



Regeneus Ltd  
ABN 13 127 035 358

ASX Half Year Report for 6 months to 31<sup>st</sup> December 2014

Provided to the ASX under Rule 4.2.A.3

This report is to be read in conjunction with the Annual Report for the year ended 30<sup>th</sup> June 2014 and any public announcements made during the reporting period, in accordance with the continuous disclosure requirements of the Corporations Act 2001.

## **Contents**

Results for announcement to the market

Half Year report

# Appendix 4D

Half Year Report for the 6 months to 31<sup>st</sup> December 2014

Regeneus Ltd – ABN 13 127 035 358

## 1 – Reporting period

Report for the half year ended 31<sup>st</sup> December 2014

Corresponding period is for the half year ended 31<sup>st</sup> December 2013

## 2 – Results for announcement to the market

	Up/down	%change		\$000,s
2.1 – Revenues from ordinary activities	up	46%	to	1,141
2.2 – Loss from ordinary activities after tax distribution to members	down	10%	to	(5,749)
2.3 – Loss from ordinary activities attributable to the members	down	10%	to	(5,749)
2.4 – it is not proposed to pay any dividend				
2.6 – Revenue increased due to a new licence fee and increased treatment numbers Expenses decreased slightly due to ongoing cost containment, particularly in SGA offset by increased cost of sales				
Full details are in the attached accounts.				

## 3 – Net Tangible assets per security

The net tangible assets per security

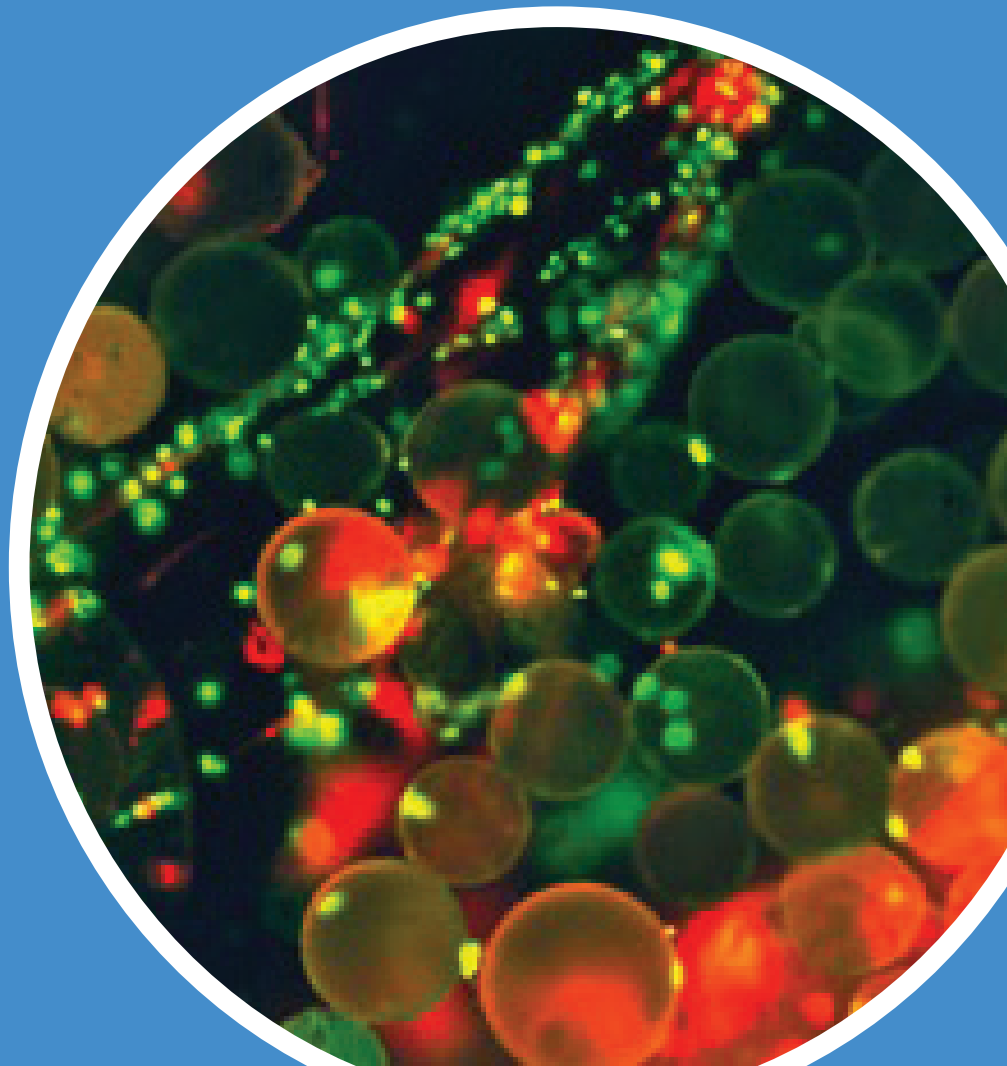
31 <sup>st</sup> December 2014	- 4.3 cents
31 <sup>st</sup> December 2013	- 4.8 cents

