

TISSUE REPAIR PTY LTD AND CONTROLLED ENTITIES

ABN 20 158 411 566

**Annual Report
for the Year Ended 30 June 2021**

TISSUE REPAIR PTY LTD AND CONTROLLED ENTITIES
2021 Financial Report

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Directors' Report

The Directors of Tissue Repair Pty Ltd ("the Company") present their report together with the financial statements on Tissue Repair Pty Ltd and Controlled Entities ("the Group") for the year ended 30 June 2021.

Directors

The following persons were directors of Tissue Repair Pty Ltd during the financial year or as at the date of this report:

Tony Charara	Executive Director
Peter Scutt	Non-Executive Director

Information on Directors as at Report Date

Tony Charara (Executive Director)

Tony is a co-founder of Tissue repair. He has been actively involved in the Company's clinical development program, across its two-phase IIB trials, commercialisation strategy and overall operations. Tony is an Investment Banker by background and has extensive experience across early-stage venture assets and in advising technology companies at ANZ Investment Bank, Ord Minnett Securities and JPMorgan in their respective investment banking teams.

Peter Scutt (Non-Executive Director)

Peter is an ex-Senior Managing Director and Partner of Bankers Trust Company, New York. He served on the boards of BT Securities Corporation and BT Futures Corporation, and the Management Committee of Global Sales and Trading. He founded and was Managing Partner of BT Venture Partners, the venture capital arm of Bankers Trust, based in New York City and Menlo Park, California. He has been an early investor, board member and advisor to numerous early stage companies in Australia and US, and has substantial experience founding and managing businesses, restructuring businesses and launching new products. Peter holds a Bachelor of Commerce (Marketing Major) from the University of New South Wales, being recipient of the Hoover award as best graduating student. Peter is a co-founder of NDIS marketplace, Mable.

Company Secretary

Tony Charara

Principal Activities and Strategy

Tissue Repair is a clinical stage biopharmaceutical company developing advanced wound healing drugs targeting applications in chronic wounds and cosmetics / aesthetics.

Dividends

No dividends were paid to members during the financial year (2020: \$Nil).

Directors' Report (Continued)

Review of Operations

The consolidated loss from ordinary activities after providing for income tax amounted to \$915,227 (2020: \$352,214)

The Company raised \$7.5m in a Pre-IPO capital raising round to progress establishment of a broader management and execution team and undertook preparatory API extraction and analytical characterisation work.

The Company also partnered and executed an agreement with contract manufacturer on process development and manufacturing of API for Phase III clinical use and beyond and commenced pilot manufacturing work

Significant Changes in the State of Affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial year.

Matters Subsequent to Balance Date

On 1 August 2021, all classes of shares (previously Class A and Class B) have converted to ordinary shares.

The Company converted from a private company to an unlisted public company on 13 August 2021.

The impact of the Coronavirus (COVID-19) pandemic is ongoing and to date it has not been practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government, the US Government and the Government of other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Other than as outlined above, no other matter or circumstance has arisen since 30 June 2021 that has significantly affected or may significantly affect:

- a) The Company's operations in future financial years; or
- b) The results of those operations in future financial years; or
- c) The Company's state of affairs in future financial years.

Likely Developments and Expected Results of Operations

Information on likely developments in the operations of the Company and the expected results on operations have not been included in the financial statements because the directors believe it could potentially result in unreasonable prejudice to the Company.

Environmental regulation

The Company's operations are not subject to any significant environmental regulation under either Commonwealth or State legislation. The Board considers that adequate systems are in place to manage the Company's obligations and is not aware of any breach of environmental requirements as they relate to the Company.

