

Friday, 29 September 2023

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 2023
ANNUAL REPORT

Attached for immediate release to the market is Regeneus's 2023 Annual Report containing the final audited results for the year ended 30 June 2023.

Regeneus, in accordance with the class waiver from Listing Rule 4.3B, released its Appendix 4E on 31 August 2023 including its unaudited Financial Statements for the year ended 30 June 2023. At the time of lodgment of the Appendix 4E, Regeneus advised the market 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 one material difference between its unaudited Financial Statements lodged on 31 August 2023 and its audited Financial Statements being lodged today.

That difference largely arose as a result of the following matter:

1. **valuation of investment in Sangui Bio Pty Ltd:** In the Appendix 4E released on 31 August 2023, the Company impaired the carrying value of its investment in Sangui Bio Pty Ltd to nil.

In February 2023, Regeneus reached an agreement to settle the AU\$2 million outstanding loan and interest payable to Paddington St Finance under the PSF Facility, in exchange for the payment of AU\$400,000 in cash and the transfer from Regeneus to Paddington St Finance of 700,000 shares in Sangui Bio. The cash payment of A\$400,000 was made on 1st March 2023. The transfer of the 700,000 Sangui Bio shares is subject to shareholder approval.

After further consideration and consultations, in view of the agreement reached with Paddington St Finance, and other matters, the Company has made the decision to retain the value of its Sangui Bio holding at \$2.50 per share, being the price at which Sangui Bio last raised capital in June 2021.

The Company has reclassified its investment in Sangui Bio as an asset held for sale, and reclassified principal and interest owing to Paddington St Finance on the PSF Facility to Liabilities directly associated with assets classified as held for sale.

There were no other material changes to the Financial Statements.

The impact of this change, 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 2023 Audited Financial Statements \$	30 June 2023 Unaudited Preliminary Financial Statements \$
Revenue	-	-
Other income	1,044,689	1,044,689
Research and development expenses	(473,415)	(473,415)
Corporate expenses	(1,775,691)	(1,775,691)
Finance costs	(350,202)	(290,202)
Gain on disposal of fixed assets	14,960	14,960
Loss on Shareholders loan	-	-
Impairment on Shareholders loan	(69,273)	(69,273)
Merger Expenses	(76,107)	(76,107)
Fair value increase in institutional placement	-	-
Loss on extinguishment of financial liability	-	-
Fair value increase (decrease) on investments	-	(1,750,000)
Realised foreign exchange loss	(2,274)	(2,274)
Foreign exchange gain	430	430
Profit/(loss) before income tax	(1,686,883)	(3,376,883)
Income tax (expense) / benefit	-	-
Profit/(loss) for the year	(1,686,883)	(3,376,883)
Other comprehensive (expense) / income	-	-
Total comprehensive income / (loss) for the year	(1,686,883)	(3,376,883)

Earnings per share	30 June 2023 Audited Financial Statements cent	30 June 2023 Unaudited Preliminary Financial Statements cent
Basic earnings per share		
Earnings per share from continuing operations	(0.55)	(1.1)
Diluted earnings per share		
Earnings per share from continuing operations	(0.55)	(1.1)

Consolidated Statement of Financial Position

As at 30 June	30 June 2023 Audited Financial Statements \$	30 June 2023 Unaudited Preliminary Financial Statements \$
Current Assets		
Cash and cash equivalents	302,792	302,792
Trade and other receivables	-	-
R&D incentive receivable	382,913	382,913
Other current assets	28,071	28,071
Assets held for sale	1,750,000	-
Other Financial Assets	-	-
Total current assets	2,463,776	713,776
Non-current assets		
Other financial assets (NCA)	-	-
Property, plant and equipment	708	708
Right of use assets under lease	-	-
Total non-current assets	708	708
Total assets	2,464,484	714,484
Current liabilities		
Trade and other payables	347,038	501,173
Provisions	81,254	81,254
Borrowings	347,015	1,947,015
Liabilities directly associated with assets classified as held for sale	1,814,135	-
Lease liabilities	-	-
Total current liabilities	2,589,442	2,529,442
Non-current liabilities		
Lease liabilities	-	-
Provisions	-	-
Total non-current liabilities	-	-
Total liabilities	2,589,442	2,529,442
Net assets	(124,958)	(1,814,958)
Equity		
Issued capital	38,618,762	38,618,762
Accumulated losses	(40,587,006)	(42,277,006)
Reserves	1,843,286	1,843,287
Total equity	(124,958)	(1,814,958)



Annual Report 2023

Regeneus Ltd

ABN 13 127 035 358



WHO WE ARE

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

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

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Letter from CEO and Chairman

Dear Shareholders,

We are pleased to share Regeneus' Annual Report for the 2023 financial year, a challenging year for the biopharma industry and our company. The Nasdaq XBI biotech index is down to the low seventies, a far cry from its peak at 174 in February 2021. We are looking into the third straight year of negative XBI biotech returns, a prolonged period not seen since 1992 to 1994. The capital markets for development-stage biopharma companies remain significantly constrained, forcing companies to execute cost-cutting measures, reprioritise clinical asset development, or enter into strategic transactions to preserve shareholder value. Regeneus has felt the effect of the risk-off, "higher for longer" interest rate environment, where our existing and potential partners have decided to suspend new asset development efforts.

Operational highlights

In FY2023, our Japanese partner Kyocera Corporation made the decision to discontinue the development of Progenza for Japan and, as a result, terminated the Collaboration and License Agreement with Regeneus in January 2023. Regeneus does not accept that Kyocera had any right to terminate the Agreement. As a result of the purported termination of the Agreement, Kyocera has indicated that no further milestone or other payments will be made under the License Agreement. Consequently, Regeneus promptly executed the "right-sizing" of the organisation to preserve shareholder value and look to complete a strategic merger transaction in calendar 2023.

Regeneus has engaged in several research and development projects in FY2023 – manufacturing process and potency assay development for Progenza and completion of the collaboration programme with the Australian Department of Defence.

The Company continued business development efforts to find suitable partners for Progenza co-development in the United States, South Korea, and China in FY2023.

Financial highlights

Regeneus recorded revenue and other income of AU\$1.0M and a net loss of AU\$1.7M for the year.

The Company ended FY2023 with AU\$0.3M in cash. After the reporting period, Regeneus received its FY2023 Research and Development Tax Incentive (RDTI) and used these proceeds to fully repay the associated RDTI loan to Radium Capital. Furthermore, the Company reached agreement to settle the outstanding loan and interest owing to Paddington St Finance in February 2023 by making a cash payment of \$400,000 and agreeing to transfer

the 700,000 shares Regeneus holds in Sangui Bio Pty Ltd, an unlisted biotech company. The cash payment of \$400,000 was made on 1 March 2023 and the transfer of the Sangui Bio shares is subject to Shareholder approval. As a result of this settlement, on completion of the transfer of the Sangui Bio Regeneus expects to be debt-free as it finalises the strategic merger transaction with Cambium Medical Technologies, LLC.

Outlook

Regeneus has signed a non-binding indicative offer letter to merge with Cambium Medical Technologies, LLC (CMT). CMT is a United States-based, clinical-stage regenerative medicine company developing a Phase 3-ready biologic therapeutic, Elate Ocular®, to treat dry eye disease. The negotiation of binding merger documentation is in the final stages. Subject to agreement on binding documentation and shareholder approval, Regeneus expects to complete the merger transaction with Cambium Medical Technologies in calendar 2023.

We look forward to an exciting new stage in Regeneus history.

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



Barry Sechos
Chairman



Karolis Rosickas
Chief Executive Officer

Directors' report

Your Directors present their report for Regeneus Ltd and its controlled entities (the Group) for the financial year ended 30 June 2023.