## 9 – Independent review of the financial information

The independent audit review is attached to the half year financial statements.

# Interim Financial Statements

## 31st December 2014



# Corporate Directory

## REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

25 Bridge Street,  
Pymble NSW 2073

## POSTAL ADDRESS

PO Box 20,  
Gordon NSW 2072

## BOARD OF DIRECTORS

Dr Roger Aston (Non-Executive Chairman)  
John Martin (Chief Executive Officer)  
Prof. Graham Vesey (Chief Scientific Officer / Executive Director)  
Barry Sechos (Non-Executive Director)

## COMPANY SECRETARY

Sandra McIntosh

## WEBSITE

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

## STATE OF INCORPORATION

New South Wales

## LAWYERS

DibbsBarker  
Level 8, 123 Pitt Street  
Sydney NSW 2000

## AUDITORS

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

## PATENT ATTORNEYS

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

## SHARE REGISTRY

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

## STOCK EXCHANGE LISTING

Australian Stock Exchange  
ASX Code: RGS

# Contents

1.	Directors' Report . . . . .	4
2.	Auditor's Independence Declaration . . . . .	7
3.	Consolidated statement of profit or loss and other comprehensive income . . .	8
4.	Consolidated statement of financial position . . . . .	9
5.	Consolidated statement of changes in equity . . . . .	10
6.	Consolidated statement of cash flows . . . . .	11
7.	Notes to the condensed interim consolidated financial statements . . . . .	12
8.	Directors' Declaration . . . . .	18
9.	Independent Auditor's Review Report . . . . .	19

# 1. Directors' Report

Your Directors present their half-year report for Regeneus Ltd (Regeneus or the Company) and its controlled entities (the Group) for the half-year ended 31 December 2014. In order to comply with the provisions of the Corporations Act 2001, the Directors report the following information.

## DIRECTORS

The following persons were directors of Regeneus during the whole of the half-year and up to the date of this report, unless otherwise stated.

Name	Position
Dr Roger Aston	Non-executive Chairman, Chair of the Remuneration and Nominations Committee
John Martin	CEO and Executive Director
Professor Graham Vesey	CSO and Executive Director
Barry Sechos	Non-executive Director, Chair of the Audit and Risk Committee
Dr Ben Herbert	Non-executive Director (resigned 10 November 2014)

On 10 November 2014, the following Board changes were announced to the market. Dr Roger Aston became Non-executive Chairman replacing John Martin who took on the role of CEO. Professor Graham Vesey, the founding CEO and major shareholder, stepped down as CEO and became the Chief Scientific Officer. Professor Vesey remains on the Board. Dr Ben Herbert, a founding director, stepped down from the Board.

The Board is exploring the addition of a new non-executive director.

## REVIEW OF OPERATIONS

### Capital Raising

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

### Strategy

Regeneus is committed to developing and commercialising a diversified portfolio of innovative cell-based therapies to treat the unmet medical needs associated with musculoskeletal disease and oncology conditions for both humans and animals. The Company remains focused on unlocking value in its product pipeline by partnering its clinical-stage veterinary products and commencing its first-in-man trials for its human products. The Company's products are derived from its proprietary adipose stem-cell and immunotherapy technologies.

### Animal Health

#### [CryoShot - allogeneic cell therapy for canine and equine osteoarthritis](#)

The field trials for canine CryoShot have importantly allowed the technical finalisation of the product. Regeneus is now focused on generating placebo-controlled trial data for canine CryoShot while the equine field trial remains ongoing. Regeneus continues to explore commercial partnering opportunities for CryoShot.