Directors' Report (Continued)

Options on issue

At the date of this report the company had the following unlisted options on issue:

Date of grant	Number	Exercise price	Expiry date
30/12/2018	562,000	\$4.11	29/12/2022
30/11/2019	244,750	\$7.43	29/11/2023

Directors' Interests

The relevant interest of each Director in the shares and options issued by Tissue Repair at the date of this report is as follows:

Date of grant	Shares	Options
Tony Charara	138,542 Ord Shares	Tranche 1: 477,000
Tony Charara	102,571 Series A Ord Shares	Tranche 2: 100,000
Peter Scutt	98,542 Ord Shares	Tranche 1: 85,000
Peter Scutt	102,571 Series A Ord Shares	Tranche 2: 40,000

Indemnification and Insurance of Officers

During the financial year the Company paid premiums in respect of a contract insuring Directors and Company Secretary of Tissue Repair Pty Ltd and Executive Officers against a liability incurred to the extent permitted by the Corporations Act, 2001. Further disclosure required under section 300(9) of the Corporations Act 2001 is prohibited under the terms of the insurance contract.

Indemnification and Insurance of Auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Shares Issued on the Exercise of Options

No shares were issued during the year on the exercise of options.

Proceedings on behalf of the Company

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

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

Directors' Report (Continued)

Meetings of directors

The numbers of meetings of the Company's board of directors held during the year ended 30 June 2021, and the numbers of meetings attended by each director were:

	Eligible to attend	Attended
Full Meetings of Directors		
Mr Tony Charara	4	4
Mr Peter Scutt	4	4

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 6.

Auditor

Pitcher Partners continues in office in accordance with section 327 of the Corporations Act 2001.

This report is approved in accordance with a resolution of directors.



Tony Charara
Executive Director
12 August 2021

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**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF TISSUE REPAIR PTY LTD
ABN 20 158 411 566**

In relation to the independent audit of Tissue Repair Pty Ltd for the year ended 30 June 2021,
to the best of my knowledge and belief there have been:

- (i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) no contraventions of APES 110 *Code of Ethics for Professional Accountants* (including *Independence Standards*).



S M Whiddett
Partner

Pitcher Partners
Sydney

12 August 2021

Tissue Repair Pty Ltd and Controlled Entities
Consolidated Statement of Profit or Loss and Other
Comprehensive Income
For the year ended 30 June 2021

		2021	2020
	Notes	\$	\$
Revenue from continuing operations			
Income	3	27,576	156
Expenses			
Professional fees		(111,585)	(50,975)
Occupancy		-	(8,500)
Consulting fees		(32,237)	(4,400)
General and administration		(27,425)	(37,155)
Medical Trials		(409,138)	(325,075)
Finance costs		(389,893)	(120)
Share based payments		(38,760)	(22,611)
Employee benefits		(20,555)	-
Other expenses		(65,846)	(52,186)
Loss before income tax		(1,067,863)	(500,866)
Income tax	4	152,636	148,652
Other comprehensive income for the year		-	-
Total comprehensive loss for the year		(915,227)	(352,214)
Loss is attributable to:			
Members of Tissue Repair Pty Ltd		(915,227)	(352,214)

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Tissue Repair Pty Ltd and Controlled Entities
Consolidated Statement of Financial Position
As at 30 June 2021

	Notes	2021 \$	2020 \$
ASSETS			
Current Assets			
Cash and cash equivalents	5	7,763,764	1,146,723
Trade and other receivables		53,976	16,139
Tax assets	4	301,288	148,652
Other assets		5,382	12,502
Total Current Assets		8,124,410	1,324,016
Non-Current Assets			
Other financial assets		-	5,000
Total Non-Current Assets		-	5,000
Total Assets		8,124,410	1,329,016
LIABILITIES			
Current Liabilities			
Trade and other payables		534,438	329,112
Provisions		1,603	-
Total Current Liabilities		536,041	329,112
Non-Current Liabilities			
Borrowings	10	7,500,000	-
Total Non-Current Liabilities		7,500,000	-
Total Liabilities		8,036,041	329,112
Net Assets		88,369	999,904
EQUITY			
Contributed equity	6	3,819,076	3,854,144
Reserves	7	61,371	22,611
Accumulated losses	7	(3,792,078)	(2,876,851)
Capital and reserves attributable to owners of Tissue Repair Pty Ltd.		88,369	999,904
Equity		88,369	999,904

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Tissue Repair Pty Ltd and Controlled Entities
Consolidated Statement of Changes in Equity
For the year ended 30 June 2021