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

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

None

Previous directorships (last 3 years)

Concentrated Leaders Fund Ltd (resigned 31 August 2021)

Phoslock Environmental Technologies Ltd (resigned 5 September 2023)

Interests in shares

7,700,000

Interests in options

Nil

Interests in options

Nil

CSO - Executive Director

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

Other current directorships

None

Previous directorships (last 3 years)

None

Interests in shares

14,771,042

Interests in options

1,029,500

Non-executive Director

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

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

- Regeneus has completed a collaboration with the Australian Department of Defence to advance the development of Sygenus topical product for military applications.
- The Company received a notice of termination from Kyocera under the Collaboration and Licence Agreement entered into on 8 August 2020. Regeneus is exploring options to continue the development of Progenza in Japan.
- Regeneus entered into non-binding share merger discussions with Cambium Medical Technologies, LLC in the United States. Both companies are in advanced stages of negotiating binding merger documentation.
- The Company continued business development efforts to find partners for Progenza in the United States, South Korea, and China in FY2023.
- Regeneus continued development of Progenza's chemistry, manufacturing, and controls (CMC) aspects, including an additional potency assay to demonstrate the benefit of adding the bioactive secretome to the Progenza product. These studies will support future regulatory filings.
- An R&D Tax Incentive of AU\$1.1M was received from the Australian Tax Office for FY2022.
- Regeneus obtained prefinancing of AU\$347k from Radium Capital, representing 80% of the anticipated Research & Development Tax Incentive Rebate for the first 9 months of FY2023. The Company has received its FY2023 Research & Development Tax Incentive rebate totalling \$487k and repaid the loan from Radium Capital in full in September 2023.
- Regeneus reached agreement to settle the AU\$2 million outstanding loan and interest and fees payable to Paddington St Finance under the PSF Facility, in exchange for the payment of AU\$400,000 in cash and the transfer from Regeneus to Paddington St Finance of 700,000 shares in Sangui Bio. The cash payment of AU\$400,000 was made on 1st March 2023. The transfer of the 700,000 Sangui Bio shares is subject to shareholder approval.
- The Company's operations were further optimized by reducing headcount and operating expenses.

Financial review

Operating results

The Group's operating results for the year was a loss of \$1.7 million (FY22: loss of \$4.3 million). The result is reflective of the reduction in expenses for the year. Revenue for the year is Nil (FY22: nil). Grants and other income for the year is \$58k (FY22: \$113k)

Revenue and Other income

	2023 \$'000	2022 \$'000	Movement \$'000
Revenue from contracts with customers			
Revenue	-	-	-
Total revenue	-	-	-
Other income			
Grant and other income	59	113	(54)
R&D incentive	986	525	461
Total other income	1,045	638	407
Total Revenue and other income	1,045	638	407

Expenses

	2023 \$'000	2022 \$'000	Movement \$'000
Research and development	473	1,861	(1,388)
Corporate	1,776	2,788	(1,012)
Finance costs	350	73	277
Expenses from operations	2,599	4,722	(2,123)
Other expenses	-	-	-
Total expenses	2,599	4,722	(2,123)

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 \$0.47 million (FY22: \$1.86 million).

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

Corporate expenses

Corporate expenses at \$1.78 million reduced from prior year expenses (FY22: \$2.79 million). This category of expenditure includes: corporate employees, Directors, IP, compliance, depreciation and business development costs.

Finance costs

Finance costs of \$350k (FY22: \$73k) relate to costs associated with the fee and interest of the commercial loan from Radium Capital and a related party, Paddington St Finance Pty Ltd.

Financial Position

Regeneus ended FY2023 with AU\$302,792 cash balance (FY22: AU\$95,122).

Regeneus reached agreement to settle the AU\$2 million outstanding loan and interest and fees payable to Paddington St Finance under the PSF Facility, in exchange for the payment of AU\$400,000 in cash and the transfer from Regeneus to Paddington St Finance of 700,000 shares in Sangui Bio. The cash payment of A\$400,000 was made on 1st March 2023. The transfer of the Sangui Bio shares in part payment of moneys owing under the PSF Facility is subject to Regeneus receiving the required shareholder approval.

The Company obtained prefinancing of \$347k from Radium Capital representing 80% of the Research & Development Tax Incentive Rebate for the first 9 months of FY2023. The Company's total FY2023 Research & Development Tax Incentive rebate was estimated to be \$487k. This amount was received in September 2023 and the Radium Capital loan was repaid.

Material risks

There are number of risks that may materially and adversely affect the future operating and financial performance of Regeneus. Some of these risks may be mitigated by Regeneus's actions and decision-making processes, but some are outside the control of the Company. These material risks include the following:

(a) Failure to complete merger with Cambium Medical Technologies

While Regeneus has signed a non-binding indicative offer letter to merge with Cambium Medical Technologies, LLC it is yet to sign binding merger documentation in respect of this merger. Completion of the merger transaction is subject to shareholder approval. If Regeneus is unable to complete the merger transaction with Cambium Medical Technologies or if shareholders do not approve the merger transaction, Regeneus will face liquidity issues and may find it difficult to raise additional working capital. In such a case, the Company may be placed into administration. The Board anticipates that binding merger documentation will be entered into with Cambium Medical Technologies and seeking shareholder approval should occur before the end of the calendar year.

(b) Failure to obtain shareholder approval to transfer Sangui Bio shares

The transfer to Paddington St Finance of 700,000 Sangui Bio shares held by Regeneus in repayment of the outstanding loan and all interest and fees payable to Paddington St Finance under the PSF Facility requires shareholder approval. If shareholders fail to approve this transfer, Regeneus will remain in default of its repayment obligations under the PSF Facility. There is a risk that Paddington St Finance will take enforcement action against Regeneus for repayment of all moneys owing under the PSF Facility if the loan is not settled with the transfer of the Sangui Bio shares.

(c) Insolvency

Regeneus ended FY2023 with cash in the bank of AU\$302,792. In the absence of completing a merger transaction with Cambium Medical Technologies, the Company's ability to raise additional working capital are limited. The Company continues to explore opportunities to dispose of non-core assets to improve its liquidity position, but to date, has not been successful in consummating a sale transaction. There is a risk that the Group will run out of cash and have insufficient funds to continue as a going concern. The Board is confident of successfully completing a merger transaction with Cambium Medical Technologies, providing the merged group with better prospects of raising additional working capital.

The above list should not be taken to be a comprehensive list of risks associated with Regeneus and its business. In particular, it excludes risks relating to the general economic environment and other generic risk areas that affect most companies.

Cash flows

The net cash inflows for the period were:

	2023 \$'000	2022 \$'000
Net cash (used in) provided by operating activities	(660)	(3,591)
Net cash used in investing activities	(48)	(9)
Net cash (used in) provided by financing activities	916	(98)
Net change in cash and cash equivalents held	208	(3,698)

Operating activities

Regeneus recorded other income of AU\$1.05M (FY22: AU\$829k).

Research and development expenditure for the year was AU\$473k (FY22 AU\$1.86M). R&D activities include staff and other costs associated with product research, manufacture of investigational drug products and the conduct of preclinical trials.

Financing activities

On 25 February 2022, the Group signed a loan facility agreement with Paddington St Finance Pty Ltd. \$1m was drawn in FY22 and a further \$1m was drawn in the first half of FY23. As at 31 December 2022, the total drawn amount was \$2m..

Regeneus reached an agreement to settle the AU\$2 million outstanding loan and interest and fees payable to Paddington St Finance under the PSF Facility, in exchange for the payment of AU\$400,000 in cash and the transfer from Regeneus to Paddington St Finance of 700,000 shares in Sangui Bio. The cash payment of AU\$400,000 was made on 1st March 2023. The transfer of the 700,000 Sangui Bio shares is subject to shareholder approval.

The Company obtained prefinancing of \$347k from Radium Capital representing 80% of the Research & Development Tax Incentive Rebate for the first 9 months of FY2023. The Radium Capital loan was repaid in September 2023 following receipt of the FY2023 Research & Development Tax Incentive rebate.

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 2023 through to the signing of the financial report, the following important events have occurred:

The Company has received a total FY2023 Research & Development Tax Incentive rebate of \$487k and has repaid the Radium Capital loan of \$347k in September 2023.

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

The Company has entered into non-binding share merger discussions with Cambium Medical Technologies, LLC (CMT) in the United States. Both companies are in advanced stages of negotiating binding merger documentation and the Company will focus on finalising and entering into relevant merger documentation with Cambium and completing this merger. The proposed merger is subject to shareholder approval.