#### [Kvax – autologous canine cancer vaccine](#)

During the half-year, Regeneus launched Kvax into the Australian veterinary market, following the safe treatment of a large number of dogs and demand from vets and veterinary oncologists. A marketing trial for the treatment of bone cancer has commenced in the United States with VCA, a leading provider of pet health care services in the US. We are also planning further marketing trials of Kvax for other major canine cancers. As we have regulatory clearance from The Center for Veterinary Biologics at the US Department of Agriculture to proceed with commercialisation of Kvax, we are seeking an appropriate commercialisation partner. Additionally, Regeneus is reviewing regulatory pathways for the launch of Kvax in the UK.

### Human Health

#### [Progenza - off-the-shelf cell therapy for human osteoarthritis](#)

During the half-year, the Company reported receiving ethics approval for collecting stem cells from human donors for a first-in-man safety trial for our allogeneic off-the-shelf cell therapy product. Regeneus has been encouraged by Japan

# 1. Directors' Report

passing new regenerative medicine laws, which reform the pharmaceutical and medical regulations and provide a rapid approval process specifically designed for regenerative medicine products, such as Progenza. Regeneus is on schedule to commence a safety trial in the second calendar quarter of 2015. Regeneus is seeking to identify Japanese partners for the phase II trial and product manufacture in Japan.

## Personalised human cancer vaccine

Regeneus has the exclusive worldwide rights for a new therapeutic human cancer vaccine and is on schedule to commence a first-in-man safety trial in the second calendar quarter of 2015. The production of the cancer vaccine for an individual patient requires a patient tumor sample obtained either by complete surgical removal or a small biopsy. This approach is a personalised therapeutic cancer immunotherapy. The market for therapeutic vaccines is projected to grow at 55% annually to \$13billion in revenues by 2018\*.

*\*Oliver Wyman's MedTRACK analysis, 2012*

## Cell secretions cream

Following the pre-clinical safety study, that showed the cream to be safe and well tolerated, Regeneus is pursuing various commercialisation pathways including identifying a partner for this product. The recent patent granted for therapeutics for skin conditions, provides protection for the Company's stem cell secretions technology for the topical treatment of acne.

## HiQCell - autologous cell therapy for human osteoarthritis

To date, over 600 patients have been treated by licensed medical specialists with HiQCell. The initiative availing patients of the opportunity to cryogenically store cells is now used by more than 80% of the patients, storing their cells for additional future treatments. These cells are stored with Cryosite (ASX: CTE), the second largest biological storage business in Australia. Almost 400 patients continue to be monitored through the HiQCell Joint Registry with promising data showing patients received a significant reduction in pain, increased joint function, improvement in sleep and a significant reduction in pain medication requirements.

## FINANCIAL RESULTS

### Operating Results

The net loss before tax for the half-year period, from continuing operations was \$5.75m (31 December 2013: \$6.36m). The current results include redundancy costs in excess of \$0.5m.

### Revenue From Continuing Operations

Revenue during the current period was \$1,141k an increase of \$358k over the same period in 2013 of \$783k.

Licence fee income of \$548k, an increase of \$196k, resulting from the commencement of the R&D licence agreement with Cryosite. Human Health revenue was \$528k, an increase of \$211k, in part due to the increase in cryopreservation as well as increased patient treatments.

Animal Health revenue generated from the canine CryoShot field trial has declined in the period and this is a reflection of the focus on generating placebo-controlled trial data.

### Cost of Sales

The cost of sales for the period was \$550k, an increase of \$262k. The increase was entirely driven by the sales in HiQCell where sales are now contributing minimal margin. Direct staff have been reduced and this will enhance the margin. Additionally, costs associated with cryopreservation have been a key contributor to the increased costs and this is being addressed in price changes.

### Expenses From Continuing Operations

#### Research

Research expenditure is within \$5k of the prior year. The research and development expenditure is a function of the activities being undertaken to achieve the product development milestones. The current period included increased costs associated with the Cryosite research agreement offset through lower salaries and other cost containment measures.

The current accounting policy, and to comply with the accounting standards, is that all costs incurred for research are fully expensed. This is being continually reviewed as some products move towards commercialisation.

#### Selling

Selling expenses have increased by \$190k to \$1,253k which is predominantly due to the redundancy costs associated with staff changes in November.

#### Corporate

Corporate expenses have decreased significantly to \$1.5m from \$2.2m in the prior year. Significantly the current year corporate expense included \$76k of option expense (2013 \$604k). Additionally 2013 included \$208k of IPO related expenses.

# 1. Directors' Report

## Occupancy

Occupancy expenditure increased \$118k to \$449k. This increase is reflective of the move to the new corporate leased premises.

## Finance

Finance costs were lower in the current period as there were no longer any interest bearing convertible notes.

