



ReNerve Limited

ABN 23 614 848 216

Annual Report - 30 June 2023

ReNerve Limited
Corporate directory
30 June 2023

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 Office
Company secretary	Mr David Lilja
Registered office	Unit 3, 21 Vale Street North Melbourne VIC 3051, 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 2023

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 2023.

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 received FDA approval for and has commenced initial sales and marketing of its NervAlign® Nerve Cuff product in the US market. ReNerve aims to develop a 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 Dura mater repair scaffold
- 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 \$1,803,277 (30 June 2022: \$1,757,480).

During the year the company achieved the first sales of its NervAlign® Nerve Cuff device, as well as the first surgical use of the nerve cuff, in California for a carpal tunnel revision procedure. The procedure demonstrated that the Cuff was simple to implant around the nerve, with no issues during surgery and positive feedback from the surgeon on the product and its handling properties and no post-operative issues for the patient. The company held a soft product launch at the American Society for Surgery of the Hand conference in Boston in October 2022.

Following the soft launch, ReNerve has focused on building sales and marketing infrastructure across the more heavily populated areas of the United States. The company has identified five main regions on which it is focussing its sales and marketing efforts, and has appointed several sales agents in these regions. The company has sought sales agents that have existing relationships in the plastic and/or hand and wrist orthopaedic surgery areas as these cross over with peripheral nerve repair. In addition, the company has aimed to secure product approvals in cornerstone hospital systems, where there are strong nerve repair practices with regular cases. These centres will also be used as reference hospitals for surrounding hospitals, to raise awareness of the products. Into the future the company will continue to work with hospitals and centres with strong peripheral nerve repair interests to build its sales and marketing.

With the basis of the sales networks in place, ReNerve has been working with surgeons who have used the NervAlign® Nerve Cuff to develop presentations and publications regarding the cuff. These presentations and publications will be used as promotional tools to complement existing sales and marketing efforts, allowing ReNerve to present the positive outcomes already seen with the ReNerve nerve cuff. The first clinical case publication was submitted in July for presentation at the American Association for Hand Surgery conference in January 2024.

Over the past year ReNerve has formed its Scientific Advisory Board (SAB), which includes plastic and hand surgeons with strong experience and insight into peripheral nerve repair. The SAB has been providing feedback to ReNerve on its R&D programs, whilst at the same time using the ReNerve NervAlign® Nerve Cuff.

Outside the USA, ReNerve continues to support its sales agent in New Zealand to expand the product's use in that country. ReNerve is also working with Yuan Yu Group, part of Kuo's Yuan In Enterprises in Taiwan, to gain approval in that country. In Australia the company is working with local surgeons under the special access scheme to undertake clinical use of the product. In September 2023 the first Australian case using the NervAlign® Nerve Cuff was successfully undertaken.

During the year ReNerve has achieved two very significant milestones with its Nerve guide matrix program. Firstly, the company had a very productive meeting with the FDA and now has clear guidelines for it to achieve submission for its NervAlign® Nerve guide program. Based on the FDA meeting, ReNerve believes that it does not need to undertake a formal clinical study ahead of an initial FDA submission.

In addition, following extensive discussions and site visits, in July 2023 the company signed a strategic alliance agreement with Collagen Solutions, LLC for the development and commercial scale contract manufacturing of its nerve graft product. The partnership with Collagen Solutions will enable ReNerve to progress its nerve guide product from the current lab-based production to GMP production in an FDA registered and ISO13485 certified facility. The two companies will collaborate across four phases of the project in preparation for the FDA submission.

In June 2023 the company partnered with 3D BioFibR to further develop its 'bionic nerve' product. 3D BioFibR are experts in the area of biopolymer fibre spinning technologies and the two companies will work together to develop the ideal fibres that can be incorporated into the ReNerve 'bionic nerve'.