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 2023 is dated as at 30 June 2023 and was approved by the Board on 29 September 2023. The corporate governance statement is available on Regeneus' website at: regeneus.com.au/investors/corporate-governance

Directors' meetings

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

Directors' name	Board meetings		Audit and risk committee		Remunerations and nominations charter	
	A	B	A	B	A	B
Barry Sechos	6	6	2	2	0	0
Leo Lee ¹	6	6	2	2	0	0
Graham Vesey	6	6	2	2	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. Leo Lee was appointed Chair of the Rem & Nom committee and appointed as a member of the Audit & Risk committee on 23 June 2022.

Dividends paid or recommended

No dividends have been paid or declared since the start of the financial year (FY22: 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
14/10/2020	14/10/2025	0.1075	333,333
14/10/2020	14/10/2025	0.1400	1,029,500
07/05/2021	11/05/2024	0.1651	3,800,000
24/05/2021	24/05/2026	0.1000	5,000,000
24/05/2021	24/05/2026	0.1000	5,000,000
24/05/2021	24/05/2026	0.1000	15,000,000

Of the balance of 31.4m options, 27.6m 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 subscription agreement entered into in May 2021 with the institutional investor, New Life Sciences, LLC.

Of the 27.6m options issued to staff 1.3m options were approved at the FY20 AGM and no new option were issued (FY22: nil). 26.36m options were issued to staff under the employee share option plan and 1.25m options were issued to directors under the Option Share Trust.

All unexercised, vested options expire on the earlier of their expiry date or within a period set out in the plans. 27.6m 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.

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 (FY22: 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 17,598,480 – 97.42% 'For' votes on its Remuneration Report for the financial year ending 30 June 2023 (FY22: 63,697,373 – 99.22%).

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

Consequences of performance on shareholder wealth

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

Item	2023	2022	2021	2020 (restated)	2019 (restated)
EPS (\$)	(0.006)	(0.014)	0.009	(0.003)	(0.029)
Dividends (per share)	\$0	\$0	\$0	\$0	\$0
Net profit (loss) (\$000)	(1,687)	(4,310)	2,759	(894)	(5,955)
Share price (\$)	\$0.007	\$0.061	\$0.074	\$0.070	\$0.085

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 and CEO		Short term				Share based payments	Total \$	Performance related
		Cash salary & fees \$	Incentive \$	Other benefits \$	Post employ Super-annuation \$			
Karolis Rosickas	2023	250,000	-	-	-	487,395	737,395	66%
	2022	250,000	276,155	-	-	662,977	1,189,132	79%
Graham Vesey	2023	38,182	-	(2,911)	4,009	14,927	54,207	28%
	2022	121,364	-	(12,632)	12,136	35,046	155,914	22%
Non-executive Directors								
Barry Sechos	2023	85,000	-	-	-	-	85,000	0%
	2022	85,000	-	-	-	-	85,000	0%
John Chiplin	2023	-	-	-	-	-	-	0%
	2022	36,667	-	-	-	-	36,667	0%
Leo Lee	2023	55,000	-	-	-	-	55,000	0%
	2022	55,000	-	-	-	-	55,000	0%
Total	2023	428,182	-	(2,911)	4,009	502,322	931,602	
Total	2022	548,031	276,155	(12,632)	12,136	698,023	1,521,713	

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

Name	Grant Date	Eligible	Paid	Conditions
Karolis Rosickas	20 May 22	125,000	125,000	For 1st employment anniversary
Karolis Rosickas	20 May 22	125,000	125,000	For 2nd employment anniversary
Karolis Rosickas	20 May 22	125,000	26,155	For 3rd employment anniversary
Total			276,155	

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 \$502,322 (2022: \$698,023) is share based remuneration in the form of options (refer following note)

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

Name	Fixed remuneration	At risk – STI	At risk – options
Karolis Rosickas	34%	-	66%
Graham Vesey	72%	-	28%
Barry Sechos	100%	-	-
Leo Lee	100%	-	-

c. Service agreements

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

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

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
G Vesey	1,029,500	14 Oct 2020	0.091	686,333	0.1400	14/10/2021	14/10/2025
K Rosickas	5,000,000	24 May 2021	0.067	5,000,000	0.1000	31/12/2021	24/05/2026
K Rosickas	5,000,000	24 May 2021	0.067	5,000,000	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 FY23 no management personnel options were forfeited (FY22 666,667 options forfeited (average exercise price \$0.1075)).

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

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

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

e. Loans relate to key management personnel

Shareholder Loan

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

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

Name	Loan at 1 July 2022	Loans repaid	Loans Advanced	Other movement	Loan at 30 June 2023
Graham Vesey	98,962	-	-	-	98,962
Expected credit loss allowance	(29,689)	-	-	-	(29,689)
Impairment on Shareholder loan	-	-	-	(69,273)	(69,273)
Totals	69,273	-	-	(69,273)	-

Directors loan

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

Name	Loan at 1 July 2022	Loans Advanced	Loans Repaid	Converted to Equity	Loan at 30 June 2023
Loan facility	1,000,000	1,000,000	(400,000)	-	1,600,000
Totals	1,000,000	1,000,000	(400,000)	-	1,600,000

f. Other information

Options held by key management personnel

The number of options to acquire shares in the Company held during the FY23 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 2022	Granted	Forfeited	Balance at end of year	Vested during the year	Vested, and exercisable at 30 June 2023
Leo Lee	1,250,000	-	-	1,250,000	-	1,250,000
Karolis Rosickas	25,000,000	-	-	25,000,000	5,000,000	10,000,000
Graham Vesey	1,029,500	-	-	1,029,500	343,166	686,333
Barry Sechos	-	-	-	-	-	-
Totals	27,279,500	-	-	27,279,500	5,343,166	11,936,333

Related party contracts

In FY2021, the Company signed a licence agreement with BioPoint Pty Ltd a company of which Graham Vesey is a director and significant shareholder. This licence agreement was agreed upon in September 2020 and is valued at \$3,000 per month. A new lease was signed on 1 April 2022 and the rent was reduced to \$1,500 per month. The agreement was terminated in February 2023.

On 25 February 2022, the Group signed a loan facility agreement with Paddington St Finance Pty Ltd. The maximum loan value of the facility is the lesser of (i) AU\$4 million; and (ii) US\$3 million. The Company has drawn \$2m as at 31 December 2022.

Subsequent to the termination of the agreement with Kyocera, Regeneus reached an agreement to settle the AU\$2 million outstanding loan and interest and fees payable to Paddington St Finance under the PSF Facility, in exchange for the payment of AU\$400,000 in cash and the transfer from Regeneus to Paddington St Finance of 700,000 shares in Sangui Bio. The cash payment of A\$400,000 was made on 1st March 2023. The transfer of the 700,000 Sangui Bio shares is subject to shareholder approval.

Shares held by key management personnel

The number of ordinary shares in the Company during the FY23 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 2022	Granted as remuneration	Purchased	Other movement	Held at 30 June 2023
Leo Lee	15,890,893	-	-	-	15,890,893
Karolis Rosickas	3,836,366	-	-	-	3,836,366
Graham Vesey	14,771,042	-	-	-	14,771,042
Barry Sechos	7,700,000	-	-	-	7,700,000
Totals	42,198,301	-	-	-	42,198,301

End of audited remuneration report

Environmental legislation

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

Indemnities given to auditors and officers and insurance premiums paid

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

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

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

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

Non-audit services

From time to time, Stantons International, the Group's auditors, may perform 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, Stantons International Audit and Consulting Pty Ltd, and its related practices for audit and non-audit services provided during the year are set out in Note 25 to the Financial Statements.

Proceedings on behalf of the Group

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

Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 16 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 29 September 2023

Auditor's independence declaration



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29 September 2023

Board of Directors
Regeneus Limited
16 Goodhope Street
Paddington, NSW 2021

Dear Directors

RE: REGENEUS LIMITED

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Regeneus Limited.

As Audit Director for the audit of the financial statements of Regeneus Limited for the year ended 30 June 2023, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(An Authorised Audit Company)

A handwritten signature in black ink, appearing to read "Samir Tirodkar", written over a horizontal line.

