	687,000	-	4,985	14,440	212,714	919,139	

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

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

Name	Grant Date	Eligible	Paid	Conditions
Leo Lee	8 Aug 20	325,000	325,000	Non-financial; Completion of commercial licence with Kyocera
Karolis Rosickas	7 May 21	75,000	75,000	Non-financial; Successful capital raise

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

The share based payment of \$415,805 (2020: \$212,714) is share based remuneration in the form of options (refer following note)

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

Name	Fixed remuneration	At risk – STI	At risk – options
Leo Lee	33%	67%	-
Karolis Rosickas	29%	13%	58%
Graham Vesey	83%	-	17%
Barry Sechos	100%	-	-
John Chiplin	56%	-	44%
Alan Dunton	100%	-	-

c. Service agreements

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

Name	Base salary \$	Term of agreement	Notice period
Karolis Rosickas	250,000	Unspecified	3 months
Graham Vesey	140,000	Unspecified	3 months
Barry Sechos	85,000	Unspecified	Nil
Leo Lee	55,000	Unspecified	Nil
John Chiplin	55,000	Unspecified	Nil
Alan Dunton	55,000	Unspecified	Nil

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

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

d. Share-based remuneration

Options granted over unissued shares.

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

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

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

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

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

During FY21 14,750,000 (average exercise price \$0.161) management personnel options were forfeited (FY20: 4,750,000 options forfeited (average exercise price \$0.126))

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

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

e. Loans to key management personnel

Shareholder Loan

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

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

Name	Loan at 1 July 2020	Loans repaid	Loans Advanced	Other movement	Loan at 30 June 2021
Graham Vesey	150,552	-	-	-	150,552
Expected credit loss allowance	(72,926)				(72,926)
Totals	77,626	-	-	-	77,626

Directors loan

These loans are either the R&D loan facility provided by Paddington St Finance Pty Ltd or the loans provided by the Directors in February 2019. These loans are further detailed in note 29.

Name	Loan at 1 July 2020	Loans Advanced	Loans Repaid	Converted to Equity	Loan at 30 June 2021
Leo Lee	1,100,000	-	(1,100,000)	-	-
Totals	1,100,000	-	(1,100,000)	-	-

In light of the licence and collaboration agreement with Kyocera the Company made a final principal repayment of AU\$1.1 million to Leo Lee and cancelled the loan facilities totalling AU\$4m with Paddington St Finance Pty Ltd & Leo Lee.

f. Other information

Options held by key management personnel

The number of options to acquire shares in the Company held during the FY21 reporting period by each of the key management personnel of the Group, including their related parties are set out below.

Name	Balance at 1 July 2020	Granted	Forfeited	Balance at end of year	Vested & exercisable at 30 June 2021	Vested, and un- exercisa- ble at 30 June 2021
Leo Lee	15,000,000	-	13,750,000	1,250,000	1,250,000	-
Karolis Rosickas	-	25,000,000	-	25,000,000	-	-
Graham Vesey	-	1,029,500	-	1,029,500	-	-
Barry Sechos	-	-	-	-	-	-
John Chiplin	-	1,000,000	-	1,000,000	-	-
Alan Dunton	-	1,000,000	1,000,000	-	-	-
Totals	15,000,000	28,029,500	14,750,000	28,279,500	1,250,000	-

Of the 28.03m options, 3.03m options were granted approval by shareholders at the FY21 AGM. 25m options to Karolis Rosickas were issued under the Employee Share Option Plan and, as such, do not require shareholder approval.

In May 2021 there was a revision to the Board approved Long Term Incentives (LTI) for Regeneus CEO Karolis Rosickas. These modifications were in lieu of the previous LTI contained in Mr Rosickas employment contract and disclosed to the market on the 2 November 2020.

Related party contracts

During the year the Company signed a licence agreement with BioPoint Pty Ltd a company of which Graham Vesey is a director and significant shareholder. This licence agreement was agreed upon in September 2020 and is valued at \$3,000 per month. This licence agreement provides the Company with laboratory space and facilities in order to develop and manufacture a stem cell secretion product (Sygenus) and supply the product to the cosmetic market. The licence also provides the Company with the opportunity to research and manufacture a stem cell product, Progenza. Total value of transactions for the year is equal to \$30,000.

Shares held by key management personnel

The number of ordinary shares in the Company during the FY21 reporting period held by each of the Group's key management personnel, including their related parties, are set out below:

Name	Held at 1 July 2020	Granted as remuneration	Purchased	Other movement	Held at 30 June 2021
Leo Lee	13,511,000	-	2,379,893	-	15,890,893
Karolis Rosickas	-	-	-	-	-
Graham Vesey	15,879,968	-	-	-	15,879,968
Barry Sechos	7,700,000	-	-	-	7,700,000
John Chiplin	-	-	-	-	-
Alan Dunton	-	-	-	-	-
Totals	37,090,968	-	2,379,893	-	39,470,861

Alan Dunton resigned as a Director 25 February 2021.

End of audited remuneration report

Environmental legislation

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

Indemnities given to auditors and officers and insurance premiums paid

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

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

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

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

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 26 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 19 and forms part of this Directors' report.

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



Barry Sechos
Non-executive Chairman
Dated this day 26 October 2021

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 2021, I declare that, to the best of my knowledge and belief, there have been:

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



Grant Thornton Audit Pty Ltd
Chartered Accountants



N J Bradley
Partner – Audit & Assurance

Sydney, 26 October 2021

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June	Note	2021 \$	2020 (Restated) \$
Revenue	6	7,067,026	1,663,345
Other income	6	888,796	722,232
Research and development expenses	7	(1,444,013)	(1,237,657)
Occupancy expenses		(134,447)	(262,972)
Corporate expenses	8	(3,852,700)	(3,439,261)
Finance costs	9	(404,503)	(271,471)
Gain on Disposal of Regeneus Japan Inc		-	7,077
Loss on disposal of fixed assets		-	(17,622)
Fair value increase in institutional placement		137,198	-
Fair value increase on investments		525,000	175,000
Gain on settlement of AGC Inc		266	1,854,783
Realised foreign exchange loss		(140,961)	(87,500)
Foreign exchange gain		117,399	-
Profit/(loss) before income tax		2,759,061	(894,046)
Income tax (expense) / benefit	25	-	-
Profit/(loss) for the year		2,759,061	(894,046)
Other comprehensive (expense) / income		-	-
Total comprehensive income / (loss) for the year		2,759,061	(894,046)

Earnings per share		2021	2020 (Restated)
Basic earnings per share			
Earnings per share from continuing operations	27	0.009	(0.003)
Diluted earnings per share			
Earnings per share from continuing operations	27	0.009	(0.003)

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

Consolidated Financial Statements for the Year Ended 30 June 2021

Consolidated statement of financial position

As at 30 June	Note	2021 \$	2020 (Restated) \$
Current Assets			
Cash and cash equivalents	10	3,792,695	981,845
Trade and other receivables	11	-	1,466,400
R&D incentive receivable	12	751,428	429,394
Other current assets	13	112,152	36,421
Other financial assets	14	2,070,227	570,227
Total current assets		6,726,502	3,484,287
Non-current assets			
Other financial assets	14	1,750,000	1,225,000
Property, plant and equipment	15	20,849	61,805
Right of use assets under lease	16	12,992	18,367
Intangible assets	17	-	-
Total non-current assets		1,783,841	1,305,172
Total assets		8,510,343	4,789,459
Current liabilities			
Trade and other payables	18	1,108,116	946,268
Provisions	19	183,379	141,122
Borrowings	20	-	1,100,000
Lease liabilities	22	5,296	5,117
Contract liabilities	21	-	1,440,000
Total current liabilities		1,296,791	3,632,507
Non-current liabilities			
Lease liabilities	22	8,547	13,843
Provisions	19	16,738	49,071
Derivative financial instrument	20	3,042,802	-
Total non-current liabilities		3,068,087	62,914
Total liabilities		4,364,878	3,695,421
Net assets		4,145,465	1,094,038
Equity			
Issued capital	23.1	38,258,870	36,358,675
Other contributed equity	23.2	-	1,797,017
Accumulated losses		(34,648,789)	(37,493,175)
Reserves	23.3	535,384	431,521
Total equity		4,145,465	1,094,038

