

ReNerve Limited

ABN 23 614 848 216

Annual Report - 30 June 2024

ReNerve Limited
Corporate directory
30 June 2024

Directors	Mr Reginald Stephen Cooper – Independent Chairman & Director Dr Michael Panaccio – Independent Non-Executive Director Dr Julian Chick – Director & Chief Executive Officer Dr David Rhodes – Executive Director & Chief Scientific Officer
Company secretary	Mr David Lilja
Registered office	DLK Advisory Pty Ltd, Level 10, 99 Queen Street Melbourne, 3000, Australia
Principal place of business	157 Heidelberg Road Northcote VIC 3070, Australia
Auditor	William Buck Level 20, 181 William Street Melbourne VIC 3000, Australia
Solicitors	Cornwalls Level 10, 114 William Street Melbourne VIC 3000, Australia
Bankers	ANZ Ground Floor, 55 Collins Street Melbourne VIC 3000, Australia Bendigo Bank The Bendigo Centre Bendigo VIC 3550, Australia
Website	https://renerve.com.au

ReNerve Limited
Directors' report
30 June 2024

The directors of ReNerve Limited (referred to hereafter as the 'company') present their report, together with the financial statements for the year ended 30 June 2024.

Directors

The following persons were directors of the company during the whole of the financial year and up to the date of this report, unless otherwise stated:

Mr Reginald Stephen Cooper – Independent Chairman & Director
Dr Michael Panaccio – Independent Non-Executive Director
Dr Julian Chick – Director & Chief Executive Officer
Dr David Rhodes – Executive Director & Chief Scientific Officer

Principal activities

ReNerve has FDA market clearance and is selling its NervAlign® Nerve Cuff product in the US market. ReNerve aims to develop its portfolio of medical devices used in the repair and/or replacement of damaged peripheral nerves, with three further products at various stages of development:

- a) The NervAlign® Nerve Guide Matrix
- b) The NervAlign® Nerve Conduit
- c) The NervAlign® Bionic Replacement Nerve

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Review of operations

The loss for the company after providing for income tax amounted to \$2,984,945 (30 June 2023: \$1,803,277).

During the 2024 financial year the company has continually refined its local sales agent partnered distribution model in the US, principally relying on third party distributors and minimizing fixed cost exposures. While the first half of the year saw the company appoint over 15 distributors covering 20 states, sales results were mixed, with some distributors underperforming. Post the US summer, ReNerve has moved to focusing its resources on five key states that are characterized by high population numbers, well established nerve repair hospital systems and surgeons who specialize in nerve repair: California, Texas, The Carolinas area, New York (and surrounding areas) and Indiana (Midwest). In each of these territories, the company is looking to build its presence in one or more of the local leading hospital systems, which will provide a reference group for surrounding surgeons and hospitals.

During the year, ReNerve approached its 100th surgical procedure involving implantation of the NervAlign® Nerve Cuff, with the majority in hand and wrist patients. The product's growing surgical acceptance is underpinned by very positive patient outcomes, reinforced by the positive feedback we have received from surgeons about the product's handling characteristics in surgery and the benefits for patients.

ReNerve is supporting a number of investigative clinical studies exploring the utility of the NervAlign® Nerve Cuff. ReNerve has started an initial clinical study using the NervAlign® Nerve Cuff in the protection of the nerve and surrounding tissue post breast surgery. The goal will be to explore the potential of the Nerve Cuff in protecting against axillary web syndrome ("cording"). In conjunction with the breast surgeon, ReNerve will explore the use of the Nerve Cuff for the prevention of cording as well as post-surgical treatment of patients with existing cording issues, particularly where the hardened scar tissue resulting from the initial procedure is being removed. The company will be looking to publish the study data.

Another study is exploring the use of the NervAlign® Nerve Cuff in foot and ankle neurectomy cases, such as Tarsal Tunnel cases. The purpose of this series of cases will be to illustrate the utility of the NervAlign® Nerve Cuff and its impact, if any, on reducing patient post-operative pain and promoting recovery. The first cases were performed in November and the patients are recovering well. The company will work with the surgeons to publish the data, with a view to writing a white paper on the treatment of foot and ankle nerves.

For the 2025 financial year ReNerve will continue to build product use, access patient outcomes and surgeon feedback as well as supporting sales with publications. The surgical feedback on the NervAlign® Nerve Cuff to date is very positive, giving ReNerve a strong basis from which to grow sales.

The focus for R&D in the 2024 financial year was the NervAlign® Nerve Graft (Nerve Guide Matrix) program. During the year the program reached several key milestones. These include:

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- Held a meeting with the FDA and was provided with clear guidelines for ReNerve's future application for FDA approval for the Nerve Guide Matrix product.
- Entered an outsourced manufacturing partnership with Collagen Solutions. This has four stages, the first stage, now complete, was finalising various aspects of the 'finished' product and its production process including process technical transfer, including how it will be packaged, and the type of final material (fresh vs dried); stage two being implementing design and development into manufacturing processes, stage three being verification of manufacturing procedures and production of initial products and stage four being validation production and GMP production and final testing ahead of the FDA submission.
- Received highly encouraging results from additional sheep studies, which has allowed further refining of the Nerve Guide Matrix technology and will provide supporting data for clinical use.

