living regenerative medicine

Regeneus Ltd
ABN 13 127 035 358

ASX Half Year Report for 6 months to 31st December 2013

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 30th June 2013 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

Rule 4.2.A.3

Appendix 4D

Half Year Report for the 6 months to 31st December 2013

Regeneus Ltd – ABN 13 127 035 358

1 – Reporting period

Report for the half year ended 31st December 2013
Corresponding period is for the half year ended 31st December 2012

2 – Results for announcement to the market

	Up/down	%change		$000,s
2.1 – Revenues from ordinary activities	down	10%	to	782
2.2 – Loss from ordinary activities after tax distribution to members	up	77%	to	(6,364)
2.3 – Loss from ordinary activities attributable to the members	up	77%	to	(6,364)

2.4 – it is not proposed to pay any dividend

2.6 –
Revenue decreased over the period because of sales mix, and cancellation of a licence fee contact

Expenses increased over the period included increased R and D, employment option expense, and IPO costs.

Full details are in the attached accounts.

3 – Net Tangible assets per security

The net tangible assets per security

31st December 2013	- 0.48 cents
31st December 2012	- (0.28)cents

9 – Independent review of the financial information

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

regeneus

living regenerative medicine

Interim Financial Statements

31st December 2013

Regeneus Ltd

ACN 127 035 358

Corporate Directory

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS
77 Ridge Street,
Gordon, NSW 2072, Australia

POSTAL ADDRESS
PO Box 20,
Gordon, NSW 2072, Australia

BOARD OF DIRECTORS
John Martin (Executive Chairman)
Prof Graham Vesey (CEO)
Dr Ben Herbert (Non-Executive Director)
Dr Roger Aston (Non-Executive Director)
Barry Sechos (Non-Executive Director)

COMPANY SECRETARY
Sandra McIntosh

WEBSITE
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
383-395 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

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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 2013. 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.

Name	Position
John Martin	Executive Chairman
Professor Graham Vesey	CEO and Executive Director
Dr Ben Herbert	Non-executive Director
Barry Sechos	Non-executive Director, Chair of the Audit and Risk Committee
Dr Roger Aston	Non-executive Director, Chair of the Nomination and Remuneration Committee

REVIEW OF OPERATIONS

Completed IPO

In the first quarter of FY14, Regeneus completed a successful initial public offering (IPO) raising $10.5m at an issue price of $0.25 per share valuing the Company at $46m post listing. The Company was admitted to the official list of ASX and quotation of its securities commenced on 19 September 2013.

This was the first biotech IPO on ASX since 2011.

Product platforms

Regeneus' strategic advantage, as an emerging leader in cell-based regenerative medicine, is that it has an advanced and proprietary portfolio of innovative cell therapies to treat human and veterinary musculoskeletal and other inflammatory conditions.

During the first-half of FY14, the Company has made good progress in achieving important milestones that strengthen the business and build shareholder value.

Human Health

HiQCell - autologous cell therapy for human osteoarthritis

During the period, HiQCell was used by licensed medical specialists to treat 187 osteoarthritic joints (including cryopreservation injections).

We have been encouraged by the take-up rate (42%) of the option for patients to cryogenically store excess adipose-derived regenerative cells for future reinjections. These excess cells are stored with Cryosite (ASX:CTE), a TGA licensed biological storage business.

In early November 2013, we launched HiQCell in Melbourne through our relationship with a leading group of sports medical and orthopedic specialists at the Bounce Health Group. This group has a focus on the high performance and recreational sports market.

We now have 12 sports medicine and orthopedic specialists trained to perform the HiQCell treatments in Sydney, Melbourne and Gold Coast.

Following due diligence and engagement with local sports medicine and orthopedic specialists in Singapore, we have identified Singapore as our first off-shore location for the launch of HiQCell to help treat osteoarthritic joints. We anticipate making an announcement about this initiative in the second-half of FY14.

Positive clinical data for HiQCell

In October 2013, we announced important findings from the biomarker analysis of the Company's landmark double-blind placebo-controlled trial of HiQCell for knee osteoarthritis (OSCARS). The results demonstrated a molecular basis that explains how HiQCell may slow cartilage degradation.

We anticipate submitting for publication the final results from the OSCARS trial in the second half of FY14.

In October 2013, we published positive results from a cohort of over 330 patients enrolled in our ethics approved HiQCell Registry. This is the first and largest registry of its type in Australia.