## Income Tax

There has been no accrual included in these results for the R and D tax incentive for the year to 30th June 2015. Currently, the financial year estimate for the R and D tax incentive is \$2.3m compared to \$3.7m, FY14.

## Cash Flows

The net inflows for the period were \$4.2m (2013; \$6.2m).

	31-Dec-14 \$	31-Dec-13 \$	Movement
Cash flows from operating activities	(1,956,621)	(3,849,173)	1,892,552
Cash flows from investing activities	19,777	4,693	15,084
Cash flows from financing activities	6,167,899	10,077,433	(3,909,534)
<b>Net cash flows</b>	<b>4,231,055</b>	<b>6,232,953</b>	<b>(2,001,898)</b>

**Operating Activities** – cash used in operating activities was significantly less than the prior period due to the increased revenue and the significantly increased R and D tax incentive of \$3.7m (2013 \$2.3m).

**Investing Activities** – capital expenditure of \$149k was due to additional lab equipment requirements and the development of the Singapore facility. This expenditure was offset by the return of a security deposit.

**Financing Activities** – the amount of \$6.2m is the result of proceeds from the capital raising in the period, net of the costs.

## Significant changes in state of affairs

There were no significant changes in the Group's state of affairs during the first financial half-year FY15.

## Events subsequent to the end of the reporting date

In January 2015, the Department of Health - Therapeutic Goods Administration (TGA) issued a discussion paper, "Regulation of autologous stem cell therapies - Discussion paper for consultation". HiQCell currently operates in accord with the Therapeutic Goods (Excluded Goods) Order. The TGA is seeking input on options for changes to regulations. Regeneus will be responding to the discussion paper and is aware that practitioners using HiQCell will be responding separately. HiQCell remains only a small part of Regeneus' business and it will continue to operate within a highly regulated environment.

No other significant events have occurred since balance date.

## Auditor's Independence Declaration

A copy of the auditor's independence declaration, as required under Section 307C of the Corporations Act 2001, is included on page 7 of this report.

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



Roger Aston

Non-executive Chairman

19 February 2015



## 2. Auditor's Independence Declaration



Grant Thornton

Level 17, 383 Kent Street  
Sydney NSW 2000

Correspondence to:  
Locked Bag Q800  
QVB Post Office  
Sydney NSW 1230

T +61 2 8297 2400  
F +61 2 9299 4445  
E [info.nsw@au.gt.com](mailto:info.nsw@au.gt.com)  
W [www.granthornton.com.au](http://www.granthornton.com.au)

### **Auditor's Independence Declaration To The Directors of Regeneus Ltd**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Regeneus Ltd for the half-year ended 31 December 2014, I declare that, to the best of my knowledge and belief, there have been:

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

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants

N.J. Bradley  
Partner - Audit & Assurance

Sydney, 19 February 2015

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

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Ltd is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. GTIL is not an Australian related entity to Grant Thornton Australia Limited.

Liability limited by a scheme approved under Professional Standards legislation. Liability is limited in those States where a current scheme applies.

### 3. Consolidated statement of profit or loss and other comprehensive income

For the half year ended 31 December 2014		
	31-Dec-14 \$	31-Dec-13 \$
Revenue	1,140,958	782,625
Cost of sales	(549,936)	(287,748)
Gross profit	591,022	494,877
Other income	125,675	86,081
Research & development expenses	(3,230,849)	(3,236,016)
Selling expenses	(1,252,589)	(1,062,624)
Occupancy expenses	(449,218)	(330,639)
Corporate expenses	(1,493,788)	(2,210,876)
Finance costs	(27,541)	(105,580)
Loss before income tax	(5,737,288)	(6,364,777)
Income tax benefit	-	-
Loss for the period	(5,737,288)	(6,364,777)
Other comprehensive income	(11,942)	-
<b>Total comprehensive loss for the half year</b>	<b>(5,749,230)</b>	<b>(6,364,777)</b>

#### Earnings per share

Basic earning per share from continuing operations	(0.03)	(0.04)
Diluted earnings per share from continuing operations	(0.03)	(0.04)

These financial statements should be read in conjunction with the accompanying notes.