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

Consolidated statement of changes in equity

For the year ended 30 June	Share capital \$	Other contributed equity \$	Share option reserve \$	Retained earnings \$	Total equity \$
Balance at 1 July 2019 as previously stated	31,076,819	-	412,065	(37,875,379)	(6,386,495)
Impact of prior period error (Note 33)	-	-	-	1,050,000	1,050,000
Restated balance at 1 July 2019 (Note 33)	31,076,819	-	412,065	(36,825,379)	(5,336,495)
Reported (loss) for the period (restated)	-	-	-	(894,046)	(894,046)
Employee share-based payment option expense	-	-	245,706	-	245,706
Transfer from reserves to retained earnings for options lapsed	-	-	(226,250)	226,250	-
Equity confirmed pending issuance to AGC Inc (Japan)	-	1,797,017	-	-	1,797,017
Issue of share capital net of transaction costs	5,281,856	-	-	-	5,281,856
Balance at 30 June 2020 (Restated)	36,358,675	1,797,017	431,521	(37,493,175)	1,094,038
Balance at 1 July 2020 (Restated)	36,358,675	1,797,017	431,521	(37,493,175)	1,094,038
Reported profit for the year	-	-	-	2,759,061	2,759,061
Reported other comprehensive income (expense)	-	-	-	-	-
Share options issued as part of institutional placement	-	-	74,225	-	74,225
Employee share-based payment options issued	-	-	442,228	-	442,228
Employee share-based payment option forfeited	-	-	(327,265)	-	(327,265)
Transfer from reserves to retained earnings for options lapsed	-	-	(85,325)	85,325	-
Other Contributed Equity Adjustment after issuance to AGC Inc (Japan)	-	(266)	-	-	(266)
Shares issued	1,900,195	(1,796,751)	-	-	103,444
Balance at 30 June 2021	38,258,870	-	535,384	(34,648,789)	4,145,465

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

Consolidated statement of cash flows

For the year ended 30 June	Note	2021 \$	2020 \$
Operating activities			
Receipts from customers		6,607,361	1,639,344
Payments to suppliers and employees		(4,523,817)	(4,760,104)
Interest received		12	780
Other income and COVID-19 Cash Flow Boost		37,500	50,000
R&D repayments		(147,342)	-
R&D incentive refund		676,591	1,491,498
Finance costs		(231,671)	(339,104)
Net cash provided by / (used in) operating activities	28	2,418,634	(1,917,586)
Investing activities			
Purchase of property, plant and equipment		(7,784)	-
Receipts from sale of property, plant and equipment		-	5,430
Payment for outstanding 50% equity interest in Regeneus Japan		-	(25,494)
Sale of subsidiary		-	36,246
Net cash (used in) / provided by investing activities		(7,784)	16,182
Financing activities			
Proceeds from related party loan		-	20,000
Repayment of related party loan		(1,100,000)	(1,300,000)
Proceeds from issue of shares		-	3,881,856
Proceeds from institutional placement		1,500,000	-
Receipts from shareholder loan		-	25,930
Net cash provided by financing activities		400,000	2,627,786
Net change in cash and cash equivalents held		2,810,850	726,382
Cash and cash equivalents at beginning of financial year		981,845	255,463
Cash and cash equivalents at end of financial year	10	3,792,695	981,845

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

Notes to the consolidated financial statements

1. Nature of operations

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

The Company has two platform technologies, Progenza and Sygenus.

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

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

2. General information and statement of compliance

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

Regeneus is a for-profit entity for the purpose of preparing the financial statements.

The financial statements cover Regeneus and its controlled entities as a consolidated entity (the Group). As at 30 June 2021, Regeneus is a Public company, incorporated and domiciled in Australia.

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

Statement of compliance

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

The consolidated financial statements for the year ended 30 June 2021 were approved and authorised for issue by the Board of Directors on 25 October 2021.

Basis of preparation

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

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

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

3. Summary of accounting policies

Overall considerations

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

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

a. Basis of consolidation

Controlled entities

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as of 30 June 2021. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June.

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

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

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

b. Segment reporting

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

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

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

c. Going concern basis of accounting

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

For the full-year ended 30 June 2021, the Group generated a profit after income tax of AU\$2.759 million (2020 restated: loss of \$0.894 million), net cash inflows from operating activities of AU\$2.418 million (2020 restated: outflow of \$1.918 million) and the net current asset balance of AU\$5.430 million (2020 restated: deficit of net current assets \$0.148 million).

The Directors additionally assessed the Group's recent licence and collaboration agreement with Kyocera (August 2020), whereby in the first half of the financial year the group received two milestone payments; AU\$1.4 million & \$5.6 million. This agreement gives rise to Regeneus receiving up to US\$19 million in upfront, development and regulatory milestones.

Additionally the directors assessed the recent \$4.5 million three stage institutional placement, of which two stages are secured, with New Life Sciences Capital, (LLC), a U.S.-based institutional investor. These placements will be made by way of the investor prepaying each of the subscription amounts for the shares in a lump sum payment, each of \$1.5 million. As such it is expected to provide funding for the Group's current business activities.

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.

Certain comparative amounts in the consolidated statement of profit or loss and other comprehensive income have been restated as a result of a correction of a prior-period error as disclosed in note 33.

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

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

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

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period.

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

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

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

g. 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.

h. Depreciation

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

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

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

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

i. 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.

j. 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).

k. Leases

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

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

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

l. 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.

m. Financial instruments

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

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

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

Classification and subsequent measurement of financial assets

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

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

- amortised cost
- fair value through profit or loss (FVPL)

- equity instruments at fair value through other comprehensive income (FVOCI)
- debt instruments at fair value through other comprehensive income (FVOCI)

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

Classifications are determined by both:

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

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

Subsequent measurement financial assets

Financial assets at amortised cost

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

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows

- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

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

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

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

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

Impairment of Financial assets

AASB 9's impairment requirements use more forward looking information to recognize expected credit losses – the 'expected credit losses (ECL) model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at

amortised cost and FVOCI, trade receivables, contract assets recognised and measured under AASB 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

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

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

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

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

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

Trade and other receivables

The Group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix. The Group assess impairment of trade receivables on a collective basis as they possess credit risk characteristics based on the days past due. The Group makes no allowance for amounts less than 90 days past due and writes off fully any amounts that are more than 90 days past due.

Classification and measurement of financial liabilities

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

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

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

Derivatives and financial liabilities designated at FVPL, are carried subsequently at fair value with gains or losses recognised in profit or loss.

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

n. Equity and reserves

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

Other components of equity include the following:

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

o. Employee benefits

Short-term employee benefits

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

Other long-term employee benefits

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

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

Defined contribution plans

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

p. 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 recognized.

q. 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.

r. Revenue

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

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

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

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

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

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

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

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

Revenue relating to the provision of services is recognised when the services are provided to the extent that progress towards complete satisfaction can be reasonably measured. Progress is measured by reference to a time based output method using the total expected time to complete the services.

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

s. 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.

t. Research and development

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

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

u. Operating expenses

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

v. Significant management judgments and estimates in applying accounting policies

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge

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

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

Estimation uncertainty

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

Share options and performance rights

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

Research and development claim

In calculating the R&D incentive, the Group has treated certain research and development activities as eligible expenditure under the Australian Government tax incentive. Management has assessed these activities and expenditures undertaken in Australia and overseas to determine which are likely to be eligible under the incentive scheme. At each period end, management estimates the refundable R&D incentive available to the Group based on current information. This estimate is also reviewed by external tax advisors. For the years ended 30 June 2021 and 2020, the Group has recognised income of \$0.85 million and \$0.67 million respectively. Refer note 6.