The results showed that at 12 months post treatment, 70% of patients have reported statistically-significant pain reduction (>30% clinical improvement), with an average pain reduction of 80%. These patients have also reported significant improvements in quality of life measures, reduced usage of pain medication and improved sleep patterns. At these rates, in the limited time frame since commencement of the procedure, patients are achieving outcome rates equivalent to or greater than many long-established, traditional medical procedures.

Progress on off-the-shelf cell therapy for human osteoarthritis

During the half-year, we have made good progress in preparing for the clinical trial of our allogeneic (off-the-shelf) adipose-derived cell therapy for human osteoarthritis.

We have now established our procurement protocol for donor sample collection and have optimized the conditions for manufacture of the cells. We will be seeking ethics approval for the human trial during 2014.

We were encouraged by new laws passed by the Japanese government in November 2013 that provide a rapid approval process designed for allogeneic human cell therapies. The new laws provide us with a well-defined pathway to fast track the clinical trial and potential approval of our allogeneic cell therapy for osteoarthritis without the need for large and expensive phase III trials.

Cell Secretions Cream

During the half–year, we continued to gather valuable and positive clinical data on our cell secretions cream to treat inflammatory skin conditions particularly acne. This has allowed us to focus on the optimal commercialisation path for the cream. We have made progress on the method for scale-up of production.

We hope to identify a commercial partner for this product in FY14.

Animal Health

CryoShot - allogeneic cell therapy for canine and equine osteoarthritis

We have expanded the number of veterinary clinics in Australia participating in the CryoShot field trial for canine and equine musculoskeletal conditions (>80).

In the first-half, we met with the United States Food and Drug Administration in relation to the CryoShot registration trial for canine osteoarthritis and have further clarity on FDA requirements for trial design, product characterisation and manufacture.

We have optimised the product definition and entered into an agreement with Lonza, the world's largest cell manufacturer, for production of GMP grade Cryoshot for the US registration trial in Lonza's Walkersville facility in the USA. We hope to have FDA sign off on the registration trial in 2014.

To assist with de-risking the US trial for CryoShot to treat canine OA, we have commenced a double-blind placebo-controlled trial in Australia with the latest specification of CryoShot. Initial data should be available for analysis in FY14.

Kvax – autologous canine cancer vaccine

As part of our R&D collaboration with the Kolling Institute of Medical Research (KIMR) at Royal North Shore Hospital in Sydney, over 70 dogs with a range of cancers have now been treated with the experimental new autologous canine cancer vaccine, Kvax. The results for life expectancy for treated dogs is very encouraging.

We announced on 14 November 2013, that we had received written confirmation from the US Center for Veterinary Biologics that we can proceed with commercialisation in the USA of the cancer vaccine. We are well advanced in setting up our US marketing trial. We will report further on the marketing trial and manufacturing arrangements in FY14.

We are also looking at other early access markets for Kvax such as Australia and UK.

In FY14, we are planning to convert our option with KIMR to gain exclusive rights for the human applications of the technology.

1. Directors' Report

FINANCIAL RESULTS

Operating Results

The net loss before tax for the half-year period, from continuing operations was $6.34m (31 December 2012: $3.60m).

Consolidated Statement of Profit or Loss and other comprehensive income For half year ended December 2013	31-Dec-13 $	31-Dec-12 $
Revenue	782,625	870,106
Cost of sales	(287,748)	(253,601)
Gross profit	494,877	616,505
Other income	86,081	73,753
Research expenses	(3,236,016)	(1,800,448)
Selling expenses	(1,062,624)	(1,118,721)
Corporate expenses	(2,210,876)	(991,182)
Occupancy expenses	(330,639)	(273,479)
Finance costs	(105,580)	(111,181)
Loss before income tax	(6,364,777)	(3,604,753)
Income tax benefit	-	-
Loss for the period	(6,364,777)	(3,604,753)
Other comprehensive income	-	-
Total comprehensive loss for the half year	**(6,364,777)**	**(3,604,753)**

Revenue From Continuing Operations

Revenue during the current period was $783k, a decrease of $88k compared to the previous corresponding period.

Licence fees were $352k, a decrease of $51k, resulting from the termination of the R&D licence agreement with Ku-Ring- Gai Veterinary clinic, due to a change in ownership during the period. Human Health revenue was $319k, a decrease of $67k. This is attributed to a number of no charge treatments of OSCARS clinical trial placebo patients who elected to take up the option of a no-cost treatment after completion of their participation in the trial, and also no charge treatments with newly licensed medical practitioners for the purpose of protocol development. Animal Health revenue was $117k, an increase of $33k, as the number of clinics trialing Cryoshot expanded. This excludes a considerable amount of product that continues to be provided to key opinion leaders and other veterinarians participating in the trial at no cost, for research purposes.