## 4. Consolidated statement of financial position

As at 31 December 2014		
	31-Dec-14 \$	30-Jun-14 \$
<b>Current assets</b>		
Cash and cash equivalents	6,738,552	2,507,497
Other financial assets	50,000	127,754
Trade and other receivables	190,599	134,266
Inventories	193,432	205,709
Current tax assets	-	3,730,576
Other current assets	640,096	383,472
<b>Total current assets</b>	<b>7,812,679</b>	<b>7,089,274</b>
<b>Non-current assets</b>		
Property, plant and equipment	1,301,051	1,361,529
Intangible assets	35,789	30,001
Other non current assets	1,716,588	1,778,250
<b>Total non-current assets</b>	<b>3,053,428</b>	<b>3,169,780</b>
<b>Total assets</b>	<b>10,866,107</b>	<b>10,259,054</b>
<b>Current liabilities</b>		
Trade and other payables	1,169,548	921,004
Provisions	83,269	167,751
Other current liabilities	642,193	608,900
<b>Total current liabilities</b>	<b>1,895,010</b>	<b>1,697,655</b>
<b>Non Current liabilities</b>		
Other non current liabilities	-	253,371
<b>Total non current liabilities</b>	<b>-</b>	<b>253,371</b>
<b>Total liabilities</b>	<b>1,895,010</b>	<b>1,951,026</b>
<b>Net assets</b>	<b>8,971,097</b>	<b>8,308,028</b>
<b>Equity</b>		
Issued capital	31,076,819	24,908,920
Accumulated Losses	(24,426,580)	(18,792,423)
Reserves	2,320,858	2,191,531
<b>Total equity</b>	<b>8,971,097</b>	<b>8,308,028</b>

These financial statements should be read in conjunction with the accompanying notes.

## 5. Consolidated statement of changes in equity

For the half-year ended 31 December 2013					
	Share Capital \$	Share options reserve \$	Accumulated losses \$	Foreign currency translation reserve \$	Total equity \$
Balance at 1 July 2013	6,651,935	1,748,445	(11,269,205)	-	(2,868,825)
Loss for the period	-	-	(6,364,777)	-	(6,364,777)
Other comprehensive income	-	-	-	-	-
Employee share-based payment option expense	-	1,087,469	-	-	1,087,469
Issue of ordinary shares (net of transaction costs)	16,919,125	-	-	-	16,919,125
Transfer to share capital for options exercised	1,032,992	(1,032,992)	-	-	-
Transfer from reserves to retained earnings for options forfeited	-	-	-	-	-
<b>Balance at 31 December 2013</b>	<b>24,604,052</b>	<b>1,802,922</b>	<b>(17,633,982)</b>	<b>-</b>	<b>8,772,992</b>
Balance at 1 July 2014	24,908,920	2,190,377	(18,792,423)	1,154	8,308,028
Loss for the period	-	-	(5,737,288)	-	(5,737,288)
Other comprehensive income	-	-	-	(11,942)	(11,942)
Employee share-based payment option expense	-	244,400	-	-	244,400
Issue of ordinary shares (net of transaction costs)	6,167,899	-	-	-	6,167,899
Transfer to share capital for options exercised	-	-	-	-	-
Transfer from reserves to retained earnings for options forfeited	-	(103,131)	103,131	-	-
<b>Balance at 31 December 2014</b>	<b>31,076,819</b>	<b>2,331,646</b>	<b>(24,426,580)</b>	<b>(10,788)</b>	<b>8,971,097</b>

These financial statements should be read in conjunction with the accompanying notes.

## 6. Consolidated statement of cash flows

For year half year ended 31 December 2014		
	31-Dec-14 \$	31-Dec-13 \$
<b>Cash flows from operating activities</b>		
Receipts from customers	1,198,721	764,045
Payments to suppliers and employees	(6,937,000)	(7,005,805)
Interest received	82,037	70,507
R&D Tax refund	3,730,576	2,327,288
Other expense	(3,414)	-
Finance Costs	(27,541)	(5,208)
<b>Net cash (used in) operating activities</b>	<b>(1,956,621)</b>	<b>(3,849,173)</b>
<b>Cash flows from investing activities</b>		
Receipts from short-term deposit	77,754	122,926
Purchase of property, plant and equipment	(149,250)	(117,052)
Sale of property, plant and equipment	812	-
Purchase of intangibles	(14,839)	(1,181)
Deposits	105,300	-
<b>Net cash provided by (used in) investing activities</b>	<b>19,777</b>	<b>4,693</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares - net of costs	6,167,899	10,077,433
Proceeds from issue of Convertible Notes	-	-
<b>Net cash provided by financing activities</b>	<b>6,167,899</b>	<b>10,077,433</b>
Net change in cash and cash equivalents held	4,231,055	6,232,953
Cash and cash equivalents at beginning of financial year	2,507,497	410,658
<b>Cash and cash equivalents at end of the half year</b>	<b>6,738,552</b>	<b>6,643,611</b>

These financial statements should be read in conjunction with the accompanying notes.