Business risks

- **Operating losses:** the entity is not currently profitable and will continue to incur operating losses until such time as its revenues grow to a level sufficient to offset its growing expenditures. There can be no assurance that expected revenue growth will be achieved, or even if it is, that it will result in the company being profitable. Consideration needs to be given to the considerable risks and challenges that are encountered by early-stage medical technology companies in their early commercialisation.
- **Adequacy of funding:** the entity is not yet in a position to generate sufficient positive operating cash flow, and nor does it have sufficient capital to fully fund the development and commercialisation of its businesses. Accordingly, in the near term, the company is reliant on securing equity, debt, or other funding (e.g. licensing) within acceptable timelines, or of a sufficient amount and on terms acceptable to it. However, there can be no assurances given that future funding will be available as and when required or on terms that are acceptable.
- **Government and R&D funding incentives:** R&D and other incentives are an important source of funding for the entity. No assurance can be given that future funding will continue to be available from the R&D tax incentive program or that the company will continue to access it. Losing access to R&D refunds would adversely impact the group's financial performance, delay or stop the development of the company's Nerve Cuff, Nerve Guide matrix, Dura mater repair and Bionic Replacement Nerve products and future business expansion, and likely require the raising of additional capital.

Significant changes in the state of affairs

In December 2022, ReNerve the company completed a successful capital raise of \$2,205,000 before costs, through the issue of [11,025,000] shares at \$0.20 per share ("capital raise").

These funds have been used to progress the nerve guide project and support the Company's marketing program for the NervAlign® Nerve Cuff.

In January 2023, Julian Chick, existing Director, moved to a fulltime role as the Chief Executive Officer of the company with a salary package of \$350,000 per annum.

In the 2022 financial year the company entered into a services and consultancy agreements with two Scientific Advisory Board members. As part of this agreement, the two consultants agreed to be issued shares in lieu of cash payment for their services and consultancy activities. The first tranche of these shares, 75,000 for each consultant, were issued on 22 December 2022, with the second tranche to be issued in financial year ending 30 June 2024.

In January 2023 the company entered into a sales agent and market development agreement with Emerging Surgical, a San Diego based company. As part of this agreement, Emerging Surgical agreed to be issued shares in lieu of cash payment as part payment for sales activities. The first tranche of 150,000 shares was issued on 22 May 2023, with the second tranche to be issued in the financial year ending 30 June 2024.

On 17 April 2023, a total pool of 100,000 options were granted to several employees at an exercise price of \$0.25, for an estimated fair value of \$14,726, which was determined using a Black-Scholes option valuation model.

On 15 June 2023, 500,000 options were granted to Emerging Surgical at exercise prices of \$0.35 and \$0.50, for a total estimated fair value of \$49,199, which was determined using a Black-Scholes option valuation model.

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 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 July 2023 the company also issued the second tranche of shares, 150,000 to Emerging Surgical, as payment in lieu of cash as part payment for sales activities.

No other matter or circumstance has arisen since 30 June 2023 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 .
- NervAlign clinical case publications
- Progression of the NervAlign® Nerve Graft / Nerve Guide Matrix (NGM) project into formal studies for FDA filing
- Further research and development in relation to the NervAlign® Bionic Replacement Nerve
- Further research and development in relation to the Dura mater repair matrix

The company will continue to progress its NervAlign® Nerve Graft/ 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 Dura Mater program during the year. It will target development of two Dura Mater products for the market, one in the near term based on the supercritical CO₂ technology and the other being a completely novel multi-layer tissue based product, as part of the company's approach to continue to develop new intellectual property in products that are focused on bringing better outcomes for patients.

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 across Europe and Australasia. 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.

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

ReNerve Limited
Directors' report
30 June 2023

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)
 Former directorships (last 3 years): N/A
 Interests in shares: 13,125,000 ordinary shares
 Interests in options: NIL

ReNerve Limited
Directors' report
30 June 2023

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 2023, and the number of meetings attended by each director, were:

	Attended	Held
Reginald Stephen Cooper	11	11
Michael Panaccio	11	11
Julian Chick	11	11
David Rhodes	11	11

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

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the company are set out in the following tables.