Completing the first stage of the Collagen Solutions program has allowed ReNerve to contemplate additional products that could be based off ReNerve's existing product portfolio. This would allow ReNerve to build a more comprehensive portfolio of products in the peripheral nerve repair market, enhancing the market competitiveness of our NervAlign® Nerve Cuff and Nerve Guide Matrix products.

ReNerve heads into the 2025 financial year with a goal of commencing the development of production processes to establish GMP manufacturing for its NervAlign® Nerve Guide matrix program. This will allow ReNerve to commence data collection for the FDA submission. Although the advice ReNerve obtained indicates a clinical study is not required for submission, with clinical material ReNerve can work with surgeons on a 'special access' program to get initial use of the Nerve Guide matrix product in patients. ReNerve would look to use this data for publications and presentations around the time of product launch.

During the 2024 financial year ReNerve also successfully produced prototypes of the NervAlign® Nerve Conduit and is currently developing production equipment for scalability. The Nerve Conduit extends from ReNerve's safe and effective Nerve Cuff technology and ReNerve aims to aggressively take this program forward with the aim of receiving regulatory clearance for the NervAlign® Nerve Conduit as soon as possible,

Significant changes in the state of affairs

In July 2023, the company issued a second tranche of 150,000 shares to Emerging Surgical, a San Diego based company, in lieu of cash payment for sales and marketing activities in the USA.

In July 2023, the company issued shares in lieu of cash payment to three Scientific Advisory Board members, as part payment for their services and consultancy activities, in which 300,000 shares were issued.

In December 2023, the company issued shares in lieu of cash payment to another Scientific Advisory Board member, as part payment for their services and consultancy activities, in which 150,000 shares were issued.

In December 2023, ReNerve completed a successful capital raise of \$905,000 before costs via a Convertible Note, to fund the progression of the Nerve Guide Matrix project, support the Company's marketing program for the NervAlign® Nerve Cuff and address working capital requirements. The company received the proceeds of the capital raise between December 2023 and January 2024.

The terms of the Convertible Notes provide that the Convertible Notes will convert into Shares on an IPO of shares in ReNerve. Pursuant to the terms of the Convertible Notes, the conversion price will be a 20% discount to the IPO Offer Price.

In February 2024, the company issued shares in lieu of cash payment to four Scientific Advisory Board members, as part payment for their services and consultancy activities, in which 300,000 shares were issued.

In March 2024 the company entered into a new sales agent and market development agreement with Emerging Surgical. As part of this agreement, Emerging Surgical agreed to be issued shares in lieu of cash payment for sales activities. The first tranche of 272,725 shares was issued on 26 March 2024

On 2 May 2024, ReNerve submitted in-principle advice application with ASX to commence the process of listing the company. ASX has assessed that ReNerve has the structure and operations suitable for a listed entity.

There were no other significant changes in the state of affairs of the company during the financial year.

Matters subsequent to the end of the financial year

In July 2024, a total pool of 150,000 options were granted to several employees at an exercise price of \$0.35 per option, for an estimated fair value of \$20,667, which was determined using a Black-Scholes option valuation model.

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Further, in July 2024, the company issued shares in lieu of cash payment to four Scientific Advisory Board members, as part payment for their services and consultancy activities, in which 300,000 shares were issued.

Per the sales agent and market development agreement with Emerging Surgical in March 2024, the company issued the second tranche of 272,725 shares on 1 July 2024.

In August 2024, the company issued shares in lieu of cash payment to a new Scientific Advisory Board member, as part payment for their services and consultancy activities, in which 150,000 shares were issued.

In September 2024, a total pool of 600,000 options were granted to several employees at an exercise price of \$0.35 per option, for an estimated fair value of \$82,297, which was determined using a Black-Scholes option valuation model.

Further, in September 2024, ReNerve raised a further \$755,000 before costs via a Convertible Note, to fund the progression of the Nerve Guide Matrix project, support the Company's marketing program for the NervAlign® Nerve Cuff and address working capital requirements.

The terms of the Convertible Notes are the same as those issued in December 2023 providing that the Convertible Notes will convert into Shares on an IPO of shares in ReNerve. Pursuant to the terms of the Convertible Notes, the conversion price will be a 20% discount to the IPO Offer Price.