		Contributed equity	Accumulated losses	Share based payment reserve	Total
		\$	\$	\$	\$
2021					
At 30 June 2020		3,854,144	(2,876,851)	22,611	999,904
Total comprehensive Loss for the year		-	(915,227)	-	(915,227)
Costs of capital raising		(35,068)	-	-	(35,068)
Share based payments		-	-	38,760	38,760
At 30 June 2021	6 & 7	3,819,076	(3,792,078)	61,371	88,369
2020					
At 30 June 2019		2,654,144	(2,524,637)	-	129,507
Total comprehensive Loss for the year		-	(352,214)	-	(352,214)
Shares issued		1,200,000	-	-	1,200,000
Share based payments		-	-	22,611	22,611
At 30 June 2020	6 & 7	3,854,144	(2,876,851)	22,611	999,904

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Tissue Repair Pty Ltd and Controlled Entities
Consolidated Statement of Cash Flows
For the year ended 30 June 2021

		2021	2020
	Notes	\$	\$
Cash flows from operating activities			
Payments to suppliers and employees		(853,879)	(847,973)
Research and development tax refund		-	197,953
Interest received		1,183	156
Interest paid		(195)	(120)
Net cash outflow from operating activities	9	(852,891)	(649,984)
Cash flows from investing activities			
Proceeds from investments		5,000	-
Net cash outflow from operating activities		5,000	-
Cash flows from financing activities			
Proceed from share issue		-	1,200,000
Proceeds from borrowings		7,500,000	-
Payments for costs of capital raising		(35,068)	-
Net cash inflow from financing activities		7,464,932	1,200,000
Net increase in cash and cash equivalents		6,617,041	550,016
Cash and cash equivalents at the beginning of the financial year		1,146,723	596,707
Cash and cash equivalents at end of the year	5	7,763,764	1,146,723

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Tissue Repair Pty Ltd and Controlled Entities
Notes to the Financial Statements
For the year ended 30 June 2021

1 Summary of significant accounting policies

These consolidated financial statements and notes represent those of Tissue Repair Pty Ltd (“the Company”) and Controlled Entities (the “Group”). The financial statements were authorised for issue, in accordance with a resolution of directors, on 12 August 2021. The directors have the power to amend and reissue the financial statements.

(a) Basis of preparation

Tissue Repair Pty Ltd is a company limited by shares, incorporated and domiciled in Australia.

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

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

Except for cash flow information, the financial report has been prepared on an accruals basis and is based on historical costs, except for selected financial assets for which the fair value basis of accounting has been applied.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.

(b) Going concern

The financial statements have been prepared on a going concern basis which contemplates the realisation of assets and the settlement of liabilities in the normal course of business.

As disclosed in the financial statements, the Company had a net asset position of \$88,369 as at 30 June 2021, the Company incurred a loss after tax of \$915,227 and had net cash outflows from operating activities of \$852,891 for the year then ended.

The following matters have been considered by directors in determining the appropriateness of the going concern basis of preparation:

- In May 2021, \$7,500,000 was raised via issue of convertible notes that have no obligation for repayment. The convertible notes will automatically convert upon the earliest of the following events:
 - the maturity date, being 31 December 2022;
 - one business day immediately prior to the allotment date of shares as specified in the Prospectus pursuant to an IPO;
 - at least one business day prior to the completion of a trade sale (subject to certain conditions); and
 - an event of default.

Tissue Repair Pty Ltd and Controlled Entities
Notes to the Financial Statements
For the year ended 30 June 2021

1 Summary of significant accounting policies (continued)

(b) Going concern (continued)

- The Company is preparing a Prospectus to raise additional funds on the ASX, funding planned Stage III drug development activities as well as the commercialisation of its aesthetic product.
- The Company can scale down its operations sufficiently (and narrow the scope of its planned activities) should the above ASX listing not occur.

Based on the above, the directors are satisfied that the Company has access to sufficient sources of funding to meet its commitments over the next 12 months, and for that reason the financial statements have been prepared on the basis that the company is a going concern

(c) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Parent entity as at 30 June 2021 and the results of all subsidiaries for the year then ended. The Parent entity and its subsidiaries together are referred to in these financial statements as the Group.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns, its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. A list of controlled entities is contained in Note 15 to the financial statements.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transactions provide evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) Foreign currency translation

(i) Functional and presentation currency

The functional and presentation currency of the Company is Australian dollars.