The key management personnel of the company consisted of the following directors and other personnel of the company:

- Reginald Stephen Cooper – Independent Chairman & Non-Executive Director
- Michael Panaccio – Independent Non-Executive Director
- Julian Chick – Director & CEO
- David Rhodes – Director & CSO

ReNerve Limited
Directors' report
30 June 2023

	Short-term benefits	Post- employment benefits	Long-term benefits and	Share-based payments	
	Cash salary and fees \$	Super- annuation \$	Long service leave \$	Equity-settled options \$	Total \$
2023					
<i>Non-Executive Directors:</i>					
Reginald Stephen Cooper	-	-	-	-	-
Michael Panaccio	-	-	-	-	-
<i>Executive Directors:</i>					
Julian Chick	295,099	24,215	2,125	-	321,439
David Rhodes	235,523	25,604	3,743	-	264,870
	<u>530,622</u>	<u>49,819</u>	<u>5,868</u>	<u>-</u>	<u>586,309</u>

	Short-term benefits	Post- employment benefits	Long-term benefits and	Share-based payments	
	Cash salary and fees \$	Super- annuation \$	Long service leave \$	Equity-settled options \$	Total \$
2022					
<i>Non-Executive Directors:</i>					
Reginald Stephen Cooper	-	-	-	-	-
Michael Panaccio	-	-	-	-	-
<i>Executive Directors:</i>					
Julian Chick	209,947	19,178	1,169	-	230,294
David Rhodes	242,998	22,420	2,721	-	268,139
	<u>452,945</u>	<u>41,598</u>	<u>3,890</u>	<u>-</u>	<u>498,433</u>

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

ReNerve Limited
Directors' report
30 June 2023

Name:	DR Julian Chick
Title:	Director and Chief Executive Officer
Agreement commenced:	1 January 2019
Terms of agreement:	(a) Remuneration: Fixed annual salary \$350,000 (inclusive of director's fees) including statutory employer superannuation contribution; (b) Termination: the company and Dr Chick may terminate the Executive Services Agreement without cause giving the other party three months' notice.
Name:	David Rhodes
Title:	Chief Scientific Officer & Executive Director
Agreement commenced:	24 April 2017
Terms of agreement:	(a) Remuneration: Fixed annual salary \$260,000 (inclusive of director's fees) including statutory employer superannuation contribution; (b) Non-cash benefits: the Board may, at its discretion, determine that Dr Rhodes may participate in the company's share plan, subject to shareholder and regulatory approval; (c) Termination: the company and Dr Rhodes may terminate the Executive Services Agreement without cause giving the other party nine months' notice.

As at 30 June 2023, no other key management personnel have any service agreement with the entity.

Share-based compensation

Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2023.

Options

There were no options over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2023.

There were no options over ordinary shares granted to or vested by directors and other key management personnel as part of compensation during the year ended 30 June 2023.

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the company, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals / other	Balance at the end of the year
Ordinary shares					
Reginald Stephen Cooper	8,485,000	-	1,000,000	-	9,485,000
Michael Panaccio	3,437,250	-	125,000	-	3,562,250
Julian Chick	13,000,000	-	125,000	-	13,125,000
David Rhodes	11,527,500	-	-	-	11,527,500
	<u>36,449,750</u>	<u>-</u>	<u>1,250,000</u>	<u>-</u>	<u>37,699,750</u>

During the financial year ended 30 June 2023, the entity did not employ or use the services of remuneration consultants.

Performance rights over ordinary shares

There were no performance rights issued over ordinary shares during the financial year.

Shares under option and performance rights

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

Grant date	Expiry date	Exercise price	Number under option
01/02/2021	01/02/2024	\$0.20	1,000,000
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>3,100,000</u>

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.

Indemnity and insurance of officers

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.

Indemnity 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.

Non-audit services

Officers of the company who are former partners of William Buck

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

Auditor

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

Officers of the company who are former partners of William Buck

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

Non-audit services

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

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 immediately after this directors' report.