Cost of Sales

The cost of sales for the period was $288k, an increase of $34k compared to the previous corresponding period. The increase is primarily the cost of direct salaries, as the team of technicians required to service the HiQCell procedure is expanded and trained.

Expenses From Continuing Operations

Research

Research expenses have increased by $1.43m, to $3.24m. This is in line with the expenditure required to meet the milestones set out in the IPO prospectus. The increase includes a non-cash employee expense for options of $411k (2012: $108k).

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 decreased by $56k to $1.1m. This includes lower costs for travel, and a reduced non-cash expense for options.

1. Directors' Report

Corporate

Corporate expenses have increased $1.2m to $2.2m. The increase includes:

- one-off IPO related expenses of $208k; and
- non-cash expense for options of $602k per mapping, not material, pass.

Occupancy

Occupancy expenses increased $57k to $330k, which are in line with a small increase in staff and general overheads.

Finance

Finance costs decreased $6k, to $105k.

Income Tax

There has been no accrual included in these results for the R and D Tax Concession rebate for the year to 30th June 2014. This is estimated to be $3m (2012: $2.3m).

Cash Flows

The net inflows for the period were $6.2m (2012; $1.8m).

	31-Dec-13 $	31-Dec-12 $	Movement
Cash flows from operating activities	(3,849,173)	(1,958,441)	(1,890,732)
Cash flows from investing activities	4,693	(153,141)	157,834
Cash flows from financing activities	10,077,433	3,934,793	6,142,640
Net cash flows	**6,232,953**	**1,823,211**	**4,409,742**

Operating Activities – the increase reflects the increase in research activities, plus the one-off costs associated with the capital raising for the IPO in September 2013.

Investing Activities – the increase is for expenditure for equipment for laboratories and reduction in funds on deposit.

Financing Activities – the net amount of $6m is the result of proceeds from the capital raising (net of the IPO expenses), less the convertible notes at December 2012, that were converted to ordinary shares on listing.

Significant changes in state of affairs

There were no significant changes in the Group's state of affairs during the first financial half-year FY14.

Events subsequent to the end of the reporting date

In January 2014, the Company entered into a rental agreement for the fit out of the new offices and laboratories at 25 Bridge St, Pymble, NSW 2073.

In February 2014, the Company incorporated a wholly owned, Singapore subsidiary, called Regeneus South East Asia Pte Ltd, as a vehicle to carry out it's commercial operations.

Auditor's Independence Declaration

A copy of the auditors declaration, as required under Section 307C of the Corporations Act 2001, is included on page 8 of this report.

This report is made in accordance with the director's resolution

John Martin

Executive Chairman

27 February 2014

2. Auditor's Independence Declaration

Grant Thornton

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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 2013, 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

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

N J Bradley
Partner - Audit & Assurance

Sydney, 27 February 2014

3. Consolidated Statement of profit or loss and other comprehensive income

For the half year ended 31 December 2013		
	31-Dec-13 $	31-Dec-12 $
Revenue	782,625	870,106
Cost of sales	(287,748)	(253,601)
Gross profit	494,877	616,505
Other income	86,081	73,753
Research expenses	(3,236,016)	(1,800,448)
Selling expenses	(1,062,624)	(1,118,721)
Corporate expenses	(2,210,876)	(991,182)
Occupancy expenses	(330,639)	(273,479)
Finance costs	(105,580)	(111,181)
Loss before income tax	(6,364,777)	(3,604,753)
Income tax benefit	-	-
Loss for the period	(6,364,777)	(3,604,753)
Other comprehensive income	-	-
Total comprehensive loss for the half year	**(6,364,777)**	**(3,604,753)**