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

Licence and service revenue

This arrangement includes development and regulatory milestone payments. At contract inception and at each reporting period, the Group evaluates whether the milestones are considered probable of being reached and estimates the amount to be included in the transaction price using the most likely amount method. If it

is probable that a significant revenue reversal would not occur, the associated milestone value is included in the transaction price. Milestone payments that are not within the Company's control or the customer's control, such as regulatory approvals, are not included in the transaction price. At the end of each subsequent reporting period, the

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

[Loans to Shareholders](#)

The Group holds loans to shareholders totalling \$870,227 (FY20: \$870,227) that were provided at the time of the 2013 IPO. As outlined in 'impairment of financial assets' above, the Group has made an adjustment for expected credit losses. The Group assesses expected credit losses with reference to the history of losses and considering the value of shares held by the shareholders to determine future expected credit losses. The provision for expected credit losses has been raised against the loans to shareholders, reflecting the reduction in the share price to \$0.074 at balance date and the expected credit loss on realising these loans.

[Fair value measurements and valuation process](#)

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. Information about the valuation techniques and inputs used in determining the fair value of financial assets and liabilities measured at fair value are disclosed in note 35.

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 2021	30 June 2020
Regeneus Animal Health Pty Ltd	Australia 2 Paddington Street, Paddington NSW 2021	Non-trading	100%	100%
Cell Ideas Pty Ltd	Australia 2 Paddington Street, Paddington NSW 2021	Non-trading owns various IP	100%	100%

5. Segment reporting

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

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

Revenue for Licence fee income arose from the Licence and Collaboration Agreement with Kyocera Corporation to exclusively develop and commercialise Progenza™ in Japan, being the Group's largest customer. No other single customer contributed 10% or more to the Group's revenue for both 2021 and 2020.

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

6. Revenue and other income

	2021 \$	2020 \$
Revenue from contracts with customers		
Licence fee income	7,043,026	1,639,345
Other fee income	24,000	24,000
Total revenue	7,067,026	1,663,345
Other income		
Federal Government initiatives and grants	-	50,000
COVID-19 Cash Flow Boost	37,500	-
Interest income	12	780
R&D incentive	851,284	671,452
Total other income	888,796	722,232

Regeneus entered a Licence and Collaboration Agreement in August 2020 with Kyocera Corporation to exclusively develop and commercialise Progenza™ for treatment of knee osteoarthritis in Japan. The contract includes upfront and milestone payments and royalties on future sales. Regeneus has contracted two performance obligations, through this arrangement, being the grant of the Licence and the provision of Technical Guidance.

The transaction price allocated to the partially unsatisfied performance obligation for the provision of Technical Guidance as at 30 June 2021 is USD \$3 million.

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

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

7. Research & Development Expenses

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

	2021 \$	2020 \$
Research & Development Expenses		
Clinical Trial Costs	589,663	182,891
Depreciation	43,397	57,986
Good Manufacturing Process (GMP)	70,076	45,692
Product Research	43,233	38,820
Regulatory consultants	148,162	52,666
Staff costs	549,482	859,602
Total Research & Development expenses	1,444,013	1,237,657

8. Corporate Expenses

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

	2021 \$	2020 \$
Corporate expenses		
Business development costs	259,600	47,089
Compliance	713,850	694,265
Corporate employees	1,958,683	2,068,023
Directors	208,747	236,248
Depreciation	10,718	15,981
Intellectual Property	284,253	370,294
Other & Withholding Tax	416,849	7,362
Total Corporate expenses	3,852,700	3,439,261

9. Finance Expenses

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

	2021 \$	2020 \$
Finance expenses		
Interest expense	45,087	248,676
Bank charges	1,746	22,795
Transaction costs	357,670	-
Total finance expenses	404,503	271,471

10. Cash and cash equivalents

Cash and cash equivalents include the following components:

	2021 \$	2020 \$
Current		
Cash at bank (AUD account)	3,792,562	981,700
Cash at bank (USD account)	133	145
Total cash and cash equivalents	3,792,695	981,845

11. Trade and other receivables

Trade and other receivables include the following:

	2021 \$	2020 \$
Current		
Trade Receivables	-	1,466,400
Total trade and other receivables	-	1,466,400

These 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 was noted.

12. R&D incentive receivable

	2021 €	2020 €
Current		
R&D incentive receivable	751,428	429,394
Total R&D incentive receivable	751,428	429,394

13. Other current assets

	2021 \$	2020 \$
Current		
Prepayments	23,588	12,431
GST receivable	88,564	23,990
Other current assets	112,152	36,421

14. Other Financial Assets

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

The Group entered into a Subscription Agreement with institutional investor, New Life Sciences, LLC, in May 2021 to secure up to \$4.5 million in a three-stage placement of the Group's ordinary shares, as described in Note 20. An initial placement of \$1.5 million was received at that time. The investor will invest \$1.5 million in a second placement on similar terms as described in Note 20. The receivable for the amount due in the second placement is included as a current financial asset.

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

	2021 \$	2020 (Restated) \$
Current		
Shareholder loan	870,227	870,227
Institutional Placement (Note 20)	1,500,000	-
Expected credit loss allowance	(300,000)	(300,000)
Balance as at 30 June – at amortised cost	2,070,227	570,227
Total current other financial assets	2,070,227	570,227
Non-current		
Investment in Sangui Bio Pty Ltd Investment	1,750,000	1,225,000
Balance as at 30 June – at fair value	1,750,000	1,225,000
Total current other financial assets	1,750,000	1,225,000

14.1 Balances owing by directors

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

	2021 \$	2020 \$
Graham Vesey	150,552	150,552
Expected credit loss	(72,926)	(72,926)
Total balance owing by directors	77,626	77,626

15. Plant and equipment

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

	Office equipment \$	Lab equipment \$	Equipment in clinics \$	Office fit-out \$	Total \$
Gross carrying amount					
Balance 1 July 2020	27,703	344,163	-	-	371,866
Additions	7,784	-	-	-	7,784
Disposals	-	-	-	-	-
Balance 30 June 2021	35,487	344,163	-	-	379,650
Depreciation and impairment					
Balance 1 July 2020	(23,569)	(286,492)	-	-	(310,061)
Disposals	-	-	-	-	-
Depreciation	(5,343)	(43,397)	-	-	(48,740)
Balance 30 June 2021	(28,912)	(329,889)	-	-	(358,801)
Carrying amount 30 June 2021	6,575	14,274	-	-	20,849
Gross carrying amount					
Balance 1 July 2019	139,891	613,316	52,116	1,168,665	1,973,988
Additions	-	-	-	-	-
Disposals	112,188	269,153	52,116	1,168,665	1,602,122
Balance 30 June 2020	27,703	344,163	-	-	371,866
Depreciation and impairment					
Balance 1 July 2019	(105,231)	(494,528)	(52,116)	(1,168,665)	(1,820,540)
Disposals	92,267	266,022	52,116	1,168,665	1,579,070
Depreciation	(10,605)	(57,986)	-	-	(68,591)
Balance 30 June 2020	(23,569)	(286,492)	-	-	(310,061)
Carrying amount 30 June 2020	4,134	57,671	-	-	61,805

16. Right of use assets under lease

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

	2021 \$	2020 \$
Gross carrying amount	23,742	23,742
Right of use asset balance	23,742	23,742
Amortisation and impairment	(5,375)	(5,375)
Accumulated amortisation and impairment	(10,750)	(5,375)
Carrying amount 30 June 2021	12,992	18,367

17. Intangible assets

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

	Acquired software licenses \$	Total \$
Gross carrying amount		
Balance at 1 July 2020	82,561	82,561
Balance at 30 June 2021	82,561	82,561
Amortisation and impairment		
Balance at 1 July 2020	(82,561)	(82,561)
Amortisation	-	-
Balance at 30 June 2021	(82,561)	(82,561)
Carrying amount 30 June 2021	-	-
Gross carrying amount		
Balance at 1 July 2019	82,561	82,561
Balance at 30 June 2020	82,561	82,561
Amortisation and impairment		
Balance at 1 July 2019	(82,561)	(82,561)
Amortisation	-	-
Balance at 30 June 2020	(82,561)	(82,561)
Carrying amount 30 June 2020	-	-

18. Trade and other payables

Trade and other payables consists of the following:

	2021 \$	2020 \$
Current		
Trade payables	872,382	555,759
Accruals	118,907	357,528
PAYG Payable	84,728	-
Superannuation Payable	26,647	-
ANZ Credit Card	5,452	32,981
Total trade and other payables	1,108,116	946,268

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

18.1 Foreign currency risk

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

	2021 \$/ ¥	2020 \$/ ¥
US dollar	241,035	10,394
Japanese Yen	-	1,000,000

19. Provisions

	2021 €	2020 €
Current: Annual leave		
Opening balance 1 July	61,652	102,481
Benefits accrued / (expensed)	16,642	(40,829)
Balance as at 30 June	78,294	61,652
Current: Long service leave		
Opening balance 1 July	79,470	40,196
Benefits accrued	17,910	2,881
Benefits paid	(29,068)	(11,944)
Benefits transferred from non-current	36,773	48,337
Balance as at 30 June	105,085	79,470
Current: Make good		
Opening balance 1 July	-	210,000
Provision accrued	-	-
Expense incurred	-	(210,000)
Balance as at 30 June	-	-
Total current provisions	183,379	141,122
Non-current: Long service leave		
Opening balance 1 July	49,071	175,386
Benefits accrued	4,440	3,663
Benefits paid	-	(81,641)
Benefits transferred to current	(36,773)	(48,337)
Balance as at 30 June	16,738	49,071
Total non-current provisions	16,738	49,071

20. Borrowings and Derivative Financial Instrument

	2021 \$	2020 \$
Current borrowings		
Directors loan	-	1,100,000
Total current borrowings	-	1,100,000
Non-current derivative financial instrument		
Institutional placement	3,042,802	-
Total non-current derivative financial instrument	3,042,802	-

The Group entered into a Subscription Agreement with institutional investor, New Life Sciences, LLC, in May 2021 to secure up to \$4.5 million in a three-stage placement of the Group's ordinary shares.

An initial placement of \$1.5 million (with a subscription price of \$1.59 million) was received at that time. The investor will invest \$1.5 million in a second placement (also with a subscription price of \$1.59 million). The receivable for the amount due in the second placement is included as a current receivable in Note 14.

The Group plans to issue ordinary shares to settle the obligations arising from the initial and second placement in relation to all or part of the placement at the institutional investor's request, within 24 months of the date of the corresponding placement. The number of ordinary shares so issued will be determined by applying the Purchase Price (as set out below) to the subscription amount, but subject to a Floor Price (as set out below). There is no right to redemption of the cash invested by the institutional investor. Consequently, the obligation to settle the borrowing is accounted for as a derivative in its entirety by designating the entire instrument as at fair value through profit or loss.

The Purchase Price is the five daily volume-weighted average prices selected by the investor during the 20 consecutive trading days immediately prior to the date of issue of the investor's notice to issue shares, less a 5% discount (or an 8% discount if the investor's notice to issue Placement Shares is issued after 1 February 2022) (rounded down to the next one tenth of a cent, or if the share price exceeds \$0.20, the next half a cent).

The Purchase Price is subject to a Floor Price of \$0.05. If the Purchase Price formula were to result in a price that is less than the Floor Price, the Company may refuse to issue ordinary shares and instead opt to repay the relevant subscription amount in cash (with a 5% premium), subject to the Investor's right to receive shares at the Floor Price in lieu of such cash repayment. The Purchase Price will not be the subject of a cap.

20.1 Borrowings reconciliation

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

	2021 \$	2020 \$
Borrowings at beginning of year	1,100,000	2,500,000
Movements in the period		
Repayment of directors loan	(1,100,000)	(1,400,000)
Borrowings at end of year	-	1,100,000

20.2 Derivative Financial Instrument reconciliation

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

	2021 \$	2020 €
Derivative Financial Instrument at beginning of year	-	-
Movements in the period		
First tranche of institutional placement	1,590,000	-
Second tranche of institutional placement	1,590,000	-
Transferred to/recognised in equity	-	-
Fair value adjustment	(137,198)	-
Derivative Financial Instrument at end of year	3,042,802	-

21. Contract liabilities

	2021 \$	2020 \$
Current		
Contract Liability	-	1,440,000
Total contract liabilities	-	1,440,000

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

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

During the current year an agreement between the two parties was reached and payment became due.

22. Lease liabilities

	2021 \$	2020 \$
Current		
Lease liability	18,960	23,742
Lease payments in period	(6,444)	(6,444)
Interest expense (included in finance expenses)	1,327	1,662
Total lease liabilities	13,843	18,960
Comprising:		
Current lease liability	5,296	5,117
Non-current lease liability	8,547	13,843
Total lease liabilities	13,843	18,960

23. Equity

23.1 Share capital

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

	2021 shares	2020 shares	2021 \$	2020 \$
Shares issued and fully paid				
Beginning of the year	277,824,988	208,885,143	36,358,675	31,076,819
Shares issued	25,713,375	68,939,845	1,900,195	5,281,856
Closing balance at the end of the year	303,538,363	277,824,988	38,258,870	36,358,675

During 2021, the following shares were issued, no options were exercised.

	2021
Beginning balance at the start of the year	277,824,988
Issuance of shares to AGC	22,459,393
Commencement shares from LLC fund raising	1,353,982
Initial placement shares as a result of institutional placement	1,900,000
Closing balance at the end of the year	303,538,363

In December 2019 the agreements with AGC were terminated. The termination of the agreements gave rise to AGC being entitled to be issued shares in Regeneus to the value of up to US\$2.5 million. AGC confirmed that they would be prepared to be issued with shares in Regeneus based on a valuation of AU\$0.16 per share. This gave rise to an estimated entitlement of AGC to receive 22,462,712 ordinary shares in Regeneus. In September 2020 a total of 22,459,393 ordinary shares were issued to AGC to the value of up to US\$2.5 million.

The Group entered into a Subscription Agreement with institutional investor, New Life Sciences, LLC, in May 2021 to secure up to \$4.5 million in a three-stage placement of the Group's ordinary shares. An initial placement of \$1.5 million (with a subscription price of \$1.59 million) was received at that time. The investor will invest \$1.5 million in a second placement (also with a subscription price of \$1.59 million). The receivable for the amount due in the second placement is included as a current receivable in Note 14.

At the execution of the Subscription Agreement, the Group issued 1,353,982 shares and 1,900,000 shares. The 1,353,982 shares issued for a value of \$103,444 are in relation to the commencement shares in lieu of a commencement fee. The 1,900,000 shares issued are in relation to the initial placement shares. The investor must pay for the Initial placement shares by the time all settlements under the agreement have been made. The investor may elect to pay the entire amount outstanding before the final date. The amount of the payment is 95% of the price of the shares at the time of payment, where the price of the shares is (a) the average of 5 daily VWAPs per share (selected by the subscriber at their sole discretion) during 20 trading days prior to the payment, or (b) the fair value of the shares, if the company is no longer listed or not trading for a certain period. The value of the initial placement shares and corresponding right to payment is included in the fair value of the entire institutional placement obligation valuation in Note 20.

23.2 Other contributed equity

In December 2019 the agreements with AGC were terminated. The termination of the agreements gave rise to AGC being entitled to be issued shares in Regeneus to the value of up to US\$2.5 million. AGC confirmed that they would be prepared to be issued with shares in Regeneus based on a valuation of AU\$0.16 per share. This gave rise to an estimated entitlement of AGC to receive 22,462,712 ordinary shares in Regeneus.

The prevailing price of Regeneus shares at the time of the agreement was AU\$0.08 giving rise to Other contributed equity of AU\$1,797,017.

In September 2020 a total of 22,459,393 ordinary shares were issued to AGC to the value of up to US\$2.5 million. Therefore the issuing of the shares gave rise to share capital of AU\$1,796,751. As such an adjustment to the estimated figure previously recorded in December 2019 was adjusted in the first half of the period.