ReNerve Limited
Directors' report
30 June 2023

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



1 November 2023

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF RENERVE LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2023 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

N. S. Benbow
Director
Melbourne, 1 November 2023

ReNerve Limited**Contents****30 June 2023**

Statement of profit or loss and other comprehensive income	13
Statement of financial position	14
Statement of changes in equity	15
Statement of cash flows	16
Notes to the financial statements	17
Directors' declaration	29
Independent auditor's report to the members of ReNerve Limited	30

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

Unit 3, 21 Vale Street
North Melbourne VIC 3051, 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 1 November 2023. 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 2023

	Note	2023 \$	2022 \$
Revenue			
Sales	3	128,494	-
Other income	4	399,870	578,171
		<u>528,364</u>	<u>578,171</u>
Expenses			
Administration expenses		(605,563)	(553,101)
Depreciation and amortisation expense		(146,242)	(19,983)
Employee benefits expense	5	(854,681)	(557,881)
Finance costs		(6,965)	(1,490)
Marketing		(338,378)	-
Professional fees		(82,017)	(163,718)
Research and development cost		<u>(297,795)</u>	<u>(1,039,478)</u>
Loss before income tax expense		(1,803,277)	(1,757,480)
Income tax expense		<u>-</u>	<u>-</u>
Loss after income tax expense for the year attributable to the owners of ReNerve Limited		(1,803,277)	(1,757,480)
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>(1,803,277)</u>	<u>(1,757,480)</u>
		Cents	Cents
Basic earnings per share	24	(2.04)	(2.28)
Diluted earnings per share	24	(2.04)	(2.28)

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 2023

	Note	2023 \$	2022 \$
Assets			
Current assets			
Cash and cash equivalents		1,679,480	1,710,186
Trade and other receivables	6	400,123	577,730
Term deposit		511,552	-
Prepayments		14,239	17,540
Monies held in trust	7	81,425	-
Total current assets		<u>2,686,819</u>	<u>2,305,456</u>
Non-current assets			
Plant and equipment	8	90,958	113,549
Right-of-use assets	9	101,929	180,026
Intangibles		9,439	12,670
Other deposits	10	44,165	44,165
Total non-current assets		<u>246,491</u>	<u>350,410</u>
Total assets		<u>2,933,310</u>	<u>2,655,866</u>
Liabilities			
Current liabilities			
Trade and other payables	11	62,455	148,171
Accrued expenses		17,764	50,165
Employee benefits	13	152,907	90,496
Lease liabilities	12	83,093	76,011
Total current liabilities		<u>316,219</u>	<u>364,843</u>
Non-current liabilities			
Lease liabilities	12	21,835	104,928
Employee benefits	13	21,028	14,665
Total non-current liabilities		<u>42,863</u>	<u>119,593</u>
Total liabilities		<u>359,082</u>	<u>484,436</u>
Net assets		<u>2,574,228</u>	<u>2,171,430</u>
Equity			
Issued capital	14	7,842,383	5,700,233
Reserves		294,034	230,109
Accumulated losses		<u>(5,562,189)</u>	<u>(3,758,912)</u>
Total equity		<u>2,574,228</u>	<u>2,171,430</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 2023

	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2021	4,298,672	91,331	(2,001,432)	2,388,571
Loss after income tax expense for the year	-	-	(1,757,480)	(1,757,480)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(1,757,480)	(1,757,480)
Contributions of equity, net of transaction costs	1,386,561	138,778	-	1,525,339
Vesting charge for share based payments	15,000	-	-	15,000
Balance at 30 June 2022	<u>5,700,233</u>	<u>230,109</u>	<u>(3,758,912)</u>	<u>2,171,430</u>
	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>

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 2023

	Note	2023 \$	2022 \$
Cash flows from operating activities			
Cash receipts from customers		19,011	-
Payments to suppliers and employees		(2,095,421)	(2,230,334)
Interest received		27,271	685
Receipts from research and development grant credits		545,650	350,487
Government grants and incentives		<u>32,613</u>	<u>20,000</u>
Net cash used in operating activities	22	<u>(1,470,876)</u>	<u>(1,859,162)</u>
Cash flows from investing activities			
Payments for plant and equipment	8	(43,094)	(115,894)
Payments for intangibles		(2,742)	-
Payments for security deposits		<u>(511,552)</u>	<u>-</u>
Net cash used in investing activities		<u>(557,388)</u>	<u>(115,894)</u>
Cash flows from financing activities			
Proceeds from issue of shares	14	2,205,000	1,628,801
Share issue transaction costs		(137,850)	(103,462)
Repayment of lease liabilities		<u>(69,592)</u>	<u>(9,773)</u>
Net cash from financing activities		<u>1,997,558</u>	<u>1,515,566</u>
Net decrease in cash and cash equivalents		(30,706)	(459,490)
Cash and cash equivalents at the beginning of the financial year		<u>1,710,186</u>	<u>2,169,676</u>
Cash and cash equivalents at the end of the financial year		<u><u>1,679,480</u></u>	<u><u>1,710,186</u></u>

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

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, 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:

Conceptual Framework for Financial Reporting (Conceptual Framework)

The company has adopted the revised Conceptual Framework from 1 July 2021. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, but it has not had a material impact on the company's financial statements.