Earnings per share

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

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

4. Consolidated statement of financial position

As at 31 December 2013		
	31-Dec-13 $	30-Jun-13 $
Current assets		
Cash and cash equivalents	6,643,611	410,658
Other financial assets	-	122,926
Trade and other receivables	111,672	26,576
Inventories	268,499	231,057
Current tax assets	-	2,327,288
Other current assets	1,038,527	251,689
Total current assets	8,062,309	3,370,194
Non-current assets		
Property, plant and equipment	619,662	608,563
Intangible assets	37,958	44,677
Loan to Shareholders	1,191,117	-
Total non-current assets	1,848,737	653,240
Total assets	9,911,046	4,023,434
Current liabilities		
Trade and other payables	997,050	1,842,458
Provisions	141,004	149,801
Financial liabilities - convertible notes	-	4,900,000
Total current liabilities	1,138,054	6,892,259
Total liabilities	1,138,054	6,892,259
Net assets	**8,772,992**	**(2,868,825)**
Equity		
Issued capital	23,571,060	6,651,935
Accumulated Losses	(16,600,990)	(11,269,205)
Reserves	1,802,922	1,748,445
Total equity	**8,772,992**	**(2,868,825)**

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 $	Accumulated losses $	Share options reserve $	Total $
Balance at 1 July 2012	6,651,935	(6,145,049)	1,441,804	1,948,690
Loss for the period	-	(3,604,753)	-	(3,604,753)
Other comprehensive income	-	-	-	-
Share options	-	-	214,374	214,374
Shares issued	-	-	-	-
Transfer from reserves to retained earnings	-	31,111	(31,111)	-
Balance at 31 December 2012	**6,651,935**	**(9,718,691)**	**1,625,067**	**(1,441,689)**
Balance at 1 July 2013	6,651,935	(11,269,205)	1,748,445	(2,868,825)
Loss for the period	-	(6,364,777)	-	(6,364,777)
Other comprehensive income	-	-	-	-
Share options	-	-	1,087,469	1,087,469
Issue of ordinary shares (net of transaction costs)	16,919,125	-	-	16,919,125
Transfer from reserves to retained earnings	-	1,032,992	(1,032,992)	-
Balance at 31 December 2013	**23,571,060**	**(16,600,990)**	**1,802,922**	**8,772,992**

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 2013		
	31-Dec-13 $	31-Dec-12 $
Cash flows from operating activities		
Receipts from customers	764,045	972,089
Payments to suppliers and employees	(7,005,805)	(4,599,502)
Interest received	70,507	(9,717)
R&D Tax refund	2,327,288	1,678,689
Finance Costs	(5,208)	-
Net cash (used in) operating activities	**(3,849,173)**	**(1,958,441)**
Cash flows from investing activities		
Receipts from short-term deposit	122,926	-
Purchase of property, plant and equipment	(117,052)	(153,141)
Purchase of intangibles	(1,181)	-
Net cash provided by (used in) investing activities	**4,693**	**(153,141)**
Cash flows from financing activities		
Proceeds from issue of shares - net of costs	10,077,433	-
Proceeds from issue of Convertible Notes	-	3,934,793
Net cash provided by financing activities	**10,077,433**	**3,934,793**
Net change in cash and cash equivalents held	6,232,953	1,823,211
Cash and cash equivalents at beginning of financial year	410,658	528,225
Cash and cash equivalents at end of the half year	**6,643,611**	**2,351,436**

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) principal activities continue to be the development and commercialisation of proprietary stem cell technologies for the creation and manufacture of innovative cellular therapies for human and animal health.

The activities are currently conducted in business units

- Human Health
- Animal Health
- Research and Development

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 2013 and are presented in Australian dollar ($), 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 2013 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 27 February 2014.

7.3 SIGNIFICANT ACCOUNTING POLICIES

The interim financial statements have been prepared in accordance with the accounting policies adopted in the Group's last annual financial statements for the year ended 30 June 2013, except for the application of the following standards as of 1 January 2013:

- AASB 10 Consolidated Financial Statements;
- AASB 13 Fair Value Measurement;
- AASB 119 Employee Benefits (September 2013) and

The effects of applying these standards are described below.

AASB 10 Consolidated Financial Statements

AASB 10 supersedes AASB 127 Consolidated and Separate Financial Statements and Interpretation 112 Consolidation – Special Purpose Entities. AASB 10 revises the definition of control and provides extensive new guidance on its application. These new requirements have the potential to affect which of the Group's investees are considered to be subsidiaries and therefore change the scope of consolidation. The requirements on consolidation procedures, accounting for changes in non-controlling interests and accounting for loss of control of a subsidiary are unchanged.

Management has reviewed its control assessments in accordance with AASB 10 and has concluded that there is no effect on the classification (as subsidiaries or otherwise) of any of the Group's investees held during the period or comparative periods covered by these financial statements.

AASB 13 Fair Value Measurement

AASB 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect which items are required to be fair-valued. AASB 13 applies prospectively for annual periods beginning on or after 1 January 2013. AASB 134 requires particular AASB 13 disclosures in the interim financial statements. The application of AASB 13 did not have a material effect on the financial statements of the Company.