No other matter or circumstance has arisen since 30 June 2024 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Likely developments and expected results of operations

The company's key milestones in the coming 12 to 24 months are expected to be:

- Growth in sales of the NervAlign® Nerve Cuff in the USA .
- New sales and marketing partnerships outside of the US for the Nerve Cuff
- NervAlign® Nerve Cuff clinical case publications
- Scale manufacture and progression of the NervAlign® Nerve Conduit project into formal studies for FDA filing
- FDA Clearance of Nerve Conduit
- Progression of the NervAlign® Nerve Guide Matrix (NGM) project into formal studies for FDA filing
- Further research and development in relation to the NervAlign® Bionic Replacement Nerve

The company will continue to progress its NervAlign® Nerve Guide Matrix program. The technology is based on proprietary methods for preparation of novel nerve scaffolds and will initially target repair of discontinuities in nerves with diameters in the 1mm to 5mm range. In partnership with Collagen Solutions, ReNerve has successfully transferred its development process and completed an initial product production run. It has also held a meeting with its surgeon advisory group on the final product, resulting in a clear understanding of the characteristics of the final product. The next step for ReNerve will be to progress the project to clinical grade product and scale manufacturing of the nerve guide matrix.

The company intends to progress its NervAlign® Nerve Conduit program during the year. Activities include, in order:

- Manufacturing process development for scale production of Conduit
- Packaging development and validations
- Bench testing of products from validation batches including for strength and suture holding
- Animal (rat) study in gap repair
- FDA filing

ReNerve will continue to aim to grow its revenue through sales of the NervAlign® Nerve Cuff product as well as building its product portfolio through research and development. The company continues to establish relationships with US distributors that will assist with product promotion and distribution. The company will also be aiming to enter other markets. In expanding into additional countries and territories the company will aim to work with local distributors.

Environmental regulation

The company is not subject to any significant environmental regulation under Australian Commonwealth or State law.

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Information on directors

Name: Reginald Stephen Cooper
Title: Independent Chairman & Non-Executive Director
Qualifications: BCom (Hons)
Experience and expertise: Mr Stephen Cooper is a director of Grant Samuel, a leading independent Australian investment banking business. Stephen has over 25 years of experience in investment banking and has been responsible for numerous corporate advisory assignments including public company takeovers, mergers, business sales and acquisitions, schemes of arrangement, capital raisings and business valuations. He has served as the chairman of an ASX-listed biotechnology company Avexa.

Other current directorships: N/A
Former directorships (last 3 years): N/A
Interests in shares: 9,485,000 ordinary shares
Interests in options: NIL

Name: Dr Michael Panaccio
Title: Independent Non-Executive Director
Qualifications: BSc (Hons), MBA, PhD
Experience and expertise: Michael is one of the founders of Starfish Ventures, a venture capital firm that invests in early-stage technology companies and plays an active role in the management of its portfolio. Michael has been a director of numerous technology businesses in Australia and the USA including SIRTEx Medical Ltd, Engana Pty Ltd (now part of Finisar Corporation), Energy Response (sold to EnerNoc Inc), ImpediMed Ltd, and Protagonist Therapeutics Inc. He currently serves on the boards of dorsaVi Ltd, Armaron Bio Ltd, and Cylite Pty Ltd.

Other current directorships: dorsaVi (ASX:DVL)
Former directorships (last 3 years): N/A
Interests in shares: 3,562,250 ordinary shares
Interests in options: NIL

Name: Dr Julian Chick
Title: Director & Chief Executive Officer
Qualifications: BSc, PhD
Experience and expertise: Julian is an experienced healthcare executive with over 25 years of experience in senior management and board positions including in ASX listed companies Avexa and Admedus. His roles have included Chief Executive Officer, COO, Head of Business Development, as well as running early and late-stage R&D projects. Julian has launched medical devices into the global markets. Julian while COO at Admedus Ltd was involved in the R&D development, regulatory approval, and launch of several tissue products in North America, Europe, and Asia. He has 10 years of investment banking experience and has also held a role as an analyst reviewing healthcare and biotechnology investment opportunities for private equity investors and venture capitalists. Julian has a PhD in Muscle Physiology.

Other current directorships: Cann Group (ASX:CAN), LTR Pharma (ASX:LTP)
Former directorships (last 3 years): N/A
Interests in shares: 13,125,000 ordinary shares
Interests in options: NIL

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Name: Dr David Rhodes
Title: Director & Chief Scientific Officer
Qualifications: PhD
Experience and expertise: David has more than 24 years of experience in healthcare and biotechnology industries, where he has held numerous senior management and executive level roles and developed technologies through to market approval. Previous roles include Chief Scientific Officer of the medical devices company Admedus Ltd, Senior Executive and Head of Drug Discovery, and Senior Vice President Biology at Avexa Ltd. Admedus and Avexa were all ASX listed companies.

David has successfully led diverse technology development programs from discovery through preclinical stages, manufacturing and commercialisation and has attracted significant levels of funding from many State and Federal Government initiatives and Research Institute programs. He publishes in high-impact peer-reviewed journals and is an inventor on numerous patents. David is an Adjunct Associate Professor in the Faculty of Engineering at Monash University. David has a PhD in Biochemistry.