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.

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

Sale of goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

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 4. 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.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Note 1. Significant accounting policies (continued)

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the company's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the company's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original 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.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The company has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of plant and equipment (excluding land) over their expected useful lives as follows:

Plant and equipment	3-10 years
Computer and equipment	3-4 years
Leasehold improvements	3-10 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of plant and equipment is derecognised upon disposal or when there is no future economic benefit to the company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

Note 1. Significant accounting policies (continued)

The company has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Website

There has been some cost associated with establishing the company website and related company information.

Patents and trademarks

Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years. Research and development expenses not directly linked to the acquisition of patents and trademarks are expensed as incurred.

Trade and other payables

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Provisions

Provisions are recognised when the company has a present (legal or constructive) obligation as a result of a past event, it is probable the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Note 1. Significant accounting policies (continued)

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of ReNerve Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average 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 shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

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.

Share-based payment transactions

The company 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 were granted (see note 18). The accounting estimates and assumptions relating to equity-settled share-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.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

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.

Employee benefits provision

As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

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 Medical Devices for damaged peripheral nerves in Australia.

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

Geographical information

	Sales to external customers	
	2023	2022
	\$	\$
New Zealand	1,557	-
United States	126,937	-
	<u>128,494</u>	<u>-</u>

ReNerve Limited
Notes to the financial statements
30 June 2023

Note 4. Other income

	2023	2022
	\$	\$
Government grants	32,614	20,000
Interest received	27,271	685
R&D credits	339,985	557,486
	<u>399,870</u>	<u>578,171</u>

Note 5. Employee expenses

	2023	2022
	\$	\$
Salary & wages	707,632	466,158
Superannuation	74,301	46,616
Annual and long service leave expense	68,774	45,107
Payroll tax	3,974	-
	<u>854,681</u>	<u>557,881</u>

Note 6. Trade and other receivables

	2023	2022
	\$	\$
Trade receivables	20,668	-
GST receivable	39,470	32,079
Research & Development refund receivable	339,985	545,651
	<u>400,123</u>	<u>577,730</u>

There is no allowance for expected credit losses as the receivable is not past due nor impaired.

Note 7. Monies held in trust

	2023	2022
	\$	\$
Pactum Medical LLC	<u>81,425</u>	<u>-</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.

ReNerve Limited
Notes to the financial statements
30 June 2023

Note 8. Plant and equipment

	2023	2022
	\$	\$
Leasehold improvements - at cost	140,972	97,877
Less: Accumulated depreciation	(66,252)	(5,243)
	<u>74,720</u>	<u>92,634</u>
Plant and equipment - at cost	18,127	18,127
Less: Accumulated depreciation	(3,910)	(362)
	<u>14,217</u>	<u>17,765</u>
Computer equipment - at cost	9,131	9,131
Less: Accumulated depreciation	(7,110)	(5,981)
	<u>2,021</u>	<u>3,150</u>
	<u><u>90,958</u></u>	<u><u>113,549</u></u>

	Balance 1 July 2022	Additions	Disposals	Depreciation	Balance 30 June 2023
	\$	\$	\$	\$	\$
Leasehold improvements	92,634	43,095	-	(61,009)	74,720
Plant and Equipment	17,765	-	-	(3,548)	14,217
Computer Equipment	3,150	-	-	(1,129)	2,021
Total	<u><u>113,549</u></u>	<u><u>43,095</u></u>	<u><u>-</u></u>	<u><u>(65,686)</u></u>	<u><u>90,958</u></u>