Samir Tirodkar
Director

Liability limited by a scheme approved under Professional Standards Legislation



Stantons is a member of the Russell
Bedford International network of firms

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June	Note	2023 \$	2022 \$
Revenue		-	-
Other income	6	1,044,689	638,006
Research and development expenses	7	(473,415)	(1,861,129)
Corporate expenses	8	(1,775,691)	(2,788,989)
Finance costs	9	(350,202)	(72,656)
Gain on disposal of fixed assets		14,960	7,725
Merger expenses		(76,107)	-
Fair value (decrease)/increase in institutional placement		-	(17,391)
Loss on extinguishment of financial liability		-	(62,398)
Loss on shareholders loan		-	(131,556)
Impairment on Shareholders loan	14.1	(69,273)	-
Realised foreign exchange loss		(2,274)	(17,576)
Foreign exchange (loss)/gain		430	(3,766)
Loss before income tax		(1,686,883)	(4,309,730)
Income tax (expense) / benefit	24	-	-
Loss for the year		(1,686,883)	(4,309,730)
Other comprehensive (expense) / income		-	-
Total comprehensive loss for the year		(1,686,883)	(4,309,730)

Earnings per share		2023 cent	2022 cent
Basic earnings per share			
Earnings per share from continuing operations	26	(0.55)	(1.41)
Diluted earnings per share			
Earnings per share from continuing operations	26	(0.55)	(1.41)

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

Consolidated statement of financial position

As at 30 June	Note	2023 \$	2022 \$
Current Assets			
Cash and cash equivalents	10	302,792	95,122
Trade and other receivables	11	-	110,797
R&D incentive receivable	12	382,913	447,023
Other current assets	13	28,071	65,236
Asset held for sale	14.2	1,750,000	-
Other financial assets	14	-	69,273
Total current assets		2,463,776	787,451
Non-current assets			
Property, plant and equipment	15	708	9,730
Other financial assets	14	-	1,750,000
Right of use assets under lease	16	-	7,617
Total non-current assets		708	1,767,347
Total assets		2,464,484	2,554,798
Current liabilities			
Trade and other payables	18	347,038	309,942
Provisions	19	81,254	160,780
Borrowings	20	347,015	1,000,000
Liabilities directly associated with assets classified as held for sale	20.2	1,814,135	-
Lease liabilities	21	-	5,858
Total current liabilities		2,589,442	1,476,580
Non-current liabilities			
Lease liabilities	21	-	2,510
Provisions	19	-	917
Total non-current liabilities		-	3,427
Total liabilities		2,589,442	1,480,007
Net assets		(124,958)	1,074,791
Equity			
Issued capital	22.1	38,618,762	38,618,762
Accumulated losses		(40,587,006)	(38,951,310)
Reserves	22.2	1,843,286	1,407,339
Total equity		(124,958)	1,074,791

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 2021	38,258,870	-	535,384	(34,648,789)	4,145,465
Reported loss for the year	-	-	-	(4,309,730)	(4,309,730)
Reported other comprehensive income (expense)	-	-	-	-	-
Shares issued for institutional placement	359,892	-	-	-	359,892
Employee share-based payment options expense	-	-	913,865	-	913,865
Employee share-based payment option forfeited	-	-	(34,701)	-	(34,701)
Transfer from reserves to retained earnings for options lapsed	-	-	(7,209)	7,209	-
Balance at 30 June 2022	38,618,762	-	1,407,339	(38,951,310)	1,074,791
Balance at 1 July 2022	38,618,762	-	1,407,339	(38,951,310)	1,074,791
Reported loss for the year	-	-	-	(1,686,883)	(1,686,883)
Reported other comprehensive income (expense)	-	-	-	-	-
Employee share-based payment options expense	-	-	506,348	-	506,348
Employee share-based payment option forfeited	-	-	(19,214)	-	(19,214)
Transfer from reserves to retained earnings for options lapsed	-	-	(51,187)	51,187	-
Balance at 30 June 2023	38,618,762	-	1,843,286	(40,587,006)	(124,958)

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	2023 \$	2022 \$
Operating activities			
Receipts from customers		151,457	20,000
Payments to suppliers and employees		(1,763,997)	(4,399,277)
Interest received		38	1
R&D repayments		-	-
R&D incentive refund		1,050,303	829,411
Finance costs		(98,265)	(41,407)
Net cash (used in) / provided by operating activities	27	(660,464)	(3,591,272)
Investing activities			
Payments for merger		(76,107)	-
Purchase of property, plant and equipment		27,975	(8,466)
Net cash (used in) investing activities		(48,132)	(8,466)
Financing activities			
Proceeds from related party loan		1,000,000	1,000,000
Repayment of related party loan		(400,000)	-
Proceeds from R&D loan		347,015	-
Transaction costs related to borrowings		(30,749)	(30,000)
(Repayment of) / proceeds from institutional placement		-	(1,262,700)
Receipts from shareholder loan		-	194,865
Net cash (used in) / provided by financing activities		916,266	(97,835)
Net change in cash and cash equivalents held		207,670	(3,697,573)
Cash and cash equivalents at beginning of financial year		95,122	3,792,695
Cash and cash equivalents at end of financial year	10	302,792	95,122

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 2023, Regeneus is a Public company, incorporated and domiciled in Australia.

The address of its registered office and its principal place of business is 16 Goodhope 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 2023 were approved and authorised for issue by the Board of Directors on 29 September 2023.

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 2023. 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:

The Company has undertaken further restructuring measures in 2023 to reduce monthly operating expenses.

The company made a loss of \$1,686,883 (30 June 2022 \$4,309,730) As at 30 June 2023 the company has a net asset deficiency of \$124,958 (30 June 2022 net assets of \$1,074,791). The company had operating cash outflows of \$660,464 (30 June 2022 \$3,591,272)

The Group continues to explore opportunities to dispose of non-core assets to improve its liquidity position. Regeneus has accumulated Good Manufacturing Practices (GMP) grade and non-GMP grade donor material in excess of its current, and anticipated future, needs. The Company is in discussions with external parties to sell the donor material (stromal vascular fraction or isolated mesenchymal stem cells). The sale of select donor material, if achieved, is expected to improve the Group's liquidity position.

During the year, the Company obtained prefinancing of \$347k from Radium Capital representing 80% of the R&D Tax Incentive rebate for the first 9 months of FY2023. The Company received a total FY2023 R&D Tax Incentive rebate of \$487k after 30 June 2023. After repayment of the Radium Capital loan, this provides the Company with additional cash of approximately \$140k.

Regeneus reached agreement to settle the \$2 million outstanding loan and interest and fees payable to Paddington St Finance under the PSF Facility, in exchange for the payment of \$400,000 in cash and the transfer from Regeneus to Paddington St Finance of 700,000 shares in Sangui Bio by 31 October 2023. The cash payment of A\$400,000 was made on 1st March 2023. The transfer of the Sangui Bio shares in part payment of moneys owing under the PSF Facility is subject to Regeneus receiving the required shareholder approval.

The continuing ability of the Group to continue as a going concern and to undertake further activities is dependent on the successful sale of non-core assets as currently contemplated and the negotiation, entry and execution of an M&A or merger transaction.

Regeneus has signed a non-binding indicative offer letter to merge with Cambium Medical Technologies, LLC (CMT). CMT is a United States-based, clinical-stage regenerative medicine company developing a Phase 3-ready biologic therapeutic, Elate Ocular®, to treat dry eye disease. Both companies are in advanced stages of negotiating

binding merger documentation. The mutual due diligence process and the negotiation of binding merger documentation are in the final stages.

Subject to agreement on binding merger documentation and shareholder approval, Regeneus expects to complete the merger transaction with Cambium Medical Technologies in calendar 2023.

There is however material uncertainty related to events or conditions that may cast doubt on the Group's ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in this Financial Report.

At this time, the Directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the Appendix 4E as at 30 June 2023. Accordingly, no adjustments have been made to the Financial Report relating to the recoverability and the classification of liabilities that might be necessary should the Group not continue as a going concern.

d. Cash and cash equivalents

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

e. Income tax

The income tax expense (income) for the year comprises current income tax

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

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

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

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. Deferred tax assets

and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period.