Other current directorships: N/A
Former directorships (last 3 years): N/A
Interests in shares: 11,527,500 ordinary shares
Interests in options: NIL

Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Former directorships (last three years) quoted above are directorships held in the last three years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretary

David Lilja (Appointed 27 August 2020)

David Lilja (B.Bus, MBA, CTA, MIPA) is a qualified accountant and experienced company secretary with over 20 years' experience within the professional services industry working across a wide range of industries. David supplies his services through his firm, DLK Advisory, which provides a breadth of support to its clients including outsourced CFO and Company Secretary services.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2024, and the number of meetings attended by each director, were:

	Attended	Held
Reginald Stephen Cooper	9	9
Michael Panaccio	9	9
Julian Chick	9	9
David Rhodes	9	9

Held: represents the number of meetings held during the time the director held office.

Shares under option

Unissued ordinary shares of ReNerve Limited under option at the date of this report are as follows:

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Grant date	Expiry date	Exercise price	Number under option
25/03/2022	25/03/2025	\$0.40	750,000
25/03/2022	25/03/2025	\$0.50	750,000
15/06/2023	15/06/2026	\$0.50	250,000
15/06/2023	15/06/2026	\$0.40	250,000
17/04/2023	17/04/2028	\$0.25	60,000
17/04/2023	17/04/2028	\$0.25	40,000
			<u>2,100,000</u>

During the year ended 30 June 2024, the company did not grant any new options. A total of 1,000,000 advisor options previously issued expired during the year.

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.

Auditor

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

There were no non-audit services provided during the financial year by the auditor.

William Buck continues in office in accordance with section 327 of the Corporations Act 2001.

There are no officers of the company who are former partners of William Buck.

There were no non-audit services provided during the financial year by the auditor.

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



8 October 2024

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the directors of ReNerve Limited

As lead auditor for the audit of ReNerve Limited for the year ended 30 June 2024, I declare that, to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

William Buck

William Buck Audit (Vic) Pty Ltd

ABN 59 116 151 136



N. S. Benbow

Director

Melbourne, 8 October 2024

ReNerve Limited

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General information

The financial statements cover ReNerve Limited as an entity. The financial statements are presented in Australian dollars, which is ReNerve Limited's functional and presentation currency.

ReNerve Limited is a public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office

DLK Advisory Pty Ltd, Level 10, 99 Queen Street
Melbourne, 3000, Australia

Principal place of business

157 Heidelberg Road
Northcote VIC 3070, Australia

A description of the nature of the company's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 8 October 2024. The directors have the power to amend and reissue the financial statements.

ReNerve Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2024

	Note	2024 \$	2023 \$
Revenue			
Sales	4	177,373	128,494
Purchase of inventories		(178,621)	-
Movement in inventories		177,998	-
Total cost of sales		<u>(623)</u>	<u>-</u>
Gross profit		<u>176,750</u>	<u>128,494</u>
Other income	5	<u>421,662</u>	<u>399,870</u>
Expenses			
Administration expenses		(642,951)	(605,563)
Depreciation and amortisation expense		(150,337)	(146,242)
Employee benefits expense	6	(1,110,389)	(854,681)
Finance costs		(290,246)	(6,965)
Marketing		(443,778)	(338,378)
Professional fees		(174,188)	(82,017)
Research and development expenses		<u>(771,468)</u>	<u>(297,795)</u>
Loss before income tax expense		(2,984,945)	(1,803,277)
Income tax expense		<u>-</u>	<u>-</u>
Loss after income tax expense for the year attributable to the owners of ReNerve Limited		(2,984,945)	(1,803,277)
Other comprehensive income for the year, net of tax		<u>-</u>	<u>-</u>
Total comprehensive loss for the year attributable to the owners of ReNerve Limited		<u><u>(2,984,945)</u></u>	<u><u>(1,803,277)</u></u>
		Cents	Cents
Basic earnings per share	21	(3.15)	(2.04)
Diluted earnings per share	21	(3.15)	(2.04)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

ReNerve Limited
Statement of financial position
As at 30 June 2024

	Note	2024 \$	2023 \$
Assets			
Current assets			
Cash and cash equivalents		711,909	1,679,480
Trade and other receivables	7	437,192	400,123
Inventories	8	177,998	-
Term deposit		-	511,552
Prepayments		10,959	14,239
Monies held in trust	9	80,349	81,425
Total current assets		<u>1,418,407</u>	<u>2,686,819</u>
Non-current assets			
Plant and equipment		29,281	90,958
Right-of-use assets		20,709	101,929
Intangibles		6,978	9,439
Rental security deposit		44,165	44,165
Total non-current assets		<u>101,133</u>	<u>246,491</u>
Total assets		<u>1,519,540</u>	<u>2,933,310</u>
Liabilities			
Current liabilities			
Trade and other payables	10	168,466	62,455
Accrued expenses		37,437	17,764
Employee benefits	11	252,258	152,907
Lease liabilities		21,835	83,093
Convertible notes	12	1,192,680	-
Total current liabilities		<u>1,672,676</u>	<u>316,219</u>
Non-current liabilities			
Lease liabilities		-	21,835
Employee benefits	11	23,036	21,028
Total non-current liabilities		<u>23,036</u>	<u>42,863</u>
Total liabilities		<u>1,695,712</u>	<u>359,082</u>
Net assets/(liabilities)		<u>(176,172)</u>	<u>2,574,228</u>
Equity			
Issued capital	13	8,076,928	7,842,383
Reserves		202,703	294,034
Accumulated losses		(8,455,803)	(5,562,189)
Total equity/(deficiency)		<u>(176,172)</u>	<u>2,574,228</u>