Note 9. Right-of-use assets

	2023	2022
	\$	\$
Land and buildings - right-of-use	189,223	189,223
Less: Accumulated depreciation	(87,294)	(9,197)
	<u><u>101,929</u></u>	<u><u>180,026</u></u>

Note 10. Other deposits

	2023	2022
	\$	\$
Security deposit	<u><u>44,165</u></u>	<u><u>44,165</u></u>

Note 11. Trade and other payables

	2023	2022
	\$	\$
Trade payables	22,239	118,850
Superannuation payable	-	13,886
PAYG withholding	<u>40,216</u>	<u>15,435</u>
	<u><u>62,455</u></u>	<u><u>148,171</u></u>

Refer to note 16 for further information on financial instruments.

ReNerve Limited
Notes to the financial statements
30 June 2023

Note 12. Lease liabilities

	2023 \$	2022 \$
<i>Current liabilities</i>		
Lease liability - Heidelberg	83,093	76,011
<i>Non-current liabilities</i>		
Lease liability - Heidelberg	21,835	104,928

On 30 April 2022, ReNerve took over the lease on 157 Heidelberg Road Northcote, VIC 3070. The lease was originally dated 15 September 2019 for 5 years with a monthly rental payment of \$7,360.77 including GST (with a 4% increase in rental payment each September). There were 29 months remaining at the time of taking over the lease.

The original lease liability was \$189,223, with a discount rate of 4.75% per annum applied when calculating right-of-use assets.

Refer to note 16 for further information on financial instruments.

Note 13. Employee benefits

	2023 \$	2022 \$
<i>Current liabilities</i>		
Employee benefits – Annual leave	152,907	90,496
<i>Non-current liabilities</i>		
Employee benefits – Long service leave	21,028	14,665

Note 14. Issued capital

	2023 Shares	2022 Shares	2023 \$	2022 \$
Ordinary shares - fully paid	93,957,509	82,557,509	7,842,383	5,700,233
<i>Movements in ordinary share capital</i>				
Details	Date	Shares	Issue price	\$
Balance - 1 July 2021		74,338,500	\$0.00	4,298,672
Issue of shares	8 December 2021	8,144,009	\$0.20	1,628,801
Costs of capital raising		-	\$0.00	(242,240)
Share based payment		75,000	\$0.20	15,000
Balance - 30 June 2022		82,557,509		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
Movement - 30 June 2023		11,400,000		2,142,150
Balance - 30 June 2023		93,957,509		7,842,383

Note 14. Issued capital (continued)

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 15. Dividends

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

Note 16. Financial instruments

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.

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 2023, with the exception of its lease liabilities, all financial assets and liabilities had maturities less than 60 days (30 June 2022: less than 60 days).

Note 17. 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:

	2023	2022
	\$	\$
Short-term employee benefits	530,622	452,945
Post-employment benefits	49,819	41,598
Long-term benefits	5,868	3,890
	<u>586,309</u>	<u>498,433</u>

Note 18. 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:

	2023	2022
	\$	\$
<i>Audit services -</i>		
Audit or review of the financial statements	<u>11,750</u>	<u>27,600</u>

Note 19. 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 20. Events after the reporting period

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 July 2023 the company also issued the second tranche of shares, 150,000 to Emerging Surgical, as payment in lieu of cash as part payment for sales activities.

No other matter or circumstance has arisen since 30 June 2023 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 21. Share-based payments

A share option plan has been established by the company and approved by shareholders at a general meeting, whereby the company may grant options over ordinary shares in the company to employees the company. On the 17 April 2023, 100,000 options were granted at an exercise price of \$0.25. These options expire three years after the date of issue.

During the year, the company granted 500,000 options to Emerging Surgical Incorporated (Consideration Options). Of these, 250,000 options have an exercise price of \$0.35 and 250,000 an exercise price of \$0.50. All the Consideration Options expire three years after the date of issue.