Foreign currency transactions are translated into the functional currency using the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the end of the reporting period. Foreign exchange gains and losses resulting from settling foreign currency transactions, as well as from restating foreign currency denominated monetary assets and liabilities, are recognised in profit or loss, except when they are deferred in other comprehensive income as qualifying cash flow hedges or where they relate to differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined.

Items included in the financial statements of the Company's operations are measured using the currency of the primary economic environment in which it operates ('the functional currency'). The financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

Tissue Repair Pty Ltd and Controlled Entities
Notes to the Financial Statements
For the year ended 30 June 2021

1 Summary of significant accounting policies (continued)

(e) Foreign currency translation (continued)

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates ruling at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

(f) Revenue recognition

Revenue from contracts with customers

The Company currently has no revenue from the sale of goods or services.

Interest income

Interest income is recognised as interest accrues using the effective interest method. The effective interest method uses the effective interest rates which is the rate that exactly discounts the estimated future cash receipts over the expected future life of the financial asset.

(g) Government grants

(h)

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the profit and loss over the period necessary to match them with the costs that they are intended to compensate.

(i) Borrowings

(i) Classification

Borrowings are categorised as “financial instruments designated at fair value through profit or loss”. The financial liabilities arising from the units must be fair valued.

(ii) Recognition/Derecognition

On initial recognition, all financial instruments are measured at either fair value with transactions costs that are directly attributable to its acquisition and changes in fair value being recognised in the profit and loss.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

(iii) Measurement

Financial liabilities held at fair value through profit or loss are measured initially at fair value, with transaction costs that are directly attributable to its acquisition recognised in the Statement of Profit or Loss. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the Statement of Profit or Loss.

Tissue Repair Pty Ltd and Controlled Entities
Notes to the Financial Statements
For the year ended 30 June 2021

1 Summary of significant accounting policies (continued)

(j) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets are only recognised to the extent that it is probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

(k) Impairment of non-financial assets

At the end of each reporting period the Company assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, recoverable amount is determined and impairment losses are recognised in profit or loss where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Where it is not possible to estimate the recoverable amount for an individual asset, the recoverable amount is determined for the cash generating unit to which the asset belongs.

(l) Cash and cash equivalent

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash on hand and at bank, deposits held at call with financial institutions, other short-term, highly liquid investments with maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

(m) Other receivables

Other receivables are recognised at amortised cost, less any allowance for credit losses.

(n) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Company prior to the year end and which are unpaid. These amounts are unsecured and are usually paid within 30 days of recognition.

(o) Contributed equity

Costs directly attributable to the issue of new shares are shown as a deduction from the equity as a deduction proceeds net of any income tax benefit. Costs directly attributable to the issue of new shares or options associated with the acquisition of a business are included as part of the purchase consideration.

Tissue Repair Pty Ltd and Controlled Entities
Notes to the Financial Statements
For the year ended 30 June 2021

1 Summary of significant accounting policies (continued)

(p) Goods and services tax (GST)

Revenues, expenses and assets are recognised net GST, except where the GST incurred on the purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

(q) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Tissue Repair Pty Ltd, excluding any costs of servicing equity other than ordinary shares, by the weighted number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of ordinary shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(r) Adoption of New and Revised Accounting Standards

The group has adopted all of the new, revised or amending Accounting Standard and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. This includes *AASB 16 Leases* which had no impact on the Group's financial statements.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. There are no expected impacts of pending standards not yet mandatory.

2 Critical accounting estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Tissue Repair Pty Ltd and Controlled Entities
Notes to the Financial Statements
For the year ended 30 June 2021

2 Critical accounting estimates and judgements (continued)

(i) Research and development expenditure

The entity has expensed research and development expenditure incurred during the year, where applicable, as the costs relate to the initial expenditure for research and development of biopharmaceutical products where generation of future economic benefits are not considered certain. It was considered appropriate to expense these research and development costs as they did not meet the criteria to be capitalised under AASB 138 Intangible assets.