The above statement of financial position should be read in conjunction with the accompanying notes

ReNerve Limited
Statement of changes in equity
For the year ended 30 June 2024

	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2022	5,700,233	230,109	(3,758,912)	2,171,430
Loss after income tax expense for the year	-	-	(1,803,277)	(1,803,277)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(1,803,277)	(1,803,277)
Contributions of equity, net of transaction costs	2,067,150	-	-	2,067,150
Vesting charge for share based payments	75,000	63,925	-	138,925
Balance at 30 June 2023	<u>7,842,383</u>	<u>294,034</u>	<u>(5,562,189)</u>	<u>2,574,228</u>
	Issued capital \$	Reserves \$	Accumulated losses \$	Total deficiency in equity \$
Balance at 1 July 2023	7,842,383	294,034	(5,562,189)	2,574,228
Loss after income tax expense for the year	-	-	(2,984,945)	(2,984,945)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(2,984,945)	(2,984,945)
Contributions of equity, net of transaction costs	234,545	-	-	234,545
Expiry of advisor options	-	(91,331)	91,331	-
Balance at 30 June 2024	<u>8,076,928</u>	<u>202,703</u>	<u>(8,455,803)</u>	<u>(176,172)</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

ReNerve Limited
Statement of cash flows
For the year ended 30 June 2024

	Note	2024 \$	2023 \$
Cash flows from operating activities			
Cash receipts from customers		125,086	19,011
Payments to suppliers and employees		(2,803,446)	(2,095,421)
Interest received		45,102	27,271
Receipts from research and development grant credits		340,410	545,650
Government grants and incentives		-	32,613
		<u> </u>	<u> </u>
Net cash used in operating activities	19	<u>(2,292,848)</u>	<u>(1,470,876)</u>
Cash flows from investing activities			
Payments for plant and equipment		(4,980)	(43,094)
Payments for intangibles		-	(2,742)
Proceeds from / (payments for) term deposits		511,552	(511,552)
		<u> </u>	<u> </u>
Net cash from/(used in) investing activities		<u>506,572</u>	<u>(557,388)</u>
Cash flows from financing activities			
Proceeds from issue of shares	13	-	2,205,000
Payments from the issue of convertible notes	12	905,000	-
Share issue transaction costs		-	(137,850)
Repayment of lease liabilities		(86,295)	(69,592)
		<u> </u>	<u> </u>
Net cash from financing activities		<u>818,705</u>	<u>1,997,558</u>
Net decrease in cash and cash equivalents		(967,571)	(30,706)
Cash and cash equivalents at the beginning of the financial year		<u>1,679,480</u>	<u>1,710,186</u>
Cash and cash equivalents at the end of the financial year		<u><u>711,909</u></u>	<u><u>1,679,480</u></u>

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Material accounting policy information

The accounting policies that are material to the company are set out below. The accounting policies adopted are consistent with those of the previous financial year, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the company.

The following Accounting Standards and Interpretations are most relevant to the company:

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention modified by the revaluation of select financial liabilities.

Comparative figures

Where required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current period.

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.

Revenue recognition

The company recognises revenue as follows:

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Government grants

Government grants are recognised in the profit or loss on a systematic basis over the periods in which ReNerve recognises, as expenses, the related costs for which the grants are intended to compensate.

R&D tax offset receivable

For financial reporting purposes, the R&D tax offset is analogised as other income see note 5 A credit will be recognised within other income when there is reasonable assurance that R&D tax offset will be received and conditions will be complied with.

Inventories

Finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Note 1. Material accounting policy information (continued)

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Note 2. Critical accounting judgements, estimates and assumptions

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.

Recognition of convertible notes

The company has issued convertible notes with variable conversion entitlements, which are treated as an embedded derivative. In line with accounting standards, the embedded derivative is separated from the host contract. Upon initial recognition, the host contract and embedded derivative are measured at fair value. Given the complexity and lack of market-observable inputs, the fair value has been classified within the Level 3 hierarchy. The directors have assessed the fair value of the instrument, in the absence of observable market information, at the face value of the notes.

The details of the fair valuation model applied and inputs used are set out in note 12.

Non-recognition of carry forward tax losses

The balance of future income tax benefit arising from the current financial year tax losses and timing differences have not been recognised as an asset because it is not clear when the losses will be recovered. The cumulative future income tax benefit estimated has not been recognised as an asset, will only be obtained if:

- the company derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised;
- the company continues to comply with the conditions for deductibility imposed by law; and
- no changes in tax legislation adversely affecting the company realising the benefit.