AASB 119 Employee Benefits (September 2013)

AASB 119 makes a number of changes to the accounting for employee benefits, the most significant relating to defined benefit plans. AASB 119:

- eliminates the 'corridor method' and requires the recognition of remeasurements (including actuarial gains and losses) arising in the reporting period in other comprehensive income
- changes the measurement and presentation of certain components of the defined benefit cost. The net amount in profit or loss is affected by the removal of the expected return on plan assets and interest cost components and their replacement by a net interest cost based on the net defined benefit asset or liability
- enhances disclosures, including more information about the characteristics of defined benefit plans and related risks.

The application of AASB 119 did not have a material effect on the financial statements of the Company.

7. Notes to the condensed interim consolidated financial statements

7.4 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 2013.

7.5 SEGMENT REPORTING

Management identifies its operating segments based on the Group's service lines, which represent the main products and services provided by the Group. The Group's three main operating segments are:

- Human Health
- Animal Health
- Research and Development

Each of these operating segments 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 2013, there have been no changes from prior periods in the measurement methods used to determine operating segments and reported segment profit or loss.

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 2013	Human Health 31-Dec-13 $	Animal Health 31-Dec-13 $	R and D 31-Dec-13 $	Total 31-Dec-13 $
Revenue				
From external customers	317,026	113,599	352,000	782,625
Segment revenues	**317,026**	**113,599**	**352,000**	**782,625**
Costs of Goods Sold	129,497	34,856	-	164,353
Direct Salaries	111,177	-	-	111,177
Other Employment Expense	501,220	268,771	1,932,550	2,702,541
Research	1,643	-	1,192,831	1,194,474
Travel and Marketing	137,037	47,974	11,296	196,307
Depreciation	25,551	-	42,334	67,885
Other expenses	31,259	9,228	57,005	97,492
Segment Expenses	**937,384**	**360,829**	**3,236,016**	**4,534,229**
Segment Operating Loss	**(620,358)**	**(247,230)**	**(2,884,016)**	**(3,751,604)**
Segment Assets	**304,402**	**19,943**	**406,989**	**731,334**

6 months to 31st December 2012	Human Health 31-Dec-12 $	Animal Health 31-Dec-12 $	R and D 31-Dec-12 $	Total 31-Dec-12 $
Revenue				
From external customers	386,320	81,786	402,000	870,106
Segment revenues	**386,320**	**81,786**	**402,000**	**870,106**
Costs of Goods Sold	130,460	-	-	130,460
Direct Salaries	84,624	-	-	84,624
Other Employment Expense	362,512	142,492	662,257	1,167,261
Research	2,074	42,480	1,063,225	1,107,779
Travel and Marketing	188,827	48,801	28,237	265,865
Depreciation	18,349	-	30,354	48,703
Other expenses	15,126	12,884	16,375	44,385
Segment Expenses	**801,972**	**246,657**	**1,800,448**	**2,849,077**
Segment Operating Loss	**(415,652)**	**(164,871)**	**(1,398,448)**	**(1,978,971)**
Segment Assets	**272,345**	**40,815**	**205,535**	**518,695**

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-13 $	31-Dec-12 $
Revenues		
Total reportable segment revenues	782,625	870,106
Group revenues	**782,625**	**870,106**
Profit or loss		
Total reportable segment operating Loss	(3,751,604)	(1,978,971)
Employment expense not allocated	(1,495,120)	(788,278)
Travel and Marketing	(132,332)	(132,520)
Occupancy	(221,845)	(193,780)
Overhead	(393,654)	(227,556)
Depreciation and Amortisation	(49,664)	(40,867)
Other expenses not allocated	(98,723)	(31,956)
Group operating loss	**(6,142,942)**	**(3,393,928)**
Grants Income	-	60,000
Interest Received	70,507	9,717
Other Income	21,820	-
Finance Costs	(105,580)	(111,181)
IPO Costs	(208,582)	(169,361)
Group Loss before Tax	**(6,364,777)**	**(3,604,753)**
Assets		
Total reportable segment assets	731,334	518,695
Total reportable non segment assets	9,179,712	3,504,739
Group Assets	**9,911,046**	**4,023,434**

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 Limited) as the numerator, i.e. no adjustments to profits were necessary during the six months period to 31 December 2013 and 2012.