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

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

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

f. Plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as

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

g. Depreciation

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

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its

estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of profit or loss and other comprehensive income.

h. Intangibles

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

Costs associated with maintaining intangibles are expensed as incurred.

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

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

i. Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that the assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required (i.e.

intangible assets with indefinite useful lives and intangible assets not yet available for use), the Group makes an estimate of the asset's recoverable amount.

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

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

To determine the value-in-use, management estimates expected future cash flows from each asset or cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each asset or cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

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

j. Leases

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

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

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

k. Foreign currency transactions and balances

Functional and presentation currency

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

Transaction and balances

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

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

l. Financial instruments

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

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

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

Classification and subsequent measurement of financial assets

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

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

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

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

Classifications are determined by both:

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

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

items, except for impairment of trade receivables, which is presented within other expenses.

Subsequent measurement financial assets

Financial assets at amortised cost

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

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

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

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

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual

cash flows are not solely payments of principal and interest are accounted for at FVPL. This includes investments.

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

Impairment of Financial assets

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

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

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

since initial recognition and whose credit risk is not low ('Stage 2').

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

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

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

Trade and other receivables

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

Classification and measurement of financial liabilities

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

Financial liabilities are initially measured at fair value, and, where applicable,

transaction costs are expensed immediately through profit or loss.

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

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

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

m. Equity and reserves

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

Other components of equity include the following:

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

n. Employee benefits

Short-term employee benefits

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

Other long-term employee benefits

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

The Group presents employee benefit obligations as current liabilities in the statement of financial position if the

Group does not have an unconditional right to defer settlement for at least twelve (12) months after the reporting period, irrespective of when the actual settlement is expected to take place.

Defined contribution plans

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

o. Provisions, contingent liabilities and contingent assets

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

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

discounted to their present values, where the time value of money is material.

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

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

p. Share-based employee remuneration

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

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

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

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any

indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

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

q. Revenue

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

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

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

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

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

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations or where revenue is constrained and reports these amounts as contract liabilities in the statement of financial position.

Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

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

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

goods or services and significant payment terms are to be disclosed.

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

r. Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

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

s. Research and development

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

Statement of Financial Position as a current R&D incentive receivable.

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

t. Operating expenses

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

u. Significant management judgments and estimates in applying accounting policies

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

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

Estimation uncertainty

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

Share options and performance rights

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

Research and development claim

In calculating the R&D incentive, the Group has treated certain research and development activities as eligible expenditure under the Australian Government tax incentive. Management has assessed these activities and expenditures undertaken in Australia and overseas to determine which are likely to be eligible under the incentive scheme. At each period end, management estimates the refundable R&D incentive available to the Group based on current information. This estimate is also reviewed by external tax advisors. For the years ended 30 June 2023 and 2022, the Group has recognised income of \$986k and \$525k 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 \$98,962 (FY22: \$98,962) that were provided at the time of the 2013 IPO. 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. The \$98k loan has been fully impaired in FY23.

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 in-puts used in determining the fair value of financial assets and liabilities measured at fair value are disclosed in note 33.

4. Controlled entities

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

Name of the subsidiary	Country of incorporation & principal place of business	Principal activity	Group proportion of ownership interests	
			30 June 2023	30 June 2022
Regeneus Animal Health Pty Ltd	Australia 16 Goodhope Street, Paddington NSW 2021	Non-trading	100%	100%
Cell Ideas Pty Ltd	Australia 16 Goodhope 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. This Agreement was terminated by Kyocera in April 2023.

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

	2023 \$	2022 \$
Revenue from contracts with customers		
Licence fee income	-	-
Total revenue	-	-
Other income		
Grant income	28,000	113,000
Expense reimbursement and others	30,457	-
Interest income	38	1
R&D incentive	986,194	525,005
Total other income	1,044,689	638,006

Regeneus entered a development partnership with the Department of Defence to develop Sygenus for combat casualty care in April 2021. Regeneus received \$28k (FY22 \$113,000) for milestone payments from the Department of Defence under the terms of the Collaboration Agreement in respect of this study. The collaboration was completed in FY23.

Regeneus entered a Licence and Collaboration Agreement in August 2020 with Kyocera Corporation. There was a \$28k reimbursement of expenses related to the provision of Technical Guidance. This Agreement was terminated by Kyocera in April 2023.

During the year, the Group continued reducing operational costs and sold all lab consumables to Biopoint Pty Ltd, a related company. The proceed received for such sale was \$22.5k.

7. Research & Development Expenses

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

	2023 \$	2022 \$
Research & Development Expenses		
Clinical Trial Costs	40,003	232,908
Depreciation	1,140	16,310
Good Manufacturing Process (GMP)	16,284	649,163
Regulatory consultants	-	75,697
Occupancy expense	108,167	144,672
Staff costs	307,821	742,379
Total Research & Development expenses	473,415	1,861,129

8. Corporate Expenses

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

	2023 \$	2022 \$
Corporate expenses		
Business development costs	115,365	197,240
Compliance	451,547	650,969
Corporate employees	915,999	1,563,575
Directors	159,335	184,953
Depreciation	5,279	8,650
Intellectual Property	118,803	175,641
Other & withholding tax	9,363	7,961
Total Corporate expenses	1,775,691	2,788,989

9. Finance Expenses

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

	2023 \$	2022 \$
Finance expenses		
Interest expense	255,748	41,407
Bank charges	1,305	1,249
Transaction costs	93,149	30,000
Total finance expenses	350,202	72,656

10. Cash and cash equivalents

Cash and cash equivalents include the following components:

	2023 \$	2022 \$
Current		
Cash at bank (AUD account)	302,638	94,977
Cash at bank (USD account)	154	145
Total cash and cash equivalents	302,792	95,122

11. Trade and other receivables

Trade and other receivables include the following:

	2023 \$	2022 \$
Current		
Trade receivables	-	110,797
Total trade and other receivables	-	110,797

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

12. R&D incentive receivable

	2023 \$	2022 \$
Current		
R&D incentive receivable	382,913	447,023
Total R&D incentive receivable	382,913	447,023

13. Other current assets

	2023 \$	2022 \$
Current		
Prepayments	19,726	39,580
GST receivable	7,535	1,278
Other receivable	-	24,378
Other current assets	810	-
Other current assets	28,071	65,236

14. Other Financial Assets

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

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

	2022 \$	Movement \$	2023 \$
Current			
Shareholders loan	98,962	-	98,962
Impairment on Shareholder loan	-	(69,273)	(69,273)
Expected credit loss allowance	(29,689)	-	(29,689)
Balance as at 30 June – at amortised cost	69,273	(69,273)	-
Total current other financial assets	69,273	(69,273)	-
Non-current			
Investment in Sangui Bio Pty Ltd Investment	1,750,000	(1,750,000)	-
Balance as at 30 June – at fair value	1,750,000	(1,750,000)	-
Total non-current other financial assets	1,750,000	(1,750,000)	-

The Company has reclassified its investment in Sangui Bio as an asset held for sale. See below note 14.2

14.1 Balances owing by director

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

	2023 \$	2022 \$
Graham Vesey	98,962	98,962
Expected credit loss	(29,689)	(29,689)
Impairment on Shareholder loan	(69,273)	-
Total balance owing by directors	-	69,273

14.2 Asset held for sale

In July 2016, the Company assigned a non-core patent application relating to the use of cytokines as biomarkers in red blood cells in exchange for an interest in a new venture, Sangui Bio Pty Ltd, comprising 700,000 ordinary shares in Sangui Bio. Since this date Sangui Bio has continued to undertake further research to develop the IP and other facets of the business.

In February 2023, Regeneus reached an agreement to settle the AU\$2 million outstanding loan and interest payable to Paddington St Finance under the PSF Facility, in exchange for the payment of AU\$400,000 in cash and the transfer from Regeneus to Paddington St Finance of 700,000 shares in Sangui Bio. The cash payment of A\$400,000 was made on 1st March 2023. The transfer of the 700,000 Sangui Bio shares is subject to shareholder approval.

In March 2023, Sangui Bio commenced a capital raise, which is still on-going. The Company has retained the value of its Sangui Bio holding at \$2.50 per share, being the price at which Sangui Bio last raised capital in June 2021. The Company has reclassified its investment in Sangui Bio as an asset held for sale, based on the agreement reached with Paddington St Finance. Please refer to note 20.2.