	Shares		\$	
	30 June 21	30 June 20	30 June 21	30 June 20
Beginning of the year	22,462,712	-	1,797,017	-
Shares to be issued	(3,319)	22,462,712	(266)	1,797,017
Shares issued	(22,459,393)	-	(1,796,751)	-
Closing balance at the end of the year	-	22,462,712	-	1,797,017

23.3 Reserves

The details of reserves are as follows:

	Share option reserve \$	Total reserves \$
Balance at 30 June 2019	412,065	412,065
Share options expense	245,706	245,706
Options exercised	-	-
Transfer from reserves to retained earnings for options lapsed	(226,250)	(226,250)
Balance at 30 June 2020	431,521	431,521
Share options expense	442,228	442,228
Share options issued as part of institutional placement – Note 20	74,225	74,225
Options exercised	-	-
Employee share-based payment option forfeited	(327,265)	(327,265)
Transfer from reserves to retained earnings for options lapsed	(85,325)	(85,325)
Balance at 30 June 2021	535,384	535,384

23.4 Unissued shares under option

The details of reserves are as follows:

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

The Group entered into a Subscription Agreement with institutional investor, New Life Sciences, LLC, in May 2021 to secure up to \$4.5 million in a three-stage placement of the Group's ordinary shares. An initial placement of \$1.5 million (with a subscription price of \$1.59 million) was received at that time. The investor will invest \$1.5 million in a second placement (also with a subscription price of \$1.59 million). The receivable for the amount due in the second placement is included as a current receivable in Note 14.

3,800,000 options were issued immediately before the first placement as part of the commencement transactions and can be exercised any time over a period of 36 months. The cash exercise price of the options is 135% of the average daily VWAP per share for 20 consecutive trading days immediately prior to execution date. For further commentary regarding unissued shares under option specific to employee's remuneration see note 24.

24. Employee remuneration

24.1 Share-based employee remuneration

As at 30 June 2021 the Group maintained share-based option plans as part of employee remuneration. 31.01 million Options were awarded during the year (FY20: 15.75 million) and 17.60 million options were forfeited during the year (FY20: 6.42 million)

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

Share options	Employee share option plan		Option share trust		Total share options	
	Number	Weight avg exercise price \$	Number	Weight avg exercise price \$	Number	Weight avg exercise price \$
Outstanding at 1 July 2019	1,771,774	0.14	5,900,000	0.22	7,671,774	0.20
Granted	-	-	15,750,000	0.15	15,750,000	0.15
Forfeited	(770,100)	0.14	(5,650,000)	0.13	(6,420,100)	0.13
Exercised	-	-	-	-	-	-
Outstanding at 30 June 2020	1,001,674	0.14	16,000,000	0.18	17,001,674	0.18
Granted	27,980,770	0.10	3,029,500	0.12	31,010,270	0.10
Forfeited	(2,852,674)	0.14	(14,750,000)	0.16	(17,602,674)	0.16
Exercised	-	-	-	-	-	-
Outstanding at 30 June 2021	26,129,770	0.10	29,279,500	0.11	30,409,270	0.11
Exercisable at 30 June 2021	250,000	0.10	1,250,000	0.20	1,500,000	0.18
Exercisable at 30 June 2022	6,533,090	0.10	1,250,000	0.20	7,803,090	0.12

Other details of options currently outstanding:

- The range of exercise prices is \$0.100 to \$0.200
- The weighted average remaining contractual life is approximately 4 years
- The conditions of these options vesting are based on period of service and significant corporate transactions.

The fair value of share options dated 31 January 2019 & 1 September 2019 were calculated using the binomial pricing model and the fair value of share options dated 1 July 2020, 14 October 2020 & 24 May 2021 calculated using the Black-Scholes pricing model.

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

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

In total, \$114,964 (2020: \$245,706), 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.

Share-based payment modified during the period

In May 2021 there was a revision to the Board approved Long Term Incentives (LTI) for Regeneus CEO Karolis Rosickas. These modifications were in lieu of the previous LTI contained in Mr Rosickas employment contract to the market on the 2 November 2020.

The incremental fair value granted as a result of these modifications is equal to \$250,000 and this was calculated by determining the difference in fair value between the options issued on 2 November 2020 and the fair value of those options same options on 24 May 2021.

Tranche 1

Grant date	2 Nov 2020	24 May 2021
Share price	\$0.125	\$0.095
Volatility	75%	90%
Option life	5 years	4.5 years
Dividend yield	0%	0%
Risk free investment rate	0.280%	0.500%
Fair value	\$0.072	\$0.067
Exercise price	\$0.14	\$0.14
Number of options	4,000,000	5,000,000

Tranche 2

Grant date	2 Nov 2020	24 May 2021
Share price	\$0.125	\$0.095
Volatility	75%	90%
Option life	5 years	4.5 years
Dividend yield	0%	0%
Risk free investment rate	0.280%	0.500%
Fair value	\$0.066	\$0.067
Exercise price	\$0.18	\$0.18
Number of options	2,000,000	5,000,000

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

25. 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 26% (2020: 27.5%) and the reported tax expense in profit or loss are as follows:

	2021	2020 (Restated)
	\$	\$
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 26%	717,356	(245,863)
Less:		
Tax effect of:		
- Research and development incentive	(221,334)	(184,649)
- Timing differences	(133,916)	(327,212)
Add:		
Tax effect of:		
- Non-deductible expenses	124,658	468,974
- Timing differences	-	-
- Tax losses not brought to account	-	288,750
- Recoupment of prior year tax losses not brought to account	486,765	-
Income tax benefit	-	-
The applicable weighted average effective tax rates are as follows:	0%	0%
	2021	2020 (Restated)
	\$	\$
Deferred tax assets not recognised		
Tax losses not recognised	8,178,909	10,051,082
Capital losses not recognised	840,895	833,534
Other deferred tax assets not recognised	1,165,583	1,215,615
Total	10,185,387	12,100,231
Potential tax benefit	2,648,201	3,327,564

2020 tax losses not recognised have been restated to reflect amended tax returns.

26. Auditor's remuneration

	2021	2020
	\$	\$
Audit and review of financial statements		
Auditors of Regeneus Ltd – Grant Thornton	113,558	108,595
Remuneration for audit and review of financial statements	113,558	108,595
Total auditor's remuneration	113,558	108,595

27. Earnings per share

Both the basic and diluted earnings per share have been calculated using the gain or loss attributable to shareholders of the Parent Company as the numerator (i.e. no adjustments to the loss were necessary in FY20).

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:

	2021	2020 (Restated)
	\$	\$
Earnings per share		
Basic earnings per share from continuing operations	0.009	(0.003)
The weighted average number of ordinary shares used as the denominator on calculating the EPS	296,343,488	265,883,744
Diluted earnings per share		
Diluted earnings per share from continuing operations	0.009	(0.003)
The weighted average number of ordinary shares used as the denominator on calculating the DEPS	296,343,488	265,883,744

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

28. Reconciliation of cash flows from operating activities

	2021 \$	2020 (Restated) \$
Cash flows from operating activities		
Profit / (Loss) for the period	2,759,061	(894,046)
Non cash adjustments for:		
• Depreciation	54,115	73,966
• Interest income	-	-
• Loss on disposal of plant and equipment	-	17,622
• Gain on settlement of equity instrument	(266)	(1,854,783)
• Equity settled share-based transactions	114,963	245,706
• Finance costs	357,670	-
• Fair value increase on investments	(525,000)	(175,000)
• Fair value increase on institutional placement	(137,198)	-
• Realised foreign exchange (gain) / loss	-	87,500
• Gain on disposal of Regeneus Japan Inc	-	(7,077)
Net changes in working capital:		
• Change in inventories	-	8,615
• Change in trade and other receivables	1,466,400	(1,466,400)
• Change in right of use assets	(5,117)	(4,782)
• Change in other current assets	(75,731)	238,595
• Change in trade and other payables	83,453	(86,001)
• Change in other employee obligations	78,394	(23,677)
• Change in R&D incentive receivable	(322,034)	820,046
• Change in contract liabilities	(1,440,000)	1,440,000
• Change in provisions	9,924	(337,870)
Net cash inflow / (outflow) from operating activities	2,418,634	(1,917,586)

29. Related party transactions and loans

On the 28 February 2019, the Company received loans from Directors totalling AU\$2,500,000 in an arms-length arrangement. The loans were unsecured and repayable on the earlier of 2 March 2020 or 10 days after a capital raise sufficient to fund repayment of the loans of the Company and support the working capital requirements of the Company for the 12 months during the 2019 period, as reasonably determined by the Board of Directors.