# 7. Notes to the condensed interim consolidated financial statements

## 7.1 NATURE OF OPERATIONS

Regeneus Ltd and subsidiaries (the Group) is a Sydney-based ASX listed regenerative medicine company that develops and commercialises innovative personalised and off-the-shelf adipose (fat) derived stem cell and other biological therapies for human and veterinary health markets with a focus on musculoskeletal and oncology conditions. Regenerative medicine is a rapidly growing multi-disciplinary 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.

The commercial activities are conducted in business units:

- Human Health
- Animal Health

## 7.2 GENERAL INFORMATION AND BASIS OF PREPARATION

The condensed interim consolidated financial statements (the interim financial statements) of the Group are for the six months ended 31 December 2014 and are presented in Australian dollars (\$), which is the functional currency of the parent company. These general purpose interim financial statements have been prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134 Interim Financial Reporting. They do not include all of the information required in annual financial statements in accordance with Australian Accounting Standards, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2014 and any public announcements made by the Group during the half-year in accordance with continuous disclosure requirements arising under the Australian Stock Exchange Listing Rules and the Corporations Act 2001.

The interim financial statements have been approved and authorised for issue by the Board of Directors on 19 February 2015.

## 7.3 GOING CONCERN

The consolidated entity has incurred a net loss for the period of \$5.74m and had negative operating cash flows of \$1.96m and therefore material uncertainty exists regarding going concern. The directors have performed a review of the cash flow forecasts and have considered the cash flow needs of the Company and consolidated entity. The directors have prepared the financial statements on a going concern basis as they have a number of strategies in progress to maintain the Company in a positive cash flow position including generating revenues from operations, product licensing, raising additional capital as required, such as the issuance of securities and controlling the cost base.

## 7.4 SIGNIFICANT ACCOUNTING POLICIES

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the Group's last annual financial statements for the year ended 30 June 2014, with the exception of depreciation of fixed assets.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these interim financial statements.

## 7.5 ESTIMATES

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2014.

## 7.6 SEGMENT REPORTING

Management currently identifies the Group's two service lines as its operating segments. These represent the main products and services provided by the Group. The Group's main operating segments are:

- Animal Health
- Human Health

Each operating segment is managed separately as each service line requires different technologies and other resources, as well as marketing approaches. These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

During the six month period to 31 December 2014, there have been no changes from the prior period in the measurement methods used to determine operating segments and reported segment profit or loss. However, there is a change from December 2013 as Research and Development is not considered to be a commercial operating segment.

## 7. Notes to the condensed interim consolidated financial statements

The revenues and profit generated by each of the Group's operating segments and segment assets are summarised as follows:

6 months to 31st December 2014	Human Health 31-Dec-14 \$	Animal Health 31-Dec-14 \$	Total 31-Dec-14 \$
Revenue	527,906	63,672	591,578
Cost of goods sold	(521,202)	(28,734)	(549,936)
<b>Segment gross profit (loss)</b>	<b>6,704</b>	<b>34,938</b>	<b>41,642</b>
Research & development expenses	(18,072)	(108,621)	(126,693)
Selling expenses	(621,615)	(349,541)	(971,156)
Occupancy expenses	(12,231)	(7,016)	(19,247)
Corporate expenses	(532)	(1,162)	(1,694)
<b>Segment expenses</b>	<b>(652,450)</b>	<b>(466,340)</b>	<b>(1,118,790)</b>
<b>Segment operating loss</b>	<b>(645,746)</b>	<b>(431,402)</b>	<b>(1,077,148)</b>
<b>Segment assets</b>	<b>369,990</b>	<b>990</b>	<b>370,980</b>

6 months to 31st December 2013	Human Health 31-Dec-13 \$	Animal Health 31-Dec-13 \$	Total 31-Dec-13 \$
<b>Revenue</b>			
Revenue	317,026	113,599	430,625
Cost of goods sold	(251,346)	(36,402)	(287,748)
<b>Segment gross profit</b>	<b>65,680</b>	<b>77,197</b>	<b>142,877</b>
Research & development expenses	(12,870)	-	(12,870)
Selling expenses	(526,588)	(323,308)	(849,896)
Occupancy expenses	(28,085)	-	(28,085)
Corporate expenses	(118,495)	(1,119)	(119,614)
<b>Segment expenses</b>	<b>(686,038)</b>	<b>(324,427)</b>	<b>(1,010,465)</b>
<b>Segment operating loss</b>	<b>(620,358)</b>	<b>(247,230)</b>	<b>(867,588)</b>
	30-Jun-14 \$	30-Jun-14 \$	30-Jun-14 \$
<b>Segment assets</b>	<b>304,402</b>	<b>19,943</b>	<b>324,345</b>