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

15. Plant and equipment

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

	Office equipment \$	Lab equipment \$	Total \$
Gross carrying amount			
Balance 1 July 2022	35,487	352,629	388,116
Additions	-	-	-
Disposals	-	(352,629)	(352,629)
Balance 30 June 2023	35,487	-	35,487
Depreciation and impairment			
Balance 1 July 2022	(32,187)	(346,199)	(378,386)
Disposals	-	347,339	347,339
Depreciation	(2,592)	(1,140)	(3,732)
Balance 30 June 2023	(34,779)	-	(34,779)
Carrying amount 30 June 2023	708	-	708
Gross carrying amount			
Balance 1 July 2021	35,487	344,163	379,650
Additions	-	8,466	8,466
Disposals	-	-	-
Balance 30 June 2022	35,487	352,629	388,116
Depreciation and impairment			
Balance 1 July 2021	(28,912)	(329,889)	(358,801)
Disposals	-	-	-
Depreciation	(3,275)	(16,310)	(19,585)
Balance 30 June 2022	(32,187)	(346,199)	(378,386)
Carrying amount 30 June 2022	3,660	6,430	9,730

16. Right of use assets under lease

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

	2023 \$	2022 \$
Gross carrying amount	23,742	23,742
Asset written off	(23,742)	-
Right of use asset balance	-	23,742
Amortisation and impairment	(5,375)	(5,375)
Reverse amortisation	5,375	-
Accumulated amortisation and impairment	-	(16,125)
Carrying amount 30 June 2023	-	7,617

The lease was terminated in June 2023

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 2022	82,561	82,561
Balance at 30 June 2023	82,561	82,561
Amortisation and impairment		
Balance at 1 July 2022	(82,561)	(82,561)
Amortisation	-	-
Balance at 30 June 2023	(82,561)	(82,561)
Carrying amount 30 June 2023	-	-
Gross carrying amount		
Balance at 1 July 2021	82,561	82,561
Balance at 30 June 2022	82,561	82,561
Amortisation and impairment		
Balance at 1 July 2021	(82,561)	(82,561)
Amortisation	-	-
Balance at 30 June 2022	(82,561)	(82,561)
Carrying amount 30 June 2022	-	-

18. Trade and other payables

Trade and other payables consists of the following:

	2023 \$	2022 \$
Current		
Trade payables	255,743	157,792
Other payables	-	1,000
Accruals	85,146	125,392
PAYG Payable	-	9,841
Superannuation Payable	1,563	9,898
ANZ Credit Card	4,586	6,019
Total trade and other payables	347,038	309,942

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:

	2023 \$	2022 \$
US dollar	13,309	15,675

19. Provisions

	2023 \$	2022 \$
Current: Annual leave		
Opening balance 1 July	63,538	78,294
Benefits (expensed)/accrued	(16,502)	(14,756)
Balance as at 30 June	47,036	63,538
Current: Long service leave		
Opening balance 1 July	97,242	105,085
Benefits accrued	-	7,696
Benefits reversed	(3,242)	(19,625)
Benefits paid	(59,782)	(11,608)
Benefits transferred from non-current	-	15,694
Balance as at 30 June	34,218	97,242
Total current provisions	81,254	160,780
Non-current: Long service leave		
Opening balance 1 July	917	16,738
Benefits (reversed)/accrued	(917)	535
Benefits paid	-	(662)
Benefits transferred to current	-	(15,694)
Balance as at 30 June	-	917
Total non-current provisions	-	917

20. Borrowings

	2023 \$	2022 \$
Current borrowings		
R&D Loan	347,015	-
Total current borrowings	347,015	-

The Company obtained prefinancing of \$347k from Radium Capital representing 80% of the Research & Development Tax Incentive Rebate for the first 9 months of FY2023. At the time of entry into the financing arrangement with Radium Capital, the Company was expecting a total FY2023 Research & Development Tax Incentive rebate of \$487k. This amount was received by the Company in September 2023 and the loan from Radium Capital has been repaid.

20.1 Borrowings reconciliation

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

	2023 \$	2022 \$
Borrowings at beginning of year	1,000,000	-
Movements in the period		
Loan facility drawdown	1,000,000	1,000,000
R&D Loan drawdown	347,015	-
Repayment of loan	(400,000)	-
Reclassified as Liabilities directly associated with assets classified as held for sale	(1,600,000)	-
Borrowings at end of year	347,015	1,000,000

20.2 Liabilities directly associated with assets classified as held for sale

On 25 February 2022, the Group signed a loan facility agreement with Paddington St Finance Pty Ltd. The maximum loan value of the facility is the lesser of (i) AU\$4 million; and (ii) US\$3 million. The Company drew a total of \$2m under the PSF Facility. Interest under the PSF Facility was charged at 12% per annum and is payable at the end of each calendar quarter.

As a result of the Company's failure to pay its interest instalment for the calendar quarter ending 31 March 2023, on and from 1 April 2023, default interest is being charged at 24% per annum. Interest charged during the 2023 Financial Year is listed in Note 28.

Subsequent to the termination of the agreement with Kyocera, Regeneus reached an agreement to settle the AU\$2 million outstanding loan and interest and fees payable to Paddington St Finance under the PSF Facility, in exchange for the payment of AU\$400,000 in cash and the transfer from Regeneus to Paddington St Finance of 700,000 shares in Sangui Bio. The cash payment of A\$400,000 was made on 1st March 2023. The transfer of the 700,000 Sangui Bio shares is subject to shareholder approval.

	2023 \$	2022 \$
Loan facility	1,600,000	1,000,000
Unpaid interest	154,135	-
Unpaid fee	60,000	-
Total current borrowings	1,814,135	-

21. Lease liabilities

	2023 \$	2022 \$
Current		
Lease liability	13,843	13,843
Lease payments in period	(6,444)	(6,444)
Interest expense (included in finance expenses)	969	969
Reversal on lease termination	(8,368)	-
Total lease liabilities	-	8,368
Comprising:		
Current lease liability	5,858	5,858
Non-current lease liability	2,510	2,510
Reversal on lease termination	(8,368)	-
Total lease liabilities	-	8,368

The lease was terminated in June 2023

22. Equity

22.1 Share capital

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

	2023 shares	2022 shares	2023 \$	2022 \$
Shares issued and fully paid				
Beginning of the year	306,436,914	303,538,363	38,618,762	38,258,870
Shares issued	-	2,898,551	-	359,892
Closing balance at the end of the year	306,436,914	306,436,914	38,618,762	38,618,762

During 2023, the no shares were issued, no options were exercised.

	2023
Beginning balance at the start of the year	306,436,914
Movement during the year	-
Closing balance at the end of the year	306,436,914

22.2 Reserves

The details of reserves are as follows:

	Share option reserve \$	Total reserves \$
Balance at 30 June 2021	535,384	535,384
Share options expense	913,865	913,865
Options exercised	-	-
Employee share-based payment option forfeited	(34,701)	(34,701)
Transfer from reserves to retained earnings for options lapsed	(7,209)	(7,209)
Balance at 30 June 2022	1,407,339	1,407,339
Share options expense	506,348	506,348
Options exercised	-	-
Employee share-based payment option forfeited	(19,214)	(19,214)
Transfer from reserves to retained earnings for options lapsed	(51,187)	(51,187)
Balance at 30 June 2023	1,843,286	1,843,286

22.3 Unissued shares under option

The details of reserves are as follows:

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

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

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

23. Employee remuneration

23.1 Share-based employee remuneration

As at 30 June 2023 the Group maintained share-based option plans as part of employee remuneration. No Options were awarded during the year (FY22: nil) and 1.91M options were forfeited during the year (FY22: 885k)