During September 2019 a successful capital raising was undertaken and AU\$1.4 million of the Directors Loans were converted to shares. The interest associated with these loans was paid out in March 2020 in accordance with the original loan arrangements.

The remaining AU\$1.1 million loan was renegotiated as part of a new AU\$4 million loan facility, AU\$2 million provided by Leo Lee and a further AU\$2 million provided by Paddington St Finance Pty Ltd. However, in light of the recent licence and collaboration agreement with Kyocera the Company made a final principal repayment of AU\$1.1m to Leo Lee and cancelled the loan facilities totalling AU\$4m with Paddington St Finance Pty Ltd & Leo Lee.

Related party transactions	2021 \$	2020 \$
Paddington St Finance Pty Ltd		
Balance at beginning of the year	-	1,280,000
Loan received	-	20,000
Loan repaid	-	(1,300,000)
Balance at year end	-	-
Balance at beginning of the year	-	152,143
Interest charged	-	54,664
Interest paid	-	(206,807)
Unpaid interest on loan from Paddington St Finance Pty Ltd	-	-
Leo Lee		
Balance at the beginning of the year	1,100,000	2,100,000
Loan received	-	-
Loan repaid	(1,100,000)	(1,000,000)
Balance at year end	-	1,100,000
Balance at beginning of the year	209,500	125,000
Interest charged	43,760	192,340
Interest paid	(227,934)	(107,840)
Unpaid interest on loan from Directors	25,326	209,500
Total balance outstanding with related parties	25,326	1,309,500

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

Related party loan receivable	2021 \$	2020 \$
Graham Vesey	150,552	150,552
Expected credit loss	(72,926)	(72,926)
Total related party loans	77,626	77,626

During the year Regeneus signed a licence agreement with BioPoint Pty Ltd a company of which Graham Vesey is a director and significant shareholder. This licence agreement was agreed upon in September 2020 and is valued at \$3,000 per month. This licence agreement provides Regeneus with laboratory space and facilities in order to develop and manufacture a stem cell secretion product (Sygenus) and supply the product to the cosmetic market. The licence also provides Regeneus with the opportunity to research and manufacture a stem cell product, Progenza. Total value of transactions for the year is equal to \$30,000.

30. Transactions with key management personnel

Key management personnel remuneration includes the following expenses:

	2021 \$	2020 \$
Salaries & Fees	690,025	687,000
Short term incentive	400,000	-
Total short-term employee benefits	1,090,250	687,000
Defined contribution pension plans	14,630	14,440
Other long-term benefits	23,735	4,985
Share-based payments	363,357	212,714
Total remuneration	1,491,971	919,139

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.

31. Contingent liabilities

Prior to the commencement of the current financial year the Group received a claim for reimbursement of additional expenditure from a group that undertook an animal trial for the Group in 2015 through to 2018. Management believe it is an ambit claim with little merit and will pursue avenues to minimise this claim and may potentially seek reimbursement of the costs of the failed trial paid to date. It is anticipated the net claim including costs would not exceed \$50,000. (FY20:\$50,000).

Other than the claim noted above, the Group has no other contingent liabilities as at 30 June 2021

32. Capital expenditure commitments

There were no capital commitments as at the 30 June 2021 (FY20: \$nil).

33. Correction of prior period error

During 2021, the Group identified that it had an equity investment that had not been remeasured in its financial statements since its acquisition in 2016. The equity investment is required to be measured at fair value. As a consequence, the investment is recognised at fair value at year end and the movement in the fair value each year is recorded in profit or loss. The errors have been corrected by restating each of the affected financial statement line items for prior periods.

The following tables summarise the impact on the Group's consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June	2020 as previously stated	Adjustments	2020 as restated
Revenue	1,663,345		1,663,345
Other income	722,232		722,232
Research and development expenses	(1,237,657)		(1,237,657)
Occupancy expenses	(262,972)		(262,972)
Corporate expenses	(3,439,261)		(3,439,261)
Finance costs	(271,471)		(271,471)
Gain on disposal of Regeneus Japan Inc	7,077		7,077
Loss on disposal of fixed assets	(17,622)		(17,622)
Fair value decrease in institutional placement	-		-
Fair value increase on investments	-	175,000	175,000
Gain on settlement of AGC Inc contract liability	1,854,783		1,854,783
Realised foreign exchange loss on contract liability	(87,500)		(87,500)
Foreign exchange gain	-		-
Profit/(loss) before income tax	(1,069,046)	175,000	(894,046)
Income tax (expense) / benefit	-	-	-
Profit/(loss) for the year	(1,069,046)	175,000	(894,046)
Other comprehensive (expense) / income	-	-	-
Total comprehensive income / (loss) for the year	(1,069,046)	175,000	(894,046)

Earnings per Share	2020 as previously stated	Adjustments	2020 as restated
Basic earnings per share			
Basic earnings per share from continuing operations	(0.004)	0.0004	(0.003)
Diluted earnings per share			
Diluted earnings per share from continuing operations	(0.004)	0.0004	(0.003)

Statement of financial position at the beginning of the earliest comparative period

For the year ended 30 June	1 July 2019 as previously stated	Adjustments	1 July 2019 as restated
Cash and cash equivalents	255,463	-	255,463
Trade and other receivables	8,615	-	8,615
R&D incentive receivables	1,249,440	-	1,249,440
Other current assets	275,016	-	275,016
Other financial assets	596,157	-	596,157
Total Current Assets	2,384,691	-	2,384,691
Non-Current Assets			
Other financial assets	-	1,050,000	1,050,000
Property, plant and equipment	153,448	-	153,448
Right of use assets under lease	-	-	-
Intangible assets	3,675	-	3,675
Total Non-Current Assets	157,123	1,050,000	1,207,123
Total Assets	2,541,814	1,050,000	3,591,814
Current Liabilities			
Trade and other payables	1,055,946	-	1,055,946
Provisions	352,677	-	352,677
Borrowings	3,780,000	-	3,780,000
Financial liabilities	3,564,300	-	3,564,300
Total Current Liabilities	8,752,923	-	8,752,923
Non-Current Liabilities			
Provisions	175,386	-	175,386
Total Non-Current Liabilities	175,386	-	175,386
Total Liabilities	8,928,309	-	8,928,309
Net Assets	(6,386,495)	1,050,000	(5,336,495)
Equity			
Issued capital	31,076,819	-	31,076,819
Accumulated losses	(37,875,379)	1,050,000	(36,825,379)
Reserves	412,065	-	412,065
Total Equity	(6,386,495)	1,050,000	(5,336,495)

Statement of financial position at the beginning of the earliest comparative period

For the year ended 30 June	1 July 2020 as previously stated	Adjustments	1 July 2020 as restated
Cash and cash equivalents	981,845	-	981,845
Trade and other receivables	1,466,400	-	1,466,400
R&D incentive receivables	429,394	-	429,394
Other current assets	36,421	-	36,421
Other financial assets	570,227	-	570,227
Total Current Assets	3,484,287	-	3,484,287
Non-Current Assets			
Other financial assets	-	1,225,000	1,225,000
Property, plant and equipment	61,805	-	61,805
Right of use assets under lease	18,367	-	18,367
Total Non-Current Assets	80,172	1,225,000	1,305,172
Total Assets	3,564,459	1,225,000	4,789,459
Current Liabilities			
Trade and other payables	946,268	-	946,268
Provisions	141,122	-	141,122
Borrowings	1,100,000	-	1,100,000
Lease liabilities	5,117	-	5,117
Contract liabilities	1,440,000	-	1,440,000
Total Current Assets	3,632,507	-	3,632,507
Non-Current Liabilities			
Lease liabilities	13,843	-	13,843
Provisions	49,071	-	49,071
Borrowings	-	-	-
Total Non-Current Liabilities	62,914	-	62,914
Total Liabilities	3,695,421	-	3,695,421
Net Assets	(130,962)	1,225,000	1,094,038
Equity			
Issued capital	36,358,675	-	36,358,675
Other contributed equity	1,797,017	-	1,797,017
Accumulated losses	(38,718,175)	1,225,000	(37,493,175)
Reserves	431,521	-	431,521
Total Equity	(130,962)	1,225,000	1,094,038