## 7. Notes to the condensed interim consolidated financial statements

The totals presented for the Group's operating segments reconcile to the key financial figures presented in its financial statements, as follows:

	31-Dec-14 \$	31-Dec-13 \$
<b>Revenues</b>		
Total reportable segment revenues	591,578	430,625
Other revenues	549,380	352,000
<b>Group revenues</b>	<b>1,140,958</b>	<b>782,625</b>
<b>Profit or loss</b>		
Total reportable segment operating loss	(1,077,148)	(867,588)
Other revenue	549,380	352,000
Other income	125,675	86,081
Research & development expenses	(3,104,156)	(3,223,146)
Selling expenses	(281,433)	(212,728)
Occupancy expenses	(429,971)	(302,554)
Corporate expenses	(1,492,094)	(2,091,262)
Finance costs	(27,541)	(105,580)
<b>Group loss before Tax</b>	<b>(5,737,288)</b>	<b>(6,364,777)</b>
	31-Dec-14 \$	30-Jun-14 \$
<b>Assets</b>		
Total reportable segment assets	370,980	324,345
Other non segment current assets	7,622,080	6,977,602
Other non segment non current assets	2,873,047	2,957,107
<b>Group Assets</b>	<b>10,866,107</b>	<b>10,259,054</b>



## 7. Notes to the condensed interim consolidated financial statements

### 7.6 EARNINGS PER SHARE

Both the basic and diluted earnings per share have been calculated using the profit attributable to shareholders of the parent company (Regeneus Ltd) as the numerator, i.e. no adjustments to profits were necessary during the six month period to 31 December 2014 and 2013.

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

Earning Per Share	31-Dec-14 \$	30-Jun-14 \$
Basic earnings per share from continuing operations	(0.03)	(0.04)
The weighted average number of ordinary shares used as the denominator on calculating the EPS	200,602,429	149,812,347
Diluted Earnings per Share		
Basic earnings per share from continuing operations	(0.03)	(0.04)
The weighted average number of ordinary shares used as the denominator on calculating the DEPS	200,602,429	149,812,347

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

### 7.7 SHARE CAPITAL

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

During the six months to December 2014, 24,492,066 shares at \$0.26 were issued as part of a capital raising program. During the prior comparable period the following shares were issued:

- 12,740,252 shares to satisfy share options previously granted under the Group's employee share option scheme,
- 42,630,000 shares for cash as part of the IPO,
- 25,560,257 shares for the conversion all convertible notes and accrued interest at the time of the IPO.

Shares issued and authorised are summarised as follows:

Share Capital		
	31-Dec-14 \$	30-Jun-14 \$
Fully paid shares	24,908,920	6,651,935
New shares issued during the period (net of transaction costs)	6,167,899	18,256,985
	<b>31,076,819</b>	<b>24,908,920</b>

Issue costs of \$200,056 (2013 - \$722,569) associated with the issue of shares have been directly paid from the proceeds of the issues. These costs have been deducted from the issued capital in the statement of financial position, rather than charged as an expense of the Company, as they are considered to form part of the net equity raised.

The company has 19,411,019 options on issue to acquire ordinary shares in the company. These options are unlisted, restricted and summarised as follows:

Share Options		
	31-Dec-14 Number	30-Jun-14 Number
Employee share options plans	15,564,865	15,464,865
Unlisted options	3,846,154	-
	<b>19,411,019</b>	<b>15,464,865</b>

## 7. Notes to the condensed interim consolidated financial statements

### 7.8 SHARE BASED PAYMENTS

The grant date fair value of options granted to employees is recognised as an employee benefit expense, with a corresponding increase in equity within the shares options reserve. The amount recognised is adjusted to reflect actual number of the share options vested.

All share based remuneration will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the options.

