



APPENDIX 4E
FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014

This Appendix 4E report is provided to the Australian Securities Exchange (ASX) under ASX Listing Rule 4.3A

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Reproductive Health Science Limited

ACN 010 126 708

Appendix 4E Information

Reporting Period

Year ended 31 December 2014

Comparative Period

Year ended 31 December 2013

Results for announcement to the market

		<i>Percentage change</i>		<i>Amount</i>
		<i>%</i>		<i>\$</i>
Revenue from ordinary activities	neutral	N/A	to	-
Loss from ordinary activities after tax attributable to members of Reproductive Health Science Limited	up	1,402%	to	(6,091,210)
Net loss attributable to members of Reproductive Health Science Limited	up	1,402%	To	(6,091,210)

Dividend information

No dividend payable for the year ended 31 December 2014 or the comparative period.

Net Tangible Assets Per Security

	<i>31 Dec 14</i>	<i>31 Dec 13</i>
Net tangible assets per security	\$0.03	N/A

Other information

This report is based on the consolidated financial statements which are in the process of being audited by Ernst and Young (noting that the comparative information contained within the report has not been audited).

Corporate information

ABN 84 010 126 708

Directors

Dr David Brookes (Chairman)

Dr Michelle Fraser (Managing Director), appointed 2 April 2014

Mr Johnathon Matthews, appointed 2 April 2014

Dr Colin Matthews (Alternate for Mr Johnathon Matthews), appointed 2 April 2014

Dr Sue MacLeman (Appointed 21 August 2014)

Mr Simon O'Loughlin (Resigned 21 August 2014)

Mr Donald Stephens

Mr Graham Ascough (Resigned 2 April 2014)

Company Secretary

Mr Donald Stephens

Registered office

HLB Mann Judd (SA) Pty Ltd

169 Fullarton Road

DULWICH SA 5065

Principal place of business

BioSA Incubator

40 - 46 West Thebarton Road

THEBARTON SA 5031

Share Register

Link Market Services Limited

Level 12, 680 George Street

Sydney NSW 2000

Phone: 1300 554 474

Reproductive Health Science Limited's shares are listed on the Australian Stock Exchange (ASX) under the stock code 'RHS'.

Auditors

Ernst & Young

Australia

Management report on operations and results

On the 2 April 2014, the Company successfully completed the acquisition of Reproductive Health Science Pty Ltd (now RHS Subsidiary Pty Ltd, 'RHS Subsidiary '), resulting in the issue of 19,120,704 fully paid shares in the Company. Concurrently, under a prospectus dated 7 March 2014, the Company issued 15,000,000 fully paid shares to investors and raised a total of \$3,000,000 in gross proceeds to fund the development of RHS Subsidiary's patent family for biotechnology technologies in Australia and overseas.

Following the completion of the acquisition of RHS Subsidiary, the Company has continued to progress the product development and commercialisation of its patent portfolio. The Company's focus has been the commercialisation and marketing of the EmbryoCollect™ product. EmbryoCollect™ is a research only kit that has an immediate application to improve the success rate of In-Vitro Fertilisation (IVF). Following 10 years of research and development, Reproductive Health Science has developed this test specifically to assess embryos for chromosomal number prior to implantation as part of an IVF cycle. On 23 December 2014, the Company announced that it had signed a three year exclusive distribution agreement with Tani Medikal for the sale of its EmbryoCollect™ product in Turkey. Subsequent to the balance date, the Company has made further progress entering into several other distributor agreements, refer to note 7 for further information in relation to these developments.

During the year ended 31 December 2014, the Group incurred a loss of \$6,091,210 (31 December 2013: \$405,506). This loss primarily was driven by transaction costs incurred by the Group of \$3,849,237, which amounted to the total accounting cost of acquiring Reproductive Health Science. A significant portion of these costs were non-cash in nature and affected by the accounting treatment of the acquisition. Please refer to the notes to the financial statements for further information.