Lodgement of R&D claims

Over the past 4 years, the entity has successfully claimed for and receipted cash from the Australian Taxation Office in-respect of credits for its research and development program. Under this program, the ATO has the right, extending back 4 tax years to investigate, audit and potentially clawback these claims in the event that they fail to meet the necessary criteria as established under the research and development credit claim legislation and regulations. It is the directors' view that there is no probable likelihood that any potential action may take place based upon the following reasons:

- Upon submission of the claim, the ATO and AusIndustry conduct an overall desktop review of the claim, including the eligibility of any overseas research and development activity undertaken (which requires an Advanced Overseas Finding before being eligible);
- The industry environment in which the entity deals in is known for its research and development activities which have historically been supported through research and development claims; and
- The entity has a track record extending 4 years of never ever being challenged on its research and development claims by the ATO or AusIndustry.

Note 3. Operating segments

Management has determined the operating segments based on the reports reviewed by the Board of Directors. During the year, the company continued to operate in one segment, being the development and marketing of Medical Devices for damaged peripheral nerves..

During the year, no single customer accounted for more than 10% of sales.

ReNerve Limited
Notes to the financial statements
30 June 2024

Note 3. Operating segments (continued)

Geographical information

	Sales to external customers	
	2024	2023
	\$	\$
New Zealand	789	1,557
United States	176,584	126,937
	<u>177,373</u>	<u>128,494</u>

Note 4. Sales

	2024	2023
	\$	\$
Sales	<u>177,373</u>	<u>128,494</u>

Note 5. Other income

	2024	2023
	\$	\$
Government grants	-	32,614
Interest received	44,466	27,271
R&D credits	377,196	339,985
	<u>421,662</u>	<u>399,870</u>

Note 6. Employee expenses

	2024	2023
	\$	\$
Salary & wages	896,741	707,632
Superannuation	98,642	74,301
Annual and long service leave expense	101,358	68,774
Payroll tax	13,648	3,974
	<u>1,110,389</u>	<u>854,681</u>

Note 7. Trade and other receivables

	2024	2023
	\$	\$
Trade receivables	46,515	20,668
GST receivable	23,771	39,470
Research & Development refund receivable	377,068	339,985
Less: Allowance for expected credit losses	(10,162)	-
	<u>437,192</u>	<u>400,123</u>

Allowance for expected credit losses

The company has recognised a loss of \$10,162 (2023: \$0) in profit or loss in respect of the expected credit losses for the year ended 30 June 2024.

ReNerve Limited
Notes to the financial statements
30 June 2024

Note 8. Inventories

	2024 \$	2023 \$
Finished goods - at cost	<u>177,998</u>	<u>-</u>

Note 9. Monies held in trust

	2024 \$	2023 \$
Pactum Medical LLC	<u>80,349</u>	<u>81,425</u>

The company has an arrangement with its US provider of outsourced logistics services, Pactum, whereby Pactum manages ReNerve's US accounts receivables (including collecting receipts from the US health service providers that are ReNerve's major customers) and makes commission payments to sales distributors. ReNerve made an initial advance of funds to Pactum to cover Pactum's logistics fees, commission payments and other working capital commitments. The monies held in trust represent that initial advance, adjusted for subsequent accounts receivable collections, commission payments, logistics fees and reimbursements to ReNerve. The company ultimately bears credit risk with the underlying health service providers.

Note 10. Trade and other payables

	2024 \$	2023 \$
Trade payables	139,749	22,239
PAYG withholding	<u>28,717</u>	<u>40,216</u>
	<u>168,466</u>	<u>62,455</u>

Refer to note 14 for further information on financial instruments.

Note 11. Employee benefits

	2024 \$	2023 \$
<i>Current liabilities</i>		
Employee benefits – Annual leave	218,267	152,907
Employee benefits – Long service leave	<u>33,991</u>	<u>-</u>
	<u>252,258</u>	<u>152,907</u>
<i>Non-current liabilities</i>		
Employee benefits – Long service leave	<u>23,036</u>	<u>21,028</u>

As at 30 June 2024 amounts of \$180,201 for annual leave and \$53,984 for long service leave liabilities were owed to key management personnel (2023: amounts of \$143,178 and \$20,533).

ReNerve Limited
Notes to the financial statements
30 June 2024

Note 12. Convertible notes

	2024 \$	2023 \$
Convertible notes	<u>1,192,680</u>	<u>-</u>
<i>Reconciliation</i>		
Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:		
Opening balance	-	-
New notes issued	905,000	-
Coupon interest accrued into the notes	49,144	-
Changes in fair value of the notes	<u>238,536</u>	<u>-</u>
Closing balance	<u>1,192,680</u>	<u>-</u>

In December 2023 and January 2024, the company completed a successful capital raise through the issue of convertible notes, in which \$905,000 of convertible notes were issued during the period. The details of the convertible notes issued in the period are:

- Face value of \$905,000;
- Fair value adjustment of \$238,536;
- The interest accrued on the convertible notes in the period was \$49,144;
- A coupon interest rate of 10% included and accrued on the face value of the notes;
- Maturity date of 12 months from the issue of the convertible note;
- If an IPO conversion event occurs, the convertible notes will convert into ordinary shares at a price per share which represents a 20% discount to the price per share of shares issued in the IPO, capped at a maximum conversion price of \$0.24 per share;
- If any other conversion event occurs, being a trade sale of all the business assets, a capital raise in excess of \$500,000 prior to an IPO, or a change in control, the convertible notes will convert into ordinary shares at a price of \$0.20 per share; and
- In the event that the company does not IPO and is not sold, post 12 months the investment will convert into ordinary shares at the issue price equal to the company's previous capital raise of \$0.20.
- All convertible notes are issued on the condition that the liability of the issuer to the noteholders, will at all times be unsecured and shall rank in priority and right of payment behind, and subordinated to, all secured debt obligations of the issuer; and shall rank equally with all other unsecured creditors of the issuer.

Convertible notes are held at fair value, with changes in fair value taken to profit or loss. In considering fair value of this Level 3 hierarchy valuation, the directors have assessed that there is a 100% likelihood that the convertible notes will, in a short timespan from signing these financial statements, be settled through the issue of ordinary share capital and that there is no likelihood of any event that would lead to a cash redemption, which can only be triggered by an event of a default under the note. Other inputs include the terms and conditions of the notes, as set out above. Accordingly, the convertible notes are valued on an "as converted" basis, and on the assumption that the equity instruments received will be liquid and marketable. In the directors' view, there is no exposure to any non-market variable relating to the convertible note conversion that could reasonably or materially influence its fair value as expressed in these financial statements.

Note 13. Issued capital

	2024 Shares	2023 Shares	2024 \$	2023 \$
Ordinary shares - fully paid	95,130,234	93,957,509	8,076,928	7,842,383

ReNerve Limited
Notes to the financial statements
30 June 2024

Note 13. Issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance - 1 July 2022		82,557,509	\$0.00	5,700,233
Share based payment	22 May 2023	150,000	\$0.20	30,000
Issue of shares	4 January 2023	2,500,000	\$0.20	500,000
Share based payment	22 December 2022	150,000	\$0.20	30,000
Issue of shares	16 December 2022	8,525,000	\$0.20	1,705,000
Costs of capital raising		-	\$0.00	(137,850)
Share based payment	21 September 2022	75,000	\$0.20	15,000
Balance - 30 June 2023		<u>93,957,509</u>		<u>7,842,383</u>
Share based payment	25 July 2023	450,000	\$0.20	90,000
Share based payment	6 December 2023	150,000	\$0.20	30,000
Share based payment	13 February 2024	300,000	\$0.20	60,000
Share based payment	25 March 2024	272,725	\$0.20	54,545
Movement - 30 June 2024		<u>1,172,725</u>		<u>234,545</u>
Balance - 30 June 2024		<u>95,130,234</u>		<u>8,076,928</u>

In July 2023, the company issued 300,000 shares to three members of the Scientific Advisory Board as partial payment for their services and consultancy activities. In December 2023, an additional 150,000 shares were issued to another member of the Scientific Advisory Board as partial payment for similar services. Subsequently, a further 300,000 shares were issued to the four Scientific Advisory Board members as part payment for their ongoing services and consultancy activities.

In July 2023, the company issued a second tranche of 150,000 shares to Emerging Surgical as partial payment for sales activities. On 25 March 2024, a further tranche of 272,725 shares was issued to Emerging Surgical as payment in lieu of cash for additional sales activities.

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Capital risk management

The company's objectives when managing capital is 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.

Note 14. Financial instruments

The Company's material financial instruments include cash, accounts payable and borrowings.

Financial risk management objectives

The company's activities expose it to a variety of financial risks with the only significant risk it is exposed to being liquidity risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effect on the financial performance of the entity.

Risk management is carried out by the Board of Directors who are responsible for monitoring and managing financial risk exposures.

ReNerve Limited
Notes to the financial statements
30 June 2024

Note 14. Financial instruments (continued)

Liquidity risk

Vigilant liquidity risk management requires the company to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The company manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

As at 30 June 2024, with the exception of its lease liabilities, all financial assets and liabilities had maturities less than 60 days (30 June 2023: less than 60 days).

Remaining contractual maturities

The following tables detail the company's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

2024	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Non-derivatives						
<i>Interest-bearing - fixed rate</i>						
Convertible notes payable	10.00%	1,192,680	-	-	-	1,192,680
Total non-derivatives		<u>1,192,680</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,192,680</u>

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Note 15. Key management personnel disclosures

Julian Chick
David Rhodes

Compensation

The aggregate compensation made to directors and other members of key management personnel of the company is set out below:

	2024 \$	2023 \$
Short-term employee benefits	581,884	530,622
Post-employment benefits	61,164	49,819
Long-term benefits	<u>9,212</u>	<u>5,868</u>
	<u><u>652,260</u></u>	<u><u>586,309</u></u>

Note 16. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by William Buck, the auditor of the company:

	2024 \$	2023 \$
<i>Audit services -</i>		
Audit or review of the financial statements	<u>38,191</u>	<u>11,750</u>

ReNerve Limited
Notes to the financial statements
30 June 2024

Note 17. Contingent liabilities

The company, which holds an office space lease with a \$44,165 security deposit, acknowledges a contingent liability for potential deposit repayment. Management believes that the probability of occurrence is remote and, consequently, no provision has been recorded. The Company will monitor this situation for future updates.

