

Tissue Repair Ltd
Appendix 4E
Preliminary final report

1. Company details

Name of entity: Tissue Repair Ltd
ABN: 20 158 411 566
Reporting period: For the year ended 30 June 2023
Previous period: For the year ended 30 June 2022

2. Results for announcement to the market

			\$
Revenues and other income from ordinary activities	up	222.8% to	1,568,994
Loss from ordinary activities after tax attributable to the owners of Tissue Repair Ltd	down	38.9% to	(4,174,414)
Loss for the year attributable to the owners of Tissue Repair Ltd	down	38.9% to	(4,174,414)

Dividends

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

Comments

The loss for the consolidated entity after providing for income tax amounted to \$4,174,414 (30 June 2022: \$6,837,589).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>36.19</u>	<u>41.91</u>

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

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

Previous period

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

7. Dividend reinvestment plans

Not applicable.

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8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements have been audited and an unmodified opinion has been issued.


11. Attachments

Details of attachments (if any):

The Annual Report of Tissue Repair Ltd for the year ended 30 June 2023 is attached.

12. Signed

Signed



Jack Lowenstein
Non-Executive Chair

Date: 30 August 2023

Tissue Repair Ltd

ABN 20 158 411 566

Annual Report - 30 June 2023

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Tissue Repair Ltd
Contents
30 June 2023

Corporate directory	2
Chairman and Executive Director's Letter	3
Directors' report	4
Auditor's independence declaration	24
Consolidated statement of profit or loss and other comprehensive income	25
Consolidated statement of financial position	26
Consolidated statement of changes in equity	27
Consolidated statement of cash flows	28
Notes to the consolidated financial statements	29
Directors' declaration	47
Independent auditor's report to the members of Tissue Repair Ltd	48
Shareholder information	51

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Tissue Repair Ltd
Corporate directory
30 June 2023

Directors	Tony Charara (Executive Director and Co-Founder) Jack Lowenstein (Non-Executive Director) Bryan Gray (Non-Executive Director) Michael Silberberg (Non-Executive Director) (Appointed 26 April 2023) Max Johnston (Non-Executive Director) (Resigned 26 April 2023) Craig Stamp (Non-Executive Director) (Resigned 26 April 2023)
Company secretary	Priyamvada Rasal (Appointed 28 June 2023) Alistair McKeough (Resigned 28 September 2022) Michael Austin (Appointed 28 September 2022, Resigned 28 June 2023)
Registered office	Level 10, 255 Pitt Street Sydney NSW 2000
Principal place of business	Level 10, 255 Pitt Street Sydney NSW 2000
Share register	Automic Pty Ltd Deutsche Bank Tower Level 5/126 Philip Street Sydney NSW 2000
Auditor	Pitcher Partners Level 16, Tower 2, Darling Park 201 Sussex Street Sydney NSW 2000
Stock exchange listing	Tissue Repair Ltd shares are listed on the Australian Securities Exchange (ASX code: TRP)
Website	www.tissuerepair.com.au

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Tissue Repair Ltd
Chairman and Executive Director's Letter
30 June 2023

Dear fellow shareholder,

On behalf of the Board of Directors, we thank you for your support over the last year.

Over the last year, we are pleased to advise that Tissue Repair has continued to press ahead on the goals outlined in the prospectus for its initial public offering.

Following feedback from the US FDA to the Type C letter and supporting dossier filed in June 2022, the Company held a close-out meeting for its Phase 2B chronic wound trial late in the 2022/23 financial year which has clarified the way ahead to commence Phase 3 trials in early calendar 2024.

The trials, to be conducted in the US and Australia, will aim to prove in-use superiority of our drug candidate TR987® as compared to the current standard of care. If licensed, TR987® could be the first drug or biologic to be approved for accelerating complete closure of venous leg ulcer's (VLU) in around 25 years. This is a condition with significant unmet needs and represents a very large and growing market locally and internationally. The Company could make a significant difference to the lives of many people living with debilitating chronic wound conditions. Tissue Repair's biologically active pharmaceutical ingredient (API) Glucoprime® also provides a platform to develop a series of products which have the potential to treat a broad range of conditions requiring wound care, in both humans, as well as animals. Additionally, significant economic benefits could flow from TR987®'s novel effective therapy. The Australian Medical Association recently estimated the chronic wound market in Australia to be A\$3b, with the global market for wound care expected to reach over US\$27b in 2027.