The fair value of share options was calculated using a binomial options pricing mode. For the options outstanding at period end, the following inputs were used:

Grant date	2-Jun-10	1-Jul-10	23-Jul-10	1-Jan-11	21-Feb-11
Share price at date of grant	\$0.006	\$0.136	\$0.136	\$0.136	\$0.136
Volatility	45%	45%	45%	45%	45%
Option life	10 years	10 years	10 years	10 years	10 years
Dividend yield	0%	0%	0%	0%	0%
Risk free investment rate	5.3%	5.10%	5.10%	5.60%	5.50%
Fair value at grant date	\$0.004	\$0.085	\$0.085	\$0.086	\$0.085
Exercise price at date of grant	\$0.006	\$0.136	\$0.136	\$0.136	\$0.136

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

Grant date	16-Sep-13	4-Dec-13	21-Nov-14
Share price at date of grant	\$0.250	\$0.470	\$0.160
Volatility	65%	65%	244%
Option life	5 years	5 years	5 years
Dividend yield	0%	0%	0%
Risk free investment rate	3.40%	3.50%	2.80%
Fair value at grant date	\$0.156	\$0.327	\$0.179
Exercise price at date of grant	\$0.250	\$0.250	\$0.160

Included under employee benefits expenses in the profit or loss, relating to employee share options is \$244,400 (Dec 2013; \$1,087,469), and relates, in full, to the current year value of the employee share option payments at their grant date net of options forfeited.

## 7. Notes to the condensed interim consolidated financial statements

Share Options granted under the option plans				
	31-Dec-14		30-Jun-14	
	Number	Weighted average exercise price (\$)	Number	Weighted average exercise price (\$)
Options outstanding at beginning of period	15,464,865	0.215	20,283,007	0.141
Granted	900,000	0.160	8,450,110	0.250
Exercised	-	-	-	-
Forfeited	(800,000)	0.261	(13,268,252)	0.143
<b>Outstanding at end of period</b>	<b>15,564,865</b>	<b>0.210</b>	<b>15,464,865</b>	<b>0.215</b>
<b>Exercisable at end of period</b>	<b>12,600,952</b>	<b>0.207</b>	<b>11,267,618</b>	<b>0.204</b>

### 7.9 DIVIDENDS

No dividends were paid during the period (2013: \$nil).

### 7.10 CONTINGENT LIABILITIES

The group had no contingent liabilities as at 31 December 2014 (December 2013: Nil).

### 7.11 EVENTS AFTER THE REPORTING DATE

In January 2015, the Department of Health - Therapeutic Goods Administration (TGA) issued a discussion paper, "Regulation of autologous stem cell therapies - Discussion paper for consultation". HiQCell currently operates in accord with the Therapeutic Goods (Excluded Goods) Order. The TGA is seeking input on options for changes to regulations. Regeneus will be responding to the discussion paper and is aware that practitioners using HiQCell will be responding separately. HiQCell remains a very small part of Regeneus business and it will continue to operate within a highly regulated environment.

## 8. Directors' Declaration

1 In the opinion of the Directors of Regeneus Ltd:

- a. the consolidated financial statements and notes of Regeneus Ltd are in accordance with the Corporations Act 2001, including:
  - i giving a true and fair view of its financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
  - ii complying with Accounting Standard AASB 134 Interim Financial Reporting; and
- b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Chairman .....

Roger Aston

Dated the 19 day of February 2015

# 9. Independent Auditor's Review Report



Level 17, 383 Kent Street  
Sydney NSW 2000

Correspondence to:  
Locked Bag Q800  
QVB Post Office  
Sydney NSW 1230

T +61 2 8297 2400  
F +61 2 9299 4445  
E [info.nsw@au.gt.com](mailto:info.nsw@au.gt.com)  
W [www.granthornton.com.au](http://www.granthornton.com.au)

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

We have reviewed the accompanying half-year financial report of Regeneus Ltd ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2014, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

### **Directors' responsibility for the half-year financial report**

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

### **Auditor's responsibility**

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Regeneus Ltd consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations

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

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Ltd is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. GTIL is not an Australian related entity to Grant Thornton Australia Limited.

Liability limited by a scheme approved under Professional Standards Legislation. Liability is limited in those States where a current scheme applies.

## 9. Independent Auditor's Review Report



Regulations 2001. As the auditor of Regeneus Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Independence**

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

### **Conclusion**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Regeneus Ltd is not in accordance with the Corporations Act 2001, including:

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

A handwritten signature in black ink that reads "Grant Thornton".

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants

A handwritten signature in black ink that reads "N.J. Bradley".

N.J. Bradley  
Partner - Audit & Assurance

Sydney, 19 February 2015