Consolidated statement of comprehensive income

For the year ended 31 December 2014

		31 December 2014 \$	31 December 2013 \$
Other income		249,575	295,365
Salaries and benefits		(864,405)	(372,671)
Consultants and professional fees		(261,886)	(55,612)
Research and development		(116,477)	(103,459)
Rent and property expenses		(44,533)	(73,847)
Depreciation and amortisation		(40,421)	(30,112)
Travel costs		(90,418)	(11,158)
Other expenses		(169,264)	(52,996)
Finance costs		(5,250)	(16)
Share based payments	6	(759,375)	-
Impairment expense		(139,519)	-
Transaction costs	3	(3,849,237)	-
Loss before income tax expense		(6,091,210)	(405,506)
Income tax benefit/(expense)		-	-
Loss from continuing operations		(6,091,210)	(405,506)
Loss attributable to members of the parent entity		(6,091,210)	(405,506)
Other comprehensive income		-	-
Total comprehensive loss for the period		(6,091,210)	(405,506)
Loss per share:		<i>Cents</i>	<i>Cents</i>
Basic earnings per share	5	(14.02)	N/A
Diluted earnings per share	5	(14.02)	N/A

Consolidated statement of financial position

As at 31 December 2014

	Note	31 December 2014 \$	31 December 2013 \$
CURRENT ASSETS			
Cash and cash equivalents		1,518,601	216,779
Trade and other receivables		202,134	-
Other current assets		45,511	14,497
TOTAL CURRENT ASSETS		1,766,246	231,276
NON-CURRENT ASSETS			
Property, plant and equipment		367,551	162,302
Intangible assets		1,770	139,519
TOTAL NON-CURRENT ASSETS		369,321	301,821
TOTAL ASSETS		2,135,567	533,097
CURRENT LIABILITIES			
Trade and other payables		314,408	43,574
TOTAL CURRENT LIABILITIES		314,408	43,574
NON-CURRENT LIABILITIES			
Provisions		85,849	26,539
TOTAL NON-CURRENT LIABILITIES		85,849	26,539
TOTAL LIABILITIES		400,257	70,113
NET ASSETS		1,735,310	462,984
EQUITY			
Contributed equity	6	11,016,655	4,412,495
Share based payments reserve		759,376	-
Accumulated losses		(10,040,721)	(3,949,511)
TOTAL EQUITY		1,735,310	462,984

Consolidated statement of changes in equity

For the year ended 31 December 2013

Note	Issued capital ordinary \$	Share based payments reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 January 2013	4,262,495	-	(3,544,005)	718,490
<i>Comprehensive income</i>				
Loss for the year	-	-	(405,506)	(405,506)
Other comprehensive income/(expense)	-	-	-	-
Total comprehensive income for the period	-	-	(405,506)	(405,506)
<i>Transactions with owners, in their capacity as owners, and other transfers</i>				
Issue of shares	150,000	-	-	150,000
Total transactions with owners and other transfers	150,000	-	-	150,000
Balance at 31 December 2013	4,412,495	-	(3,949,511)	462,984

Consolidated statement of changes in equity (Continued)

For the year ended 31 December 2014

Note	Issued capital ordinary \$	Share based payments reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 January 2014	4,412,495	-	(3,949,511)	462,984
<i>Comprehensive income</i>				
Loss for the year	-	-	(6,091,210)	(6,091,210)
Other comprehensive income/(expense)	-	-	-	-
Total comprehensive income for the period	-	-	(6,091,210)	(6,091,210)
<i>Transactions with owners, in their capacity as owners, and other transfers</i>				
Shares issued under the Company's prospectus	3,000,000	-	-	3,000,000
Deemed acquisition of Reproductive Health Science Ltd (formerly AO Energy Ltd)	3,554,415	-	-	3,554,415
Shares issued to David Brookes in accordance with a resolution passed by shareholders	219,824	-	-	219,824
Shares issued to the Company's brokers in lieu of fees	251,516	-	-	251,516
Redemption of promissory notes	(75,000)	-	-	(75,000)
Transaction costs in issuing shares	(346,595)	-	-	(346,595)
Share based payments	-	759,376	-	759,376
Total transactions with owners and other transfers	6,604,160	759,376	-	7,363,536
Balance at 31 December 2014	11,016,655	759,376	(10,040,721)	1,735,310