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 2021	29,159,270	0.10	1,250,000	0.20	30,409,270	0.11
Granted	-	-	-	-	-	-
Forfeited	(885,127)	0.11	-	-	(885,127)	0.11
Exercised	-	-	-	-	-	-
Outstanding at 30 June 2022	28,274,143	0.10	1,250,000	0.20	29,524,143	0.11
Granted	-	-	-	-	-	-
Forfeited	(1,911,310)	0.10	-	-	(1,911,310)	0.10
Exercised	-	-	-	-	-	-
Outstanding at 30 June 2023	26,362,833	0.10	1,250,000	0.20	27,612,833	0.11
Exercisable at 30 June 2023	11,019,666	0.10	1,250,000	0.20	12,269,666	0.11
Exercisable at 30 June 2024	26,362,833	0.10	1,250,000	0.20	27,612,833	0.11

Other details of options currently outstanding:

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

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

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

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

24. Income tax expense

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

	2023 \$	2022 \$
The prima facie tax on (loss) / profit before income tax is reconciled to the income tax as follows		
Prima facie tax receivable on profit / (loss) before income tax at 25%	(421,721)	(1,077,432)
Less:		
Tax effect of:		
- Research and development incentive	(246,548)	(131,251)
- Timing differences	(158,667)	(160,091)
Add:		
Tax effect of:		
- Non-deductible expenses	139,486	253,258
- Timing differences	136,611	146,922
- Tax losses not brought to account	550,839	968,595
- Recoupment of prior year tax losses not brought to account	-	-
Income tax benefit	-	-
The applicable weighted average effective tax rates are as follows:	0%	0%
	2023 \$	2022 \$
Deferred tax assets not recognised		
Tax losses not recognised	14,256,644	12,053,288
Capital losses not recognised	840,895	840,895
Other deferred tax assets not recognised	369,554	457,137
Total	15,467,093	13,351,320
Potential tax benefit	3,866,773	3,337,830

25. Auditor's remuneration

	2023 \$	2022 \$
Audit and review of financial statements		
Auditors of Regeneus Ltd – Stantons	50,000	-
Auditors of Regeneus Ltd – Grant Thornton	-	88,000
Remuneration for audit and review of financial statements	50,000	88,000
Total auditor's remuneration	50,000	88,000

26. Earnings per share

Both the basic and diluted earnings per share have been calculated using the gain or loss attributable to shareholders of the Parent Company as the numerator (i.e. no adjustments to the loss were necessary in FY23).

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:

	2023 cent	2022 cent
Earnings per share		
Basic earnings per share from continuing operations	(0.55)	(1.41)
The weighted average number of ordinary shares used as the denominator on calculating the EPS	306,436,914	305,603,084
Diluted earnings per share		
Diluted earnings per share from continuing operations	(0.55)	(1.41)
The weighted average number of ordinary shares used as the denominator on calculating the DEPS	306,436,914	305,603,084

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

27. Reconciliation of cash flows from operating activities

	2023 \$	2022 \$
Cash flows from operating activities		
Profit / (Loss) for the period	(1,686,883)	(4,309,730)
Adjustments for non operating :		
Non cash adjustments for:		
• Depreciation	6,419	24,960
• Profit (Loss) on disposal of plant and equipment	(22,685)	(7,725)
• Finance costs	30,749	30,000
• Fair value increase on institutional placement	-	79,789
• Merger Cost	76,107	-
• Option Expense	487,134	879,164
• Shareholders loan repayment (non cash)	-	151,155
• Loss on shareholder loans	-	131,556
• Impairment on Shareholders loan	69,273	-
• Realised foreign exchange (gain) / loss	430	21,342
• ROU Adjustment	3,732	-
Net changes in working capital:		
• Change in trade and other receivables	110,798	(102,300)
• Change in right of use assets	37,976	(5,475)
• Change in other current assets	64,110	46,916
• Change in trade and other payables	(8,368)	(705,274)
• Change in other employee obligations	269,364	(91,635)
• Change in R&D incentive receivable	(18,176)	304,405
• Change in provisions	(80,443)	(38,420)
Net cash (outflow) / inflow from operating activities	(660,464)	(3,591,272)

28. Related party transactions and loans

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

Subsequent to the termination of the agreement with Kyocera, Regeneus reached an agreement to settle the AU\$2 million outstanding loan and interest and fees payable to Paddington St Finance under the PSF Facility, in exchange for the payment of AU\$400,000 in cash and the transfer from Regeneus to Paddington St Finance of 700,000 shares in Sangui Bio. The cash payment of A\$400,000 was made on 1st March 2023. The transfer of the 700,000 Sangui Bio shares is subject to shareholder approval. For details relating to this loan please refer to note 20.2

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

Related party loan receivable	2023 \$	2022 \$
Graham Vesey	98,962	98,962
Expected credit loss	(29,689)	(29,689)
Impairment on Shareholder loan	(69,273)	-
Total related party loans	-	69,273

In FY2021, the Company signed a licence agreement with BioPoint Pty Ltd a company of which Graham Vesey is a director and significant shareholder. This licence agreement was agreed upon in September 2020 and is valued at \$3,000 per month. A new lease was signed on 1 April 2022 and the rent was reduced to \$1,500 per month. The agreement was terminated in February 2023.

During the year, the Group continued reducing operational costs and sold all lab consumables and equipment to Biopoint Pty Ltd, a related company. The proceed received for such sale was \$22.5k.

29. Transactions with key management personnel

Key management personnel remuneration includes the following expenses:

	2023 \$	2022 \$
Salaries & Fees	428,182	548,031
Short term incentive	-	276,155
Total short-term employee benefits	428,182	824,186
Defined contribution pension plans	4,009	12,136
Other long-term benefits	(2,911)	(12,632)
Share-based payments	502,322	698,023
Total remuneration	931,602	1,521,713

During the year, no options were exercised.

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

30. Contingent liabilities

Prior to the commencement of the current financial year the Group received a claim for reimbursement of additional expenditure from a group that undertook an animal trial for the Group in 2015 through to 2018. Management believe it is an ambit claim with little merit and will pursue avenues to minimise this claim and may potentially seek reimbursement of the costs of the failed trial paid to date. It is anticipated the net claim including costs would not exceed \$50,000. (FY22:\$50,000).

Other than the claim noted above, the Group has no other contingent liabilities as at 30 June 2023.

31. Capital expenditure commitments

There were no capital commitments as at the 30 June 2023 (FY22: nil).

32. Financial instruments

a. Capital risk management

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

b. Categories of financial instruments

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

Financial assets	2023 \$	2022 \$
Cash and cash equivalents	302,792	95,122
Asset held for sale	1,750,000	-
Trade and other receivables	-	110,797
Total financial assets at amortised cost	302,792	205,919
Sangui Bio Pty Ltd Investment	-	1,750,000
Total financial assets at fair value through profit or loss	-	1,750,000
Financial liabilities at amortised cost	2023 \$	2022 \$
Trade and other payables	501,173	309,942
Loan facility	1,947,015	1,000,000
Total financial liabilities at amortised cost	2,448,188	1,309,942

c. Financial risk management objective

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

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

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

d. Foreign exchange risk

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

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

The Group is exposed to foreign exchange risk arising primarily from transactions with foreign suppliers and revenue from licence arrangements. Material exposure to currency risk arises from foreign currency transactions and is limited to trade. The total AUD balance of trade payables denominated in a foreign currency (USD) at 30 June 2023 is \$13,309 (FY22: \$15,675).

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 2023 (FY22: 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	2023 \$	2022 \$
If AUD had strengthened against USD & JPY by 10% (2022: 10%)	(1,331)	(1,568)
If AUD had weakened against USD & JPY by 10% (2022: 10%)	(1,331)	1,568

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

e. Liquidity risk analysis

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

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

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

As at 30 June 2023 the Group's derivative and non-derivative financial liabilities have contractual maturities as summarised below:

	2023 Current within 6 months \$	2023 Current within 6 to 12months \$	2023 Non- current 1 to 5 years \$	2022 Current within 6 months \$	2022 Current within 6 to 12months \$	2022 Non- current 1 to 5 years \$
Trade and other payables	347,037	-	-	273,817	36,125	-
Loan	1,947,015	-	-	-	1,000,000	-
Total non-derivative financial liabilities	2,294,052	-	-	273,817	1,036,125	-
Institutional placement	-	-	-	-	-	-
Total derivative financial liabilities	-	-	-	-	-	-

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 2023 as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking factors affecting the customer's ability to settle the amount outstanding. The Group has identified liquidity in the Company's shares to be the most relevant factor and adjusts loss rates for expected changes in these factors.