Note 18. Events after the reporting period

In July 2024, a total pool of 150,000 options were granted to several employees at an exercise price of \$0.35 per option, for an estimated fair value of \$20,667, which was determined using a Black-Scholes option valuation model.

Further, in July 2024, the company issued shares in lieu of cash payment to four Scientific Advisory Board members, as part payment for their services and consultancy activities, in which 300,000 shares were issued.

Per the sales agent and market development agreement with Emerging Surgical in March 2024, the company issued the second tranche of 272,725 shares on 1 July 2024.

In August 2024, the company issued shares in lieu of cash payment to a new Scientific Advisory Board member, as part payment for their services and consultancy activities, in which 150,000 shares were issued.

In September 2024, a total pool of 600,000 options were granted to several employees at an exercise price of \$0.35 per option, for an estimated fair value of \$82,297, which was determined using a Black-Scholes option valuation model.

Further, in September 2024, ReNerve raised a further \$755,000 before costs via a Convertible Note, to fund the progression of the Nerve Guide Matrix project, support the Company's marketing program for the NervAlign® Nerve Cuff and address working capital requirements.

The terms of the Convertible Notes are the same as those issued in December 2023 and provide that the Convertible Notes will convert into Shares on an IPO of shares in ReNerve. Pursuant to the terms of the Convertible Notes, the conversion price will be a 20% discount to the IPO Offer Price.

No other matter or circumstance has arisen since 30 June 2024 that has significantly affected, or may significantly affect, the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Note 19. Reconciliation of loss after income tax to net cash used in operating activities

	2024	2023
	\$	\$
Loss after income tax expense for the year	(2,984,945)	(1,803,277)
Adjustments for:		
Depreciation and amortisation	150,337	146,242
Share based payment	234,545	138,925
Interest expenses	290,883	6,965
Prior year capitalised cost expensed	-	3,514
	<u>675,765</u>	<u>295,646</u>
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(37,069)	96,180
Decrease/(increase) in other current assets	1,076	-
Increase/(decrease) in trade and other payables	106,011	(85,716)
Increase/(decrease) in employee benefits	101,359	68,774
Increase/(decrease) in accrued expenses	19,673	(32,401)
Decrease/(increase) in other inventories	(177,998)	-
Decrease/(increase) in prepayments	3,280	(10,082)
	<u>3,280</u>	<u>(10,082)</u>
Net cash used in operating activities	<u>(2,292,848)</u>	<u>(1,470,876)</u>

ReNerve Limited
Notes to the financial statements
30 June 2024

Note 20. Related party transactions

Key management personnel

Disclosures relating to key management personnel are set out in note 15.

Receivable from and payable to related parties

With the exception of the liabilities disclosed in note 11, there were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Note 21. Earnings per share

	2024	2023
	\$	\$
Loss after income tax attributable to the owners of ReNerve Limited	<u>(2,984,945)</u>	<u>(1,803,277)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>94,650,206</u>	<u>88,521,990</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>94,650,206</u>	<u>88,521,990</u>
	Cents	Cents
Basic earnings per share	(3.15)	(2.04)
Diluted earnings per share	(3.15)	(2.04)

As the company is in a loss position at the end of the financial year, the options on issue are not considered to be dilutive.

ReNerve Limited
Directors' declaration
30 June 2024

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the company's financial position as at 30 June 2024 and of its performance for the financial year ended on that date; and
- 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 directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



8 October 2024

Independent auditor's report to the members of ReNerve Limited

Report on the audit of the financial report



Our opinion on the financial report

In our opinion, the accompanying financial report of ReNerve Limited (the Company), is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Company's financial position as at 30 June 2024 and of its financial performance for the year then ended; and
- complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What was audited?

We have audited the financial report of the Company, which comprises:

- the statement of financial position as at 30 June 2024,
- the statement of profit or loss and other comprehensive income for the year then ended,
- the statement of changes in equity for the year then ended,
- the statement of cash flows for the year then ended,
- notes to the financial statements, including material accounting policy information, and
- the directors' declaration.

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 Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2024, 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 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 Company'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 Company or to cease operations, or have no realistic alternative but to do so.

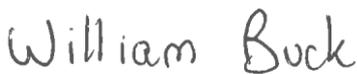
Auditor's responsibilities for the audit of the financial report

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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf

This description forms part of our auditor's report.



William Buck Audit (Vic) Pty Ltd
ABN 59 116 151 136



N. S. Benbow

Director

Melbourne, 8 October 2024