34. Financial instruments

a. Capital risk management

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

b. Categories of financial instruments

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

Financial assets	2021 \$	2020 (Restated) \$
Cash and cash equivalents	3,792,695	981,845
Trade and other receivables	-	1,466,400
Other financial assets	2,070,227	570,227
Total financial assets at amortised cost	5,862,922	4,243,472
Sangui Bio Pty Ltd Investment	1,750,000	1,225,000
Total financial assets at fair value through profit or loss	1,750,000	1,225,000

Financial liabilities at amortised cost	2021 \$	2020 \$
Trade and other payables	1,108,116	946,268
Director's loans	-	1,100,000
Total financial liabilities at amortised cost	1,108,116	2,046,268
Derivative Financial Instrument – Institutional placement	3,042,802	-
Total financial liabilities at fair value through profit or loss	3,042,802	-

c. Financial risk management objective

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

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

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

d. Foreign exchange risk

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

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

The Group is exposed to foreign exchange risk arising primarily from transactions with foreign suppliers and revenue from licence arrangements. Material exposure to currency risk arises from foreign currency transactions and is limited to trade. The total AUD balance of trade payables denominated in a foreign currency (USD) at 30 June 2021 is \$241,035 (FY20: \$29,510).

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

The following table illustrates the sensitivity of profit in regards to the Group's financial assets and financial liabilities and the USD / AUD and JPY / AUD exchange rate 'all other things equal'. It assumes a +/- 10% change of the AUD / USD and the AUD / JPY exchange rate for the year ended at 30 June 2021 (FY20: 10%). This percentage has been determined based on the average market volatility in exchange rates in the previous twelve (12) months. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting date.

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

Profit / (loss) impact of exchange rate sensitivity	2021 \$	2020 \$
If AUD had strengthened against USD & JPY by 10% (2020: 10%)	(32,154)	(2,950)
If AUD had weakened against USD & JPY by 10% (2020: 10%)	32,154	2,950

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

e. Liquidity risk analysis

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

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

The Group considers expected cash flows from financial assets in assessing and managing liquidity risk in particular its cash resources and trade receivables. This includes assessing the likelihood of the second placement of \$1.5m from institutional investors that is considered likely to be received with 24 months.

As at 30 June 2021 the Group's derivative and non-derivative financial liabilities have contractual maturities as summarised below:

	2021 Current within 6 months \$	2021 Current within 6 to 12months \$	2021 Non- current 1 to 5 years \$	2020 Current within 6 months \$	2020 Current within 6 to 12 months \$	2020 Non- current 1 to 5 years \$
Trade and other payables	1,108,116	-	-	946,268	-	-
Directors' loans	-	-	-	-	1,100,000	-
Total non-derivative financial liabilities	1,108,116	-	-	946,268	1,100,000	-
Institutional placement	-	-	3,042,802	-	-	-
Total derivative financial liabilities	-	-	3,042,802	-	-	-

The ability of the institutional investors to require settlement of the derivative financial instrument in Note 20 has not been included in the table above because such a settlement is planned to be in shares.

f. Credit risk

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

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

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

Other financial assets at amortised cost include loans to shareholders.

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

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

The expected loss rates are based on the repayment profile over the past 48 months before 30 June 2021 as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking factors affecting the customer's ability to settle the amount outstanding. The Group has identified liquidity in the Company's shares to be the most relevant factor and adjusts loss rates for expected changes in these factors.

Loans to shareholders are written off (ie derecognised) when there is significant change in the share price of the Company and a likely change in the expectation of recovery. The Company share price at 30 June 2021, the failure to make payments at the loan due date and to engage with the Group on alternative payment arrangement amongst other is considered indicative of a reduced expectation of recovery.

On the above basis the expected credit loss for the shareholder loan as at 30 June 2021 was determined as follows:

	Stage 1 \$	Stage 2 \$	Stage 3 \$	Total \$
Expected credit loss rate	0%	33%	100%	-
Gross carrying amount	-	870,227	-	870,227
Lifetime expected credit loss	-	(300,000)	-	(300,000)

g. Capital management policies and procedures

The Group's capital management objectives are:

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

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

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

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

35. Fair value measurement

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

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

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

Level 3: Unobservable inputs for the asset or liability

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

	2021 Level 1 \$	2021 Level 2 \$	2021 Level 3 \$	2021 Total \$	2020 (Restated) Total \$
Financial Assets					
Sangui Bio Pty Ltd Investment	-	-	1,750,000	1,750,000	1,225,000
Financial Liabilities					
Derivative Financial Instrument - Institutional placement	-	3,042,802	-	3,042,802	-

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There were no transfers between levels during the financial year.

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

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

	2021	2020 (Restated)
	\$	\$
Opening Balance	1,225,000	1,050,000
Net change in fair value included in profit or loss	525,000	175,000
Closing Balance	1,750,000	1,225,000

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

	Valuation technique	Significant unobservable input	Interrelation between inputs and measurement
Financial Assets			
Sangui Bio Pty Ltd Investment	Share price occurring in dilutive capital raise event within 1 month of reporting date (2020: 2 months within reporting date)	Price per share	The estimated fair value would increase (decrease) if the price per share would increase (decrease)
Financial Liabilities			
Borrowings - Institutional placement	Monte Carlo Simulation Option Pricing Model	Volatility – 80% Discount for lack of marketability – 20.2%	Higher volatility increases the time value of the option Lower /(higher) DLOM would increase (decrease) the value of the instrument

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

	Price Per Share	Amount of shares	Total Valuation
Sangui Bio Pty Ltd Investment	\$2.50	700,000	1,750,000

36. Parent entity information

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

	2021 \$	2020 (Restated) \$
Statement of financial position		
Current assets	6,792,695	3,484,187
Total assets	8,510,343	4,789,459
Current liabilities	1,296,791	3,632,507
Total liabilities	4,364,878	3,695,421
Net assets	4,145,465	1,094,038
Issued capital	38,258,870	36,358,675
Other contributed equity	-	1,797,017
Retained earnings	(34,648,789)	(37,493,175)
Option reserve	535,384	431,521
Total equity	4,145,465	1,094,038
Statement of profit or loss and other comprehensive income		
Profit / (Loss) for the year	2,759,061	(894,046)
Other comprehensive income	-	-
Total comprehensive profit or (loss)	2,759,061	(894,046)

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

37. Subsequent events

In the period from 30 June 2021 through to the signing of the financial report the following important events have occurred:

Effective from 1 July 2021 Hang Ling (Helen) Leung has been appointed as Company Secretary of Regeneus. This follows the resignation of Sandra McIntosh who had been with the company since 2009.

On 28 July 2021 Regeneus announced a research collaboration with Professor Christopher Little and the Raymond Purves Bone and Joint Research Laboratory at the Kolling Institute at the Royal North Shore Hospital, Australia.

This study will further explore the disease modifying effects of Progenza™ and assess Progenza™'s effect in modulating the inflammatory and immune responses in a preclinical model of post-traumatic osteoarthritis.

On 13 October 2021 New Life Sciences exercised its first subscription rights in relation to \$200,000 of its initial investment of \$1,500,000 and 2,898,551 ordinary shares in Regeneus were issued to New Life Sciences at \$0.069 per share on 14 October 2021. This first subscription right reduces the derivative financial instrument and they have until May 2023 to exercise the initial investment in full.

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 2021 and of its performance for the financial year ended on that date; and
 - ii. Complying with Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
 - b. There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.
2. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer for the financial year ended 30 June 2021.
3. Note 2 confirms that the consolidated financial statements also comply with International Financial Reporting Standards.

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



Non-executive Chairman
Barry Sechos

Dated 26 October 2021

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 2021, 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:

- a giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for 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 auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Emphasis of matter

We draw attention to Note 33 in the financial statements, which indicates the Group identified that it had an equity investment that had not been remeasured in its financial statements since its acquisition in 2016, and that the errors have been corrected by restating each of the affected financial statement line items for prior periods. 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.