Consolidated statement of cash flows

For the year ended 31 December 2014

		Year ended 31 December 2014 \$	Year ended 31 December 2013 \$
	Note		
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(1,517,515)	(643,729)
Interest paid		(5,250)	(16)
Interest received		39,712	55,627
R&D Tax benefit		-	101,502
NET CASH (USED IN) OPERATING ACTIVITIES		(1,483,053)	(486,586)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of intangible assets		-	(11,887)
Purchase of property, plant and equipment		(156,275)	-
Refund of tenement bond		10,000	-
Proceeds from the sale of exploration and evaluation assets		83,253	-
NET CASH (USED IN) INVESTING ACTIVITIES		(63,022)	(11,887)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		3,000,000	150,000
Payment of transaction costs for issue of shares		(507,844)	-
Cash acquired upon completion of business combination	2	330,741	-
Proceeds from borrowings		100,000	-
Repayment of borrowings		(75,000)	-
NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES		2,847,897	150,000
Net increase/(decrease) in cash and cash equivalents		1,301,822	(348,473)
Cash at the beginning of the period		216,779	565,252
CASH AT THE END OF THE PERIOD		1,518,601	216,779

Notes to the Appendix 4E Financial Report

For the year ended 31 December 2014

1. Basis of preparation and changes to the Group's accounting policies

This consolidated financial report for the year ended 31 December 2014 has been prepared in accordance with the Australian Securities Exchange Listing Rules as they relate to Appendix 4E and in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, and the Corporations Act 2001.

This consolidated financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the half year report for the period ended 30 June 2014 (being the first reporting period for the new business conducted by the Group) and any public announcements made by Reproductive Health Science Limited during the reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

In preparing the financial report, the Directors have made an assessment of the ability of the Group to continue as a going concern. As described in this financial report, the company remains in the start-up phase of operations and is forecast to operate at an operating loss and cash flow deficit for the immediate forecast period. In considering their position, the Directors have had regard to the current cash reserves, the level of forecast cash expenditure and the likelihood of being able to raise funds in future, should the need arise. The directors have concluded there are reasonable grounds to believe the company is a going concern and will be able to continue to pay its debts as and when they become due and payable.

Should the Group not achieve its forecast trading result or not raise funds of a level or timing as required, there is material uncertainty as to whether the group will realise its assets and extinguish its liabilities in the normal course of business and at amounts stated in the financial report.

On this basis a modified audit opinion with an emphasis of matter on material uncertainty regarding continuation as a going concern will be issued.

As discussed in Note 2 below, Reproductive Health Science Ltd (formerly AO Energy Ltd, 'RHS Parent') completed the acquisition of RHS Subsidiary Pty Ltd (formerly Reproductive Health Science Ltd, 'RHS Subsidiary') on 2 April 2014. RHS Subsidiary was deemed to be the acquirer for accounting purposes under the principles of AASB 3 Business Combinations. Accordingly, the consolidated financial statements of RHS Parent (formerly AO Energy Ltd) have been prepared as a continuation of the financial statements of RHS Subsidiary from 2 April 2014. The impact of the reverse acquisition on each of the primary statements is as follows:

Statement of Financial Position

- The 31 December 2014 statement of financial position represents both RHS Parent and RHS Subsidiary as at 31 December 2014.
- The 31 December 2013 statement of financial position represents RHS Subsidiary as at 31 December 2013.

Statement of Comprehensive Income

- The 31 December 2014 statement of comprehensive income comprises 12 months of RHS Subsidiary and RHS Parent for the period from 2 April 2014 to 30 June 2014.
- The 31 December 2013 statement of comprehensive income comprises 12 months of RHS Subsidiary.

Statement of Changes in Equity

- The 31 December 2014 statement of changes in equity comprises RHS Subsidiary equity balance at 1 January 2014, its loss for the period, and transactions with equity holders for the annual period. It also comprises RHS Parent's transactions with equity holders for the period from 2 April 2014 to 31 December 2014 and the equity balances of RHS Subsidiary and RHS Parent as at 31 December 2014.
- The 31 December 2013 statement of changes in equity comprises RHS Subsidiary's changes in equity for the twelve-month period.

Statement of Cash Flows

- The 31 December 2014 statement of cash flows comprises the cash balance of RHS Subsidiary at 1 January 2014, the cash transactions of RHS Subsidiary for the twelve-month period and RHS Parent for the period from 2 April 2014 to 30 June 2014, and the cash balance of RHS Subsidiary and RHS Parent at 30 June 2014.
- The 31 December 2013 statement of cash flows comprises 12 months of RHS Subsidiary's cash transactions.

Changes in accounting policy, accounting standards and interpretations

The accounting policies adopted in the preparation of the Appendix 4E financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2013. However noting the change in composition of the entity and basis of preparation of the financial statements discussed above, the following additional accounting policies were adopted to reflect the balances contained within the balance sheet of RHS Subsidiary Pty Ltd:

Intangibles assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in the profit or loss in the period in which the expenditure is incurred.