(ii) Share based payment transactions

The entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes model taking into account the terms and conditions upon which the instruments are granted. The accounting estimates and assumptions relating to equity-settled shares-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity. Judgment is required in relation to the non-market vesting conditions.

(iii) Borrowings

The entity measures the borrowings at fair value through profit or loss. The inputs and assumptions used in determining the fair value are disclosed in Note 10.

	2021	2020
	\$	\$
3 Other Income		
Interest received	1,183	156
Foreign exchange gains	26,393	-
	27,576	156

4 Income tax

(a) Current tax

Current tax relates to the following:

Opening Balance	(148,652)	(197,953)
CY Income tax payable (refundable)	(152,636)	(148,652)
Refund received	-	197,953
Current tax liability/(asset)	(301,288)	(148,652)

Tissue Repair Pty Ltd and Controlled Entities
Notes to the Financial Statements
For the year ended 30 June 2021

4 Income tax (continued)

(b) Numerical reconciliation of income tax benefit to prima facie tax payable

Loss from continuing operations before income tax expense	(1,067,863)	(500,866)
Tax benefit at the Australian tax rate of 26% (2020: 27.5%)	(277,644)	(137,738)
Permanent differences	10,078	17,547
Tax effect of accounting R&D tax incentive not deductible	(61,397)	(54,677)
Carried forward tax benefit not recognised	139,162	26,216
Total income tax benefit	(189,801)	(148,652)
Timing differences	37,165	-
Current year income tax refundable	(152,636)	(148,652)

(c) Tax losses

Unused tax losses for which no deferred tax asset has been recognised	1,046,249	511,010
Potential tax benefit at 26% (2020:27.5%)	272,025	140,528

5 Cash at bank and in hand	7,763,764	1,146,723
	7,763,764	1,146,723

6 Contributed equity

(a) Share capital

	2021 Shares	2021 \$	2020 Shares	2020 \$
Ordinary Shares Fully Paid	1,638,143	3,819,076	1,638,143	3,854,144

(b) Movements in ordinary share capital

	Number of Shares	Issue price	\$
Opening balance 1 July 2020	1,638,143		3,854,144
Costs of capital raising	-		(35,068)
Closing balance 30 June 2021	1,638,143		3,819,076

The company is currently preparing a prospectus to raise capital and list on the ASX. Accordingly, those costs that have been incurred to balance date that relate to the proposed issuance of shares have been recognised in equity.

Tissue Repair Pty Ltd and Controlled Entities
Notes to the Financial Statements
For the year ended 30 June 2021

6 Contributed equity (continued)

(c) Ordinary shares

Each ordinary shareholder maintains, when present in person or by proxy or by attorney at any general meeting of the Company, the right to cast one vote for each ordinary share held.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

(d) Options

As at the date of the financial statements, the following options over unissued ordinary shares were on issue:

Details	No of options	Issue date	Date of expiry	Conversion price (\$)
Employee options	562,000	30/12/2018	19/12/2022	4.11
Employee options	244,750	30/11/2019	29/11/2023	7.43
Total	806,750			
			2021	2020
Options			No.	No.
Balance at beginning of year			806,750	562,000
Granted during the year			-	244,750
Balance at end of year			806,750	806,750

The weighted average exercise price of options on issue is \$5.12.

The vesting of options is subject to time based milestones and employee service periods. As at 30 June 2021, no options have vested.

(e) Capital risk management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

The capital management policy remains unchanged from the 30 June 2020 Annual Report.