Minor delays to commencement of our clinical trials, compared to our original expectations have been partly driven by an incident, (unrelated to our own production process, and beyond our control) at a plant owned by the contract manufacturer which produces our API. However, good progress is now occurring for the production of the planned Phase 3 API clinical supplies.

The Company has commenced sales of its aesthetic offering, TR Pro+™, after experiencing a few months' delay in production of the initial 10,000 tubes required for launch. Initial feedback from customers has been very positive, validating the responses in last year's real-world evaluation involving 12 clinics and 48 patients in terms of improvement in skin quality and healing outcomes post a variety of aesthetic and dermatologic procedures.

The operational report that forms part of the Directors report below outlines in more detail the specific progress we have made over the year.

The Company believes that despite significant cost inflation reported by most companies now conducting clinical trials, it still has the financial resources to complete the proposed Phase 3 trials and make good progress on commercialising TR Pro+™.



Jack Lowenstein

Non-Executive Chair



Tony Charara

Executive Director and Co-Founder

Tissue Repair Ltd
Directors' report
30 June 2023

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Tissue Repair Ltd (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2023.

Directors

The names and details of the Company's directors in office during the financial year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

Tony Charara

Co-Founder, Executive Director

Tony is a co-founder of Tissue Repair. He has been actively involved in the Company's clinical development program, across its two-phase 2B trials, commercialisation strategy and overall operations. Tony is an investment banker by background and has extensive experience across early-stage venture assets and in advising technology companies at ANZ Investment Bank, Ord Minnett Securities and JPMorgan in their respective investment banking teams. Tony is also a co-founder of Mable Technologies, an online marketplace and health technology platform operating in the aged care and disability sectors. Mable was named Australian growth technology company of the year in 2020. It was also listed in the Top 10 Deloitte Technology Fast 50 in 2020 and 2021.

As Tony is a co-founder and has been a Director of Tissue Repair since the Company's incorporation, he is considered by the Board not to be an independent director.

Jack Lowenstein

Independent, Non-Executive Chair

Jack has over 25 years of senior management experience in financial services and was a pioneer in developing Australian ESG investment, first at Hunter Hall Investment Management from 1997 to 2011, and then from 2012 to 2019 at Morpic Asset Management. Both companies specialised in investing in ethically screened global mid-cap equities. Morpic was acquired in 2019 by Ellerston Capital.

He was also a co-founder of Fiji's first investment bank, Kontiki Capital which he chaired from its inception in 1998 to 2017, and remains a director of Kinetic Growth Fund, which is listed on the South Pacific Stock Exchange.

Jack has been a director of several Australian ASX listed public companies, including Hunter Hall International, Hunter Hall Global Value, Kresta Holdings, Reinsurance Australia, Fiji Kava Limited (ASX:FIJ) (resigned 29 May 2022) and Calliden Group. He is currently a director of Morpic Ethical Equities (ASX: MEC) (appointed 15 October 2017). Jack has an MA (Oxon) and completed the Owner/President Management Course at Harvard Business School in 2009.

Jack is considered by the Board to be an independent director.

Bryan Gray

Independent, Non-Executive Director

Bryan has over 35 years' experience in Banking and Financial services in Australia and New Zealand. He spent 20 years at J.P Morgan in the Corporate and Investment Bank, the last 12 years as a Managing Director. Prior to that he held senior roles at State Street Bank and is a Chartered Accountant (CA). He holds a Bachelor of Commerce and Administration from Victoria University of Wellington, New Zealand and MAICD from the Australian Institute of Company Directors. He is currently a non-executive director of RFBI a not-for-profit business operating in the Residential Aged Care and Retirement sector.