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-13 $	30-Jun-13 $
Basic earnings per share from continuing operations	$(0.04)	$(0.04)
The weighted average number of ordinary shares used as the denominator on calculating the EPS	149,812,347	102,934,566
Diluted Earnings per Share		
Basic earnings per share from continuing operations	$(0.04)	$(0.04)
The weighted average number of ordinary shares used as the denominator on calculating the DEPS	149,812,347	102,934,566

7.7 SHARE CAPITAL

During the first six months of 2013, 12,740,252 shares were issued to satisfy share options previously granted under the Group's employee share option scheme.

Also, on the 10th September the company issued:

- 42,630,000 shares for cash. Each share has the same right to receive dividends and the repayment of capital, and represents one vote at the shareholders' meeting of Regeneus; and
- 25,560,257 shares for the conversion all convertible notes and accrued interest at that date.

Shares issued and authorised are summarised as follows:

Share Capital		
The share capital of Regeneus consists of fully paid ordinary shares. The shares do not have a par value.		
	31-Dec-13 $	30-Jun-13 $
Fully paid shares	6,651,935	6,651,935
New Shares issued during the period (net of transaction costs)	16,919,125	-
	23,571,060	**6,651,935**

Issue costs of $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 (2013: Nil).

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	**1-Jul-10**	**23-Jul-10**	**1-Jan-11**	**21-Feb-11**	**1-Jul-11**
Life of the option	10 years	10 years	10 years	10 years	10 years
Underlying share price	$0.136	$0.136	$0.136	$0.136	$0.28
Expected share price volatility	45%	45%	45%	45%	45%
Risk free interest rate	5.10%	5.10%	5.60%	5.50%	5.30%
Exercise Price	$0.136	$0.136	$0.136	$0.136	$0.28
Weighted average Fair Value of options at grant date	$0.085	$0.085	$0.086	$0.085	$0.18
Dividend yield	0%	0%	0%	0%	0%
Grant date	**25-Jul-11**	**1-Dec-11**	**16-Sep-13**	**4-Dec-13**	
Life of the option	10 years	10 years	5 years	5 years	
Underlying share price	$0.28	$0.28	$0.27	$0.46	
Expected share price volatility	45%	45%	65%	65%	
Risk free interest rate	5.30%	4.50%	3.41%	3.50%	
Exercise Price	$0.28	$0.28	$0.25	$0.25	
Weighted average Fair Value of options at grant date	$0.18	$0.17	$0.16	$0.33	
Dividend yield	0%	0%	0%	0%	

Included under employee benefits expenses in the profit or loss, relating to employee share options is $1,087,469 (Dec 2012; $214,374), and relates, in full, to the value of the employee share option payments at their grant date, expensed over the vesting period.

Share Options granted under the option plans	31-Dec-13 Number	31-Dec-13 Weighted average exercise price ($)	30-Jun-13 Number	30-Jun-13 Weighted average exercise price ($)
Options outstanding at beginning of period	20,283,007	0.141	20,770,067	0.141
Granted	8,450,110	0.250	-	-
Converted	-	-	-	-
Exercised	(12,740,252)	0.119	-	-
Forfeited	-	-	(487,060)	0.143
Granted subsequent to conversion	-	-	-	-
Expired	-	-	-	-
Outstanding at end of period	**15,992,865**	**0.216**	**20,283,007**	**0.141**
Exercisable at end of period	**10,472,342**	**0.208**	**17,714,289**	**0.132**

7. Notes to the condensed interim consolidated financial statements

7.9 DIVIDENDS

No dividends were paid during the period (2012: $nil).

7.10 CONTINGENT LIABILITIES

The group had no contingent liabilities as at 31 December 2013 (December 2012: $264,000).

7.11 EVENTS AFTER THE REPORTING DATE

In January 2014, Regeneus entered into a 2 year rental agreement for the fitout of the new premises at 25 Bridge St, Pymble NSW 2073. This is secured in part by a decreasing cash deposit.

In February 2014, the Company incorporated a wholly owned, Singapore subsidiary, called Regeneus South East Asia Pte Ltd, as a vehicle to carry out it's commercial operations.

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 2013 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 directors:

Chairman ....

John Martin

Dated the 27 day of February 2014

Grant Thornton

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

We have reviewed the accompanying half-year financial report of Regeneus Ltd (the "Company"), which comprises the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the 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 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations 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.

9. Independent Auditor's Review Report

Grant Thornton

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 2013 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.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

N J Bradley
Partner - Audit & Assurance

Sydney, 27 February 2014