Tissue Repair Pty Ltd and Controlled Entities
Notes to the Financial Statements
For the year ended 30 June 2021

7 Reserves and accumulated losses

	2021	2020
	\$	\$
(a) Reserves		
Total reserves	61,371	22,611

Share based payments reserve

Movements in share based payments reserve were as follows:

Balance 1 July	22,611	-
Transfer to share based payments reserve	38,760	22,611
Balance 30 June	61,371	22,611

(b) Accumulated losses

Movements in accumulated losses were as follows:

Opening accumulated losses	(2,876,851)	(2,524,637)
Loss for the year	(915,227)	(352,214)
Balance 30 June	(3,792,078)	(2,876,851)

(c) Nature and purpose of reserves

The share based payment reserve comprises the cumulative value of employee services received through the issue of shares options. When the option is exercised, the related balance previously recognised in the share based payments reserve is transferred to share capital. When the share options expire, the related balance previously recognised in the share option reserve is transferred to accumulated losses.

8 Commitments

Capital commitments

As at 30 June 2021, the Company has no capital commitments (2020: \$nil).

9 Reconciliation of loss after income tax to net cash outflow from operating activities

	2021	2020
	\$	\$
Loss for the year	(915,227)	(352,214)
Non-cash share based payments	38,760	22,611
Net foreign exchange gains	(26,393)	-
Contingent Liability	60,000	-
<i>Change in operating assets and liabilities</i>		
(Increase) / decrease in trade and other receivables	(173,364)	35,369
Decrease / (increase) in other assets	7,120	(1,553)
Increase / (decrease) in trade and other payables	154,610	(354,197)
Increase in provisions	1,603	-
Net cash outflow from operating activities	(852,891)	(649,984)

Tissue Repair Pty Ltd and Controlled Entities
Notes to the Financial Statements
For the year ended 30 June 2021

10 Fair value measurement

The company measures and recognises its borrowings on a recurring basis.

(a) Fair value hierarchy

AASB 13: Fair value measurement requires the disclosure of fair value information using a fair value hierarchy reflecting the significance of the inputs in making the measurements. The fair value hierarchy consists of the following levels:

- (i) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- (ii) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and
- (iii) inputs for the assets or liabilities that are not based on observable market data (unobservable inputs) (Level 3).

(1) Recognised fair value measurements

The following table presents the Company's liabilities measured and recognised at fair value.

	Level 1	Level 2	Level 3	Total
Liabilities	\$'000	\$'000	\$'000	\$'000
At 30 June 2021				
Convertible Notes	-	-	7,500,000	7,500,000
Total liabilities	-	-	7,500,000	7,500,000

The Convertible Note Deed was entered into in April 2021. The company is required to issue a Convertible Note in favour of the noteholder equal to the payments received. \$7,500,000 was received in total from all noteholders.

Notes will lapse by 31 December 2022 from Issue Date unless conversion takes place or the notes are redeemed in the case of a Trade Sale. The Notes are not interest bearing and the Company will automatically convert the Convertible Notes upon any of the following events;

- (i) On the Maturity Date;*
- (ii) One Business day immediately prior to the allotment date of shares as specified in the Prospectus relating to the IPO;*
- (iii) At least one Business day prior to the completion of a Trade sale, unless in the event that the Trade sale is an all cash transaction and no scrip consideration is issued to any seller, then a Majority of Noteholders may deliver a written notice to the Company electing that the Convertible Notes are redeemed rather than converted upon the closing of the Trade sale.*
- (iv) An event of default*

The Company will also, if the Noteholder elects, convert the Convertible Notes one Business day immediately prior to the allotment date of shares offered under an Equity Capital Raising.

The borrowings included in level 3 of the hierarchy is the amount of the convertible notes based on their fair value as at the end of the reporting period.

Tissue Repair Pty Ltd and Controlled Entities
Notes to the Financial Statements
For the year ended 30 June 2021

10 Fair value measurement (continued)

(1) Fair value measurements using significant unobservable inputs (level 3)

During April 2021, the Company issued 7,500,000 convertible notes for a total consideration of \$7,500,000. There were no fair value movements in the convertible notes from the date of issue to 30 June 2021.

(i) Valuation inputs and relationships to fair value

In determining the fair value of the convertible notes, the Company used inputs including volatility of comparable companies, risk free interest rate most appropriate to the Company and the conversion discount range taking into consideration all conversion factors inherent to the convertible notes. The fair value of the convertible notes includes making judgements as to the probability of occurrence and timing of an exit event and the ability of the Company to continue as a going concern.