Set out below are summaries of options granted:

2023

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
01/02/2021	01/02/2024	\$0.00	1,000,000	-	-	-	1,000,000
25/03/2022	25/03/2025	\$0.00	750,000	-	-	-	750,000
25/03/2022	25/03/2025	\$0.00	750,000	-	-	-	750,000
15/06/2023	15/06/2026	\$0.00	-	250,000	-	-	250,000
15/06/2023	15/06/2026	\$0.00	-	250,000	-	-	250,000
17/04/2023	17/04/2028	\$0.00	-	60,000	-	-	60,000
17/04/2023	17/04/2028	\$0.00	-	40,000	-	-	40,000
			<u>2,500,000</u>	<u>600,000</u>	<u>-</u>	<u>-</u>	<u>3,100,000</u>

Note 21. Share-based payments (continued)

2022

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
01/02/2021	01/02/2024	\$0.20	1,000,000	-	-	-	1,000,000
25/03/2022	25/03/2025	\$0.40	-	750,000	-	-	750,000
25/03/2022	25/03/2025	\$0.50	-	750,000	-	-	750,000
			<u>1,000,000</u>	<u>1,500,000</u>	<u>-</u>	<u>-</u>	<u>2,500,000</u>

Canary Capital Pty Ltd (Canary) acted as lead manager of the Capital Raise. Pursuant to the mandate with Canary, on 25 March 2022 the company issued Canary Capital 1,500,000 options to acquire fully paid ordinary shares in the company (Consideration Options). Of these, 750,000 options have an exercise price of \$0.40 and 750,000 an exercise price of \$0.50. All the Consideration Options expire three years after the date of issue.

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
15/06/2023	15/06/2026	\$0.20	\$0.35	100.00%	-	4.44%	\$0.106
15/06/2023	15/06/2026	\$0.20	\$0.50	100.00%	-	4.44%	\$0.091
17/04/2023	17/04/2028	\$0.20	\$0.25	100.00%	-	4.44%	\$0.147
17/04/2023	17/04/2028	\$0.20	\$0.25	100.00%	-	4.44%	\$0.147

Note 22. Reconciliation of loss after income tax to net cash used in operating activities

	2023 \$	2022 \$
Loss after income tax expense for the year	<u>(1,803,277)</u>	<u>(1,757,480)</u>
Adjustments for:		
Depreciation and amortisation	146,242	19,983
Share based payment	138,925	15,000
Interest expenses	6,965	1,490
Prior year capitalised cost expensed	<u>3,514</u>	<u>-</u>
	<u>295,646</u>	<u>36,473</u>
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	96,180	(229,046)
Decrease/(increase) in other current assets	-	(44,165)
Increase/(decrease) in trade and other payables	(85,716)	69,836
Increase/(decrease) in employee benefits	68,774	45,108
Increase/(decrease) in accrued expenses	(32,401)	37,652
Decrease/(increase) in prepayments	<u>(10,082)</u>	<u>(17,540)</u>
Net cash used in operating activities	<u><u>(1,470,876)</u></u>	<u><u>(1,859,162)</u></u>

Note 23. Related party transactions

Key management personnel

Disclosures relating to key management personnel are set out in note 17.

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Note 23. Related party transactions (continued)

Terms and conditions

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

Note 24. Earnings per share

	2023	2022
	\$	\$
Loss after income tax attributable to the owners of ReNerve Limited	<u>(1,803,277)</u>	<u>(1,757,480)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>88,521,990</u>	<u>77,209,824</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>88,521,990</u>	<u>77,209,824</u>
	Cents	Cents
Basic earnings per share	(2.04)	(2.28)
Diluted earnings per share	(2.04)	(2.28)

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 2023

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 2023 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



1 November 2023

ReNerve Limited Independent auditor's report to members

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of ReNerve Limited (the Company), which comprises the statement of financial position as at 30 June 2023, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- i. giving a true and fair view of the Company's financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and
- ii. 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 Company 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 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 in the Company's annual report for the year ended 30 June 2023, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and 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 ability of the Company 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 has no realistic alternative but to do so.

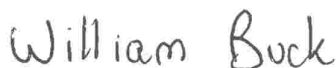
Auditor's Responsibilities for the Audit of the Financial Report

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 these financial statements is located at the Auditing and Assurance Standards Board website at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our independent auditor's report.



William Buck Audit (Vic) Pty Ltd

ABN 59 116 151 136



N. S. Benbow

Director

Melbourne, 1 November 2023