The useful life of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite life is reviewed at least at the end of each reporting period, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income as the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income when the asset is de-recognised.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development
- The ability to use the intangible asset generated

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

Patents and licences

The Group owns or is in the process of applying to obtain patent protection in respect of a single family of patents relating to a method of comparing chromosomes from two different karyotypes and methods for detecting chromosomal abnormalities using comparative genomic hybridisation and microarrays. The method is useful in reproductive medicine and has particular applications in the pre-implantation genetic screening (PGS) of an embryo or egg prior to implantation.

As a result, those patents are assessed as having a finite useful life. The useful life estimated in relation to the Company's patents as at the reporting period is a period of 10 years and the amortisation method intended to be used is to be amortised on a straight line basis.

Adoption of new accounting standards

The following standards and interpretations have been applied for the first time during the full year ended 31 December 2014:

- *Remove Individual Key Management Personnel Disclosures – Amendments to AASB 124 Related Party Disclosures*

This amendment deletes from AASB 124 individual key management personnel disclosure ('KMP') requirements for disclosing entities that are not companies. It also removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions. These amendments are effective for annual periods beginning on or after 1 July 2013.

The adoption of these amendments will relocate the individual KMP disclosures from the financial report to the remuneration report to the remuneration report in the 31 December 2014 annual financial statements

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

2. Business combinations

Acquisition of Reproductive Health Science Pty Ltd

On 2 April 2014, the Group acquired 100% of the voting shares of Reproductive Health Science Pty Ltd (now RHS Subsidiary Pty Ltd, 'RHS'), an unlisted private company based in South Australia containing a portfolio of biotechnology technologies. Under the principles of AASB 3: Business Combinations, the acquisition is being treated as a reverse acquisition. RHS is the accounting acquirer and Reproductive Health Science Ltd ('RHS Parent', formerly AO Energy Ltd) is the accounting acquiree. Accordingly, the assets and liabilities of the legal subsidiary (the accounting acquirer), being RHS, are measured at their pre-combination carrying amounts. The assets and liabilities of the legal parent (accounting acquiree), being RHS Parent (formerly AO Energy Ltd) are measured at fair value on the date of acquisition.

Fair value of consideration transferred

The consideration in a reverse acquisition is deemed to have been incurred by the legal subsidiary (RHS) in the form of equity instruments issued to the shareholders of the legal parent entity (RHS Parent (formerly AO Energy Ltd)). The acquisition-date fair value of the consideration transferred has been determined by reference to the fair value of the number of shares the legal subsidiary (RHS) would have issued to the legal parent entity RHS Parent (formerly AO Energy Ltd) to obtain the same ownership interest in the combined entity.

Details of the transaction are:

	Fair value \$
Fair value of consideration transferred	3,554,415
Fair value of assets and liabilities held at acquisition date:	
Cash and cash equivalents	330,741
Trade and other receivables	137,993
Other current assets	86,272
Exploration and evaluation assets	80,000
Property, plant and equipment	23,349
Trade and other payables	(52,588)
Provisions	(172,782)
Identifiable assets and liabilities assumed	432,985
Surplus of consideration after accounting for identifiable assets and liabilities assumed	3,121,430

The purchase consideration deemed to have been paid differs from the actual consideration paid due to the nature of the reverse acquisition. The legal cost that RHS Parent (formerly AO Energy Ltd) paid to acquire RHS Subsidiary (formerly Reproductive Health Science Pty Ltd) was 19,120,947 fully paid ordinary shares, having a deemed value of \$1,912,095.

As RHS Parent did not contain an operating business and represented merely a listed shell Company, the surplus identified above has been treated as a transaction cost and expensed in the Company's statement of comprehensive income.

From the date of acquisition, RHS Parent has contributed \$2,418,957 to the net loss after tax from the continuing operations of the Group. If the combination had taken place at the beginning of the year, the loss from continuing operations for the period would have been \$2,431,076.

3. Segment reporting

The Group has identified its operating segments based on internal reports that are reviewed and used by the Board of Directors in assessing performance and determining the allocation of resources.