(ii) Description of significant unobservable inputs to valuation

The fair value estimation of Convertible Notes is undertaken using a Monte Carlo Simulation. The significant unobservable inputs used in the Monte Carlo Simulation, as at 30 June 2021 are show below.

Unobservable Inputs	Value
Volatility	86%
Risk free rate	0.13%
Conversion Discount rate	20% - 30%

(iii) Sensitivity of level 3 fair value measurements to changes in unobservable inputs

The significant unobservable input and judgement used in the fair value measurement of the Group's Convertible Notes is the probability of occurrence and timing of an exit event (IPO, Trade sale, capital raise) versus the ability of the Company to continue as a going concern.

A fair value adjustment will be recognised in the profit and loss at conversion, which varies depending on the timing of an exit event, which are estimated below:

	Expense
(a) If the Group achieves an exit event before 28 February 2022, the convertible notes convert at a 20% discount	\$1,500,000
(b) If the Group achieves an exit event after 28 February 2022 but before 31 December 2022, the convertible notes convert at a 25% discount	\$1,875,000
(c) If the convertible notes convert on maturity date or 31 December 2022, they convert at a 30% discount	\$2,250,000

Tissue Repair Pty Ltd and Controlled Entities
Notes to the Financial Statements
For the year ended 30 June 2021

11 Financial risk management

(a) Financial risk management

The Company's financial instruments consist mainly of deposits with banks, other receivables and payables.

The directors' overall risk management strategy seeks to assist the Company in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

The Company does not speculate in financial assets.

Credit risk

The Company is currently not selling product or services and has no customer risk at present.

With respect to credit risk arising from other financial assets of the Company, which comprise cash and cash equivalents, the Company's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

Since the Company trades only with recognised third parties, there is no requirement for collateral security.

The maximum exposure to credit risk at balance date is as follows:

	2021	2020
	\$	\$
Cash and cash equivalents	7,763,764	1,146,723
Trade and other receivables	355,264	164,791
	8,119,028	1,311,514

To deal with credit risk the Company deposits funds with tier 1 banks. Receivables risk is low as all receivables are due from government.

Liquidity risk

The Company's policy is to maintain a comfortable level of liquidity through the continual monitoring of cash reserves and the raising of additional capital as required.

(b) Financial instrument composition and maturity analysis

The table below reflects the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity as well as management's expectations of the settlement period of all other financial instruments. As such, the amounts may not reconcile to the Statement of Financial Position.

Tissue Repair Pty Ltd and Controlled Entities
Notes to the Financial Statements
For the year ended 30 June 2021

11 Financial risk management (continued)

(b) Financial instrument composition and maturity analysis (continued)

	Within 1 year		1 to 5 years		Over 5 years		Total	
	2021 \$	2020 \$	2021 \$	2020 \$	2021 \$	2020 \$	2021 \$	2020 \$
<i>Financial liabilities - due for payment:</i>								
Trade and other payables	534,438	329,112	-	-	-	-	534,438	329,112
Provisions	1,603	-	-	-	-	-	1,603	-
Borrowings	-	-	7,500,000*	-	-	-	7,500,000	-
Total contractual outflows	536,041	329,112	7,500,000*	-	-	-	8,036,041	329,112
Cash and cash equivalents	7,763,764	1,146,723	-	-	-	-	7,763,764	1,146,723
Other receivables	355,264	164,791	-	-	-	-	355,264	164,791
Total anticipated inflows	8,119,028	1,311,514	-	-	-	-	8,119,028	1,311,514
Net inflow / (outflow) on financial instruments	7,582,987	982,402	(7,500,000)*	-	-	-	82,987	982,402

* Convertible notes terms are such that settlement will be by issuance of new shares and not payment of cash.

(c) Net fair values

The net fair value of assets and liabilities approximates their carrying value. No financial assets and liabilities are readily traded on organised markets in standardised form.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the Statement of Financial Position and notes to the financial statements.

(d) Market risk

Foreign currency risk

The Company undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange fluctuations.