Loans to shareholders are written off (i.e. derecognised) when there is significant change in the share price of the Company and a likely change in the expectation of recovery. The Company share price at 30 June 2023, 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 2023 was determined as follows:

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

g. Capital management policies and procedures

The Group's capital management objectives are:

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

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

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

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

33. Fair value measurement

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

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

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

Level 3: Unobservable inputs for the asset or liability

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

	2023 Level 1 \$	2023 Level 2 \$	2023 Level 3 \$	2023 Total \$	2022 Total \$
Financial Assets					
Sangui Bio Pty Ltd Investment	-	-	1,750,000	-	1,750,000
Financial Liabilities					
Derivative Financial Instrument - Institutional placement	-	-	-	-	-

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.

	2023 \$	2022 \$
Opening Balance	1,750,000	1,750,000
Net change in fair value included in profit or loss	-	-
Closing Balance	1,750,000	1,750,000

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

	Valuation technique	Significant unobservable input	Interrelation between inputs and measurement
Financial Assets			
Sangui Bio Pty Ltd Investment	The fair value of the shares is based on the latest capital raise. (2022: Share price occurring in dilutive capital raise event in FY21)	Price per share	The estimated fair value would increase (decrease) if the price per share would increase (decrease)
	Price Per Share	Amount of shares	Total Valuation
Sangui Bio Pty Ltd Investment	\$2.50	700,000	1,750,000

34. Parent entity information

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

	2023 \$	2022 \$
Statement of financial position		
Current assets	2,463,776	787,451
Total assets	2,464,494	2,554,808
Current liabilities	2,589,442	1,476,580
Total liabilities	2,589,452	1,480,017
Net assets	(124,958)	1,074,791
Issued capital	38,618,762	38,618,762
Other contributed equity	-	-
Retained earnings	(40,587,006)	(38,951,310)
Option reserve	1,843,287	1,407,339
Total equity	(124,958)	1,074,791
Statement of profit or loss and other comprehensive income		
Loss for the year	(1,686,883)	(4,309,730)
Other comprehensive income	-	-
Total comprehensive profit or (loss)	(1,686,883)	(4,309,730)

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

35. Subsequent events

In the period from 30 June 2023 through to the signing of the financial report the following important events have occurred:

The Company has received a total FY2023 Research & Development Tax Incentive rebate of \$487k and has repaid the loan \$347k from Radium Capital in September 2023.

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 2023 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 2023.
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 29 September 2023

Independent Auditor's Report



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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF REGENEUS LIMITED

Report on the Audit of the Financial Report

Qualified Opinion

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

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

- (i) giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Qualified Opinion

The Group assigned a non-core patent application for an equity interest in Sangui Bio Pty Ltd. The investment's fair value at 30 June 2021 was estimated at \$1.75 million based on a recent capital raise. This investment was included as a non-current financial asset. As this investment is in a private company, Management were unable to estimate the fair value of the investment at 30 June 2022. As a result, the previous auditors were unable to obtain sufficient and appropriate audit evidence to state that the investment had been stated at fair value as at 30 June 2022, which constituted a departure from the Australian Accounting Standards. As at the 30 June 2023 Management were able to obtain an fair value valuation of the investment based on an recent capital raise.

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 Company 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 (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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this report.

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



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Material Uncertainty Related to Going Concern

Without modifying our audit opinion expressed above, attention is drawn to the following matter:

We draw attention to Note 3 (c) in the half year financial report, which indicates that the Group incurred a net loss of \$1,686,883 during the year ended 30 June 2023 and the condensed consolidated statement of cash flows reflects net operating cash outflows of \$660,464. Further, the consolidated statement of financial position reflects a working capital deficiency of \$125,666 and a net asset deficiency of \$124,958.

The ability of the Group to continue as a going concern and meet its planned operating, administration and other commitments is dependent upon the Group meeting the key assumptions in its cashflow budgets as discussed in note 3 (c) and/or raising further working capital, completing the sale of its non-core assets, completing its planned merger and completing the settlement of its loan financing. In the event that the Group is not successful in meeting the assumptions in the cashflow budgets and/or raising further working capital, completing the sale of its non-core assets, completing the planned merger, the settlement of its loan financing, the Group may not be able to meet its liabilities as and when they fall due and the realisable value of the Group's current and non-current assets may be significantly less than book values.

Key Audit Matters

In addition to the matter described in the Material Uncertainty Related to Going Concern section and the qualified opinion, we have determined there are no other key audit matters.

Other Information

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 2023 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 accordingly we do not express any form of assurance opinion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group 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 has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance

with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report*Opinion on the Remuneration Report*

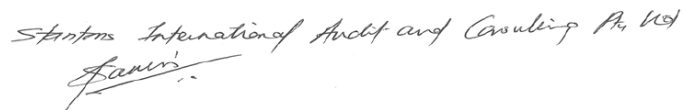
We have audited the Remuneration Report included in pages 11 to 14 of the directors' report for the year ended 30 June 2023.

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

Responsibilities

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

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(An Authorised Audit Company)



Samir Tirodkar
Director
West Perth, Western Australia
29 September 2023

Shareholder Information

Additional information required by the Australian Securities Exchange and not shown elsewhere in this report is as follow. The information is effective 11th September 2023

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	73
1,001 to 5,000	201
5,001 to 10,000	256
10,001 to 100,000	639
100,001 and over	301
Total	1,470

Substantial Holders

Substantial holders in the Company are as follows

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

Voting rights

Ordinary Shares

All ordinary shares carry one vote per share without restriction

Options

No voting rights

Buy back of shares

There is no buy back of shares on offer

Unissued equity securities

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

Equity Security Holders

Twenty largest quoted equity security holders

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

	Number Held	Ordinary Shares % of total shares issued
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	32,103,469	14.26%
BNP PARIBAS NOMINEES PTY LTD	27,065,582	7.95%
CITICORP NOMINEES PTY LIMITED	21,655,145	7.06%
MRS JULIA CAROLINE HUGHES	13,648,692	4.47%
FROM GROUP CO LTD	9,144,043	2.98%
SUNREEF PTY LTD	8,907,834	2.25%
SUPER DINO PTY LTD	8,805,740	1.72%
DR PAUL FRANCIS MORTON	5,345,031	1.70%
MR THOMAS GEORG MECHTERSHEIMER	5,255,519	1.59%
MR SIMON CLARKSON	5,216,726	1.31%
BNP PARIBAS NOMS PTY LTD	4,806,797	0.99%
MLB HOLDINGS PTY LTD	4,000,000	0.84%
BUBBLING WELLS PTY LTD	2,500,000	0.82%
MCGUIRE FAMILY HOLDINGS PTY LTD	2,350,000	0.77%
LIDDLE INVESTMENTS GROUP PTY LTD	2,202,859	0.72%
DR MARC RONALD WILKINS	2,020,676	0.66%
KBROSS PTY LTD	2,000,000	0.65%
THE QUIST GROUP PTY LTD	1,760,608	0.57%
JEFFREY CHUN KIM KHOO	1,750,000	0.57%
MARK TIMNEY	1,750,000	0.57%
TOWNS CORPORATION PTY LTD	1,675,000	0.54%
Total (Top 20 Shareholders)*	163,963,721	53.51%
Balance of Register	142,473,193	46.49%
Total	306,436,914	100.00%

*Total (Top 20 Shareholders) includes 3,836,366 shares owned by Karolis Rosickas (CEO)

Securities exchange

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

Electronic communications

Regeneus encourages shareholders to receive information electronically.

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

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

Cash usage

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

Registered Office and Principal Place of Business

16 Goodhope Street
Paddington, NSW 2021

Board of Directors

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

Chief Executive Officer

Karolis Rosickas

Company Secretary

Hang Ling (Helen) Leung

Website

regeneus.com.au

Lawyers

Dentons Australia Pty Ltd
77 Castlereagh Street
Sydney NSW 2000

Auditors

Stantons International Audit and Consulting Pty Ltd
Level 2, 40 Kings Park Road,
West Perth, WA 6005, Australia

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