The Group only operates in one business segment being the product development and commercialisation of Biotechnology technologies. Following the discontinued operations of the former business in RHS Parent (formerly AO Energy Ltd), the previously capitalised exploration costs have all been either fully written off or realised by way of sale. Therefore, all segment assets and liabilities, and the segment result, relate to the one business segment and consequently no detailed segment analysis has been prepared.

4. Earnings per share

In accordance with the principles of reverse acquisition accounting, the weighted average number of ordinary shares outstanding during the year ended 31 December 2014 has been calculated as the weighted average number of ordinary shares of RHS Parent outstanding during the period, adjusted for the deemed acquisition mentioned in note 3. The weighted average number of ordinary shares for basic earnings per share was 43,440,198. In accordance with AASB 133 'Earnings per Share', as potential ordinary shares may only result in a situation where their conversion results in an increase in loss per share or decrease in profit per share from continuing operations, no dilutive effect has been taking into account for the year ended 31 December 2014.

5. Share capital

	31 December 2014	31 December 2013
	\$	\$
Fully paid ordinary shares	11,016,655	4,412,495
	11,016,655	4,412,495

	Number	\$
Ordinary shares		
Deemed to be outstanding at beginning of period *	19,743,813	4,412,495
Redemption of promissory notes	-	(75,000)
Deemed acquisition of Reproductive Health Science Ltd (formerly AO Energy Ltd)	14,680,989	3,554,415
Shares issued under the Company's prospectus	15,000,000	3,000,000
Shares issued to David Brookes in accordance with a resolution passed by shareholders	879,298	219,824
Shares issued to brokers in lieu of fees	1,006,065	251,516
Transaction costs on shares issued	-	(346,595)
Balance at end of the financial period	<u>51,310,165</u>	<u>11,016,655</u>

* Due to the nature of the reverse acquisition, in accordance with AASB 3 Business Combinations, the equity structure of the legal subsidiary (RHS Subsidiary Pty Ltd) is restated to reflect what (given the equity structure of the legal parent upon completion) the legal parent issued in the reverse acquisition.

Transaction costs (including the surplus of \$3,121,430) of \$3,849,237 have been expensed and are included on the face of the statement of comprehensive income. In addition, transaction costs of \$346,595 have been offset against contributed equity as the costs were directly attributable to the issue of new equity instruments.

6. Share options

In accordance with the Company's prospectus dated 7 March 2014, a total of 5,700,000 unlisted options were issued to the directors of the Company. The terms of these options were as follows:

- 3,000,000 issued to the Non-Executive Directors having an exercise price of \$0.32, expiring 31 December 2016; and
- 2,700,000 issued to the Managing Director having exercise prices of \$0.25, \$0.30 and \$0.35 respectively all expiring 31 December 2016.

The options were valued using a binomial option valuation method, using the following assumptions:

Volatility Rate:	90%
Estimated life	2.75 years
Risk free rate	3.08%
Number of steps	1,000

The total value pertaining to these options using the above assumptions amounted to \$734,670. None of the options contained vesting conditions and hence have been expensed in the Company's statement of comprehensive income for the year ended 31 December 2014.

On 17 April 2014, the Company issued a total of 150,000 unlisted options to employees under the Employee Share Option plan. The options can be exercised at any time prior to 16 April 2019 and have an exercise price of \$0.35. The options were valued using a binomial option valuation method, using the following assumptions:

Volatility Rate:	90%
Estimated life	5 years
Risk free rate	3.34%
Number of steps	1,000

The total value pertaining to these options using the above assumptions amounted to \$24,706. None of the options contained vesting conditions and hence have been expensed in the Company's statement of comprehensive income for the year ended 31 December 2014.

7. Subsequent events

On 23 January 2015 the Company announced it had entered into a 3 year exclusive distributor agreement with SAR Healthline (P) Ltd ('SAR') for the sale of its lead product *EmbryoCollect™*. The arrangement provides SAR with an exclusive distribution right in countries India, Sri Lanka and Bangladesh.

On 30 January 2015, the Company entered into an equipment loan with National Australia Bank Ltd for the sum of \$190,481. The loan provides for principal and interest payments over a 5 year term secured against a certain item of plant that the Company owns.

Finally, on 16 February 2015, the Company announced it had entered into 3 year exclusive distribution agreements with distributors in Israel, Palestine and Southern Africa. The Israel and Palestinian Authority agreement has been executed with Al-Rad Medical and the Southern African agreement has been executed with Delfran Pharmaceuticals.