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

Tissue Repair Pty Ltd and Controlled Entities
Notes to the Financial Statements
For the year ended 30 June 2021

13 Earnings per share

	2021	2020
	Cents	Cents
Basic loss per share (cents per share)	(0.56)	(0.22)
Diluted loss per share (cents per share)	(0.56)	(0.22)
Weighted average number of shares		
Basic earnings per share calculation	(0.56)	(0.23)
Diluted earnings per share calculation	(0.56)	(0.23)
Loss for the period used in earnings per share		
From continuing operations	(915,227)	(352,214)

14 Related party transactions

(a) Key management personnel

The total remuneration paid to key management personnel of the Company during the year is as follows:

	2021	2020
	\$	\$
Short-term employee benefits	-	-
Post-employment benefits	-	-
Share based payments	28,623	22,611
	28,623	22,611

(b) Transactions with other related parties

There were no transactions that took place to or from other related parties at the current and previous reporting date.

15 Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1(c).

		2021	2020
	Country of Incorporation	%	%
Parent Entity			
Tissue Repair Pty Ltd	Australia		
Controlled Entities			
TR Therapeutics Incorporated	United States of America	100%	100%

Tissue Repair Pty Ltd and Controlled Entities
Notes to the Financial Statements
For the year ended 30 June 2021

16 Parent Entity Disclosures

	2021	2020
The individual financial statements for the parent entity show the following aggregate amounts:	\$	\$
<i>Statement of Financial Position</i>		
Current assets	8,124,410	1,324,016
Non-current assets	-	5,000
Total assets	<u>8,124,410</u>	<u>1,329,016</u>
Current liabilities	536,041	329,112
Non-current liabilities	7,500,000	-
Total liabilities	<u>8,036,041</u>	<u>329,112</u>
Net Assets	<u>88,369</u>	<u>999,904</u>
Shareholders' equity		
Contributed equity	3,819,076	3,854,144
Reserves	61,371	22,611
Accumulated losses	<u>(3,792,078)</u>	<u>(2,876,851)</u>
Total equity	<u>88,369</u>	<u>999,904</u>
Net loss for the year after tax	<u>(915,227)</u>	<u>(352,214)</u>
Total Comprehensive Loss	<u>(915,227)</u>	<u>(352,214)</u>

17 Events subsequent to balance date

On 1 August 2021, all classes of shares (previously Class A and Class B) have converted to ordinary shares.

The Company plans to convert from a private company to an unlisted public company on 13 August 2021.

The impact of the Coronavirus (COVID-19) pandemic is ongoing and to date it has not been practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government, the US Government and the Government of other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Other than as outlined above, no other matter or circumstance has arisen since 30 June 2021 that has significantly affected or may significantly affect:

- a) The Company's operations in future financial years; or
- b) The results of those operations in future financial years; or
- c) The Company's state of affairs in future financial years.

18 Company details

Corporate Head Office and Principal Place of Business

Level 10, 255 Pitt Street
 SYDNEY, NSW 2000

Tissue Repair Pty Ltd and Controlled Entities
Notes to the Financial Statements
For the year ended 30 June 2021

DIRECTORS' DECLARATION

The directors of the Tissue Repair Pty Ltd declare that:

1. In the directors opinion, the consolidated financial statements and notes thereto, as set out on pages 7 to 25, are in accordance with the Corporations Act 2001, including:
 - (a) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
 - (b) giving a true and fair view of the consolidated entity's financial position as at 30 June 2021 and performance for the year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Tony Charara
Executive Director
12 August 2021

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF TISSUE REPAIR PTY LTD
ABN 20 158 411 566****Report on the Audit of the Financial Report***Opinion*

We have audited the financial report of Tissue Repair Pty Ltd, ("the Company") and its controlled entity ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1(b) Going Concern in the financial report, which indicates that the Group had a net asset position of \$88,369 as at 30 June 2021, the Company incurred a loss after tax of \$915,227 and had net cash outflows from operating activities of \$852,891 for the year then ended. As stated in Note 1(b), these events or conditions, along with other matters as set forth in Note 1(b), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

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

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Auditor's Responsibilities for the Audit of the Financial Report (Continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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



Scott Whiddett
Partner



Pitcher Partners
Sydney

13 August 2021