Key audit matter	How our audit addressed the key audit matter
<p>Revenue recognition – Kyocera Corporation Licence and Collaboration Agreement (Note 6)</p> <p>In August 2020, the Group entered into a material Collaboration Agreement and Licence with Kyocera Corporation. The contract included \$17 million USD of milestone payments. During the year, the first milestone payment of \$4 million USD was received. In accordance with AASB 15 Revenue from Contracts with Customers, the Group needs to assess the contract in respect to the 5-step model outlined by the standard.</p> <p>This area is a key audit matter due to the material nature of the transaction, significant judgement involved in determining performance obligations, allocation of the transaction price and the revenue that should be recognised under AASB 15.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • obtaining and reading the underlying agreement between the Group and the counterparty; • obtaining management's expert's assessment of the accounting treatment of the different elements of the contract, including identification of performance obligations, assessment of the risk of significant reversal, allocation of the transaction price and basis of recognising of revenue; • assessing the appropriateness of the accounting treatment applied in line with AASB 15; • agreeing performance obligations fulfilled, and milestone payment received during the year to supporting documentation; and • assessing the adequacy of the relevant disclosures in the financial statements.
<p>Recognition of R&D Tax Incentive (Note 6)</p> <p>Under the research and development (R&D) tax incentive, the Group receives of 43.5% refundable tax offset (2020: 43.5%) of eligible expenditure if its aggregated turnover is less than \$20 million per annum. A Registration of R&D Activities Application is file with AusIndustry in the following financial year and, based on this filing, the Group receives the incentive in cash. Management's expert performed a detailed review of the Group's total R&D expenditure to estimate the refundable tax offset receivable under the R&D tax incentive legislation.</p> <p>This area is a key audit matter due to the size of the receivable and because there is a degree of judgement and interpretation of the R&D tax legislation required by management and management's expert to assess the eligibility of the R&D expenditure under the scheme.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • obtaining, through discussions with management and management's expert, an understanding of the process to estimate the claim; • utilising an internal R&D tax specialist to: <ul style="list-style-type: none"> • review the expenditure methodology employed by management for consistency with the R&D tax offset rules; and • consider the nature of the expenses against the eligibility criteria of the R&D tax incentive scheme to form a view about whether the expenses included in the estimate were likely to meet the eligibility criteria; • inspecting supporting documentation for a sample of expenses claimed to assess validity of the claimed amount and eligibility against the R&D tax incentive scheme criteria; • comparing the nature of the R&D expenditure included in the current year estimate to the prior year claim; • considering the entity's history of successful claims; • comparing the eligible expenditure used in the receivable calculation to the expenditure recorded in the general ledger; • selecting a sample of R&D expenditure and agreeing to supporting documentation to ensure appropriate classification; • inspecting copies of relevant correspondence with AusIndustry and the ATO related to the claims; and • assessing the adequacy of the relevant disclosures in the financial statements.

Classification and Valuation of Subscription agreement (Note 20)

During the year, the Group entered a 3 tranche subscription agreement with New Life Sciences Capital LLC for up to \$4.5 million. The first tranche of \$1.5 million (subscription price of 1.59 million) was received in May 2021 upon entering the agreement and a further investment of \$1,500,000 in a second placement (also with a subscription price of \$1,590,000) to be received within 6 months of the initial placement. The agreement allows Regeneus to issue ordinary shares to settle the obligation by reference to a 5-day volume weighted average price

In accordance with AASB 9 Financial Instruments, the agreement must be classified as debt or equity. The determination of the classification is dependent on requisite conditions as stated in the underlying agreement. Consideration must also be given to whether there are any embedded derivatives in the agreement that are required to be recognised at fair value at reporting date. The agreement was classified as debt.

This area is a key audit matter due the significant judgement in assessing whether the agreement should be classified as debt or equity, and in the identification and valuation of derivative elements.

Our procedures included, amongst others:

- obtaining and reading the underlying agreement between the Group and the counterparty;
- obtaining management's experts' assessment of the accounting treatment of the different elements of the agreement, their application of AASB 9 and their valuation of the elements recognised;
- assessing the appropriateness of the accounting treatment applied in line with AASB 9;
- recalculating management's experts's valuation of the elements of the agreement;
- performing sensitivity analyses over elements of the valuation that require estimation; and
- assessing the adequacy of the relevant disclosures in the financial statements.

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

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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



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

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in pages 13 to 17 of the Directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Regeneus Ltd for the year ended 30 June 2021 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.

A handwritten signature in cursive script that reads "Grant Thornton".

Grant Thornton Audit Pty Ltd
Chartered Accountants

A handwritten signature in cursive script that reads "N.J. Bradley".

N.J. Bradley
Partner – Audit & Assurance

Sydney, 26 October 2021

Shareholder Information

Additional information required by the Australian Securities Exchange and not shown elsewhere in this report is as follows. The information is effective 18 October 2021

Corporate Governance statement

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

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

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding

Shareholder category	Number of holders of ordinary shares
1 to 1,000	64
1,001 to 5,000	245
5,001 to 10,000	306
10,001 to 100,000	817
100,001 and over	336
Total	1,768

Substantial Holders

Substantial holders in the Company are as follows

Shareholder	Number of holders of ordinary shares
AGC INC	22,459,393
Leo Lee	15,890,893
Vesey Investments	15,879,968
Kirman 2 Pty Ltd & Brian Michael Sherman	15,760,892

Voting rights

Ordinary Shares

All ordinary shares carry one vote per share without restriction

Options

No voting rights

Buy back of shares

There is no buy back of shares on offer

Unissued equity securities

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

Equity Security Holders

Twenty largest quoted equity security holders

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

	Number Held	Ordinary Shares % of total shares issued
AGC INC	22,459,393	7.33%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	21,653,687	7.07%
CITICORP NOMINEES PTY LIMITED	21,604,144	7.05%
BNP PARIBAS NOMINEES PTY LTD	20,424,672	6.67%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	13,699,060	4.47%
I'ROM GROUP CO LTD	9,144,043	2.98%
MR THOMAS GEORG MECHTERSHEIMER	6,133,433	2.00%
MRS JULIA CAROLINE HUGHES	5,617,065	1.83%
SMC CAPITAL PTY LTD	5,216,726	1.70%
MR JOHN DOMINIC MARTIN	4,016,941	1.31%
MLB HOLDINGS PTY LTD	3,500,000	1.14%
MAXIMUM (NQ) PTY LTD	3,041,666	0.99%
BNP PARIBAS NOMS PTY LTD	2,898,563	0.95%
BUBBLING WELLS PTY LTD	2,500,000	0.82%
MCGUIRE FAMILY HOLDINGS PTY LTD	2,350,000	0.77%
LIDDLE INVESTMENTS GROUP PTY LTD	2,202,859	0.72%
DR MARC RONALD WILKINS	2,020,676	0.66%
KBROSS PTY LTD	2,000,000	0.65%
MARK TIMNEY	1,750,000	0.57%
JEFFREY CHUN KIM KHOO	1,750,000	0.57%
MRS CIARA YVONNE KELLY & MR PAUL DOMINIC KELLY	1,735,643	0.57%
Total	155,718,571	50.82%
Balance of Register	150,718,343	49.18%
Total	306,436,914	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





Registered Office and Principal Place of Business

2 Paddington Street
Paddington, NSW 2021

Board of Directors

Barry Sechos (Non-executive Chairman)

Professor Graham Vesey (Executive Director)

Dr John Chiplin (Non-executive Director)

Leo Lee (Non-executive Director)

Chief Executive Officer

Karolis Rosickas

Company Secretary

Hang Ling (Helen) Leung

Lawyers

Dentons Australia Pty Ltd
77 Castlereagh Street
Sydney NSW 2000

Auditors

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

Patent Attorneys

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

Share Registry

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

Stock Exchange Listing

Australian Securities Exchange
ASX Code: RGS

regeneus.com.au

 **regeneus**
living regenerative medicine