Bryan is considered by the Board to be an independent director.

Michael Silberberg, M.D.

Independent, Non-Executive Director (Appointed 26 April 2023)

Michael is currently the Global Therapeutic Area Head, Facial Aesthetics for AbbVie, based in England. Prior to that he spent nine years working for Allergan in a variety of senior roles, culminating as Executive Medical Director, Aesthetics, International and Global Plastic Surgery Therapeutic Area Lead after starting as Director, Medical Affairs, Australia/NZ. He holds an MBA from the UCLA Anderson School of Management, where he was a Venture Fellow, and has an MD from Cornell University and AB from Brown University.

Michael is considered by the Board to be an independent director.

Max Johnston

Independent, Non-Executive Director (Resigned 26 April 2023)

Max held the position of President and Chief Executive Officer (CEO) of Johnson & Johnson Pacific, a division of one of the world's largest medical, pharmaceutical and consumer healthcare company for 11 years. Prior to joining Johnson & Johnson, Max's career also included senior roles with Diageo and Unilever in Europe. He has also held several prominent industry roles as a past President of ACCORD Australasia Limited (Hygiene, personal care and speciality products), a former Vice Chairman of the Australian Food and Grocery Council and a former member of the board of the Australian Self Medication Industry (ASMI).

Max is currently Non-Executive Director of Medical Developments International Ltd and INOVIQ Limited. Former board roles include Non-Executive Director of Medical Developments International Limited PolyNovo Ltd (and interim CEO from November 2021 to August 2022) and Enero Group Limited, as well as Non-Executive Chairperson of Probiotec and of AusCann Group Holdings Limited.

Max was considered by the Board to be an independent director.

Craig Stamp

Independent, Non-Executive Director (Resigned 26 April 2023)

Craig has over 25 years of senior management experience in pharmaceuticals, healthcare and medical devices in Australia and Asia, previously holding senior positions at Allergan (Director Sales and Marketing) and Bausch & Lomb (Managing Director and VP Commercial Operations, Asia-Pacific). He has had considerable public company experience having served as CEO and Managing Director at Vision Group Holdings Ltd, a former ASX listed company (now privately held). Craig was also Executive General Manager at Device Technologies between 2014 and 2020, the largest independent medical technology supplier in Australia and New Zealand. Craig is Chair of the School of Optometry and Vision Science (SOVS) Visiting Committee and is an Adjunct Associate Professor of the SOVS, Faculty of Medicine and Health, UNSW. Craig was a former Director of the Medical Technology Association of Australia (MTAA) and was Chair of the MTAA Finance Committee.

Craig was considered by the Board to be an independent director.

Director's Interest

The relevant interest of each director in the share capital of the Company, as notified by the Company to the ASX in accordance with S205G (1) of the Corporations Act 2001, as at the date of this report is as follows:

Directors	Number of ordinary shares	Number of options over ordinary shares ¹
Tony Charara	4,895,336	13,640,000 ²
Jack Lowenstein ³	113,830	366,060 ⁴
Bryan Gray	68,759	366,060 ⁴
Michael Silberberg ⁵	-	-

¹ There has been no change to options issued since the Prospectus.

² A total of 12,040,000 options were issued under the former incentive plan adopted on 1 January 2019 and 1,600,000 under the current incentive plan as outlined in the Prospectus. The former incentive plans relate to options issued to the founding team over the 9 year period of development activities from 2012-2021. These options were fully accounted in the capital structure and share offer price at the time of listing.

³ Includes 40,000 shares held by spouse, Mare Carevic.

⁴ Options issued under the current incentive plan as outlined in the Prospectus.

⁵ Subject to Shareholder approval, Dr Silberberg will be granted 392,753 unlisted options under the Company's Long Term Incentive Plan, exercisable at \$1.15 and expiring 15 November 2036, which will be subject to the following vesting conditions: 98,188 options vesting 12 months from the date of his appointment on 26 April 2023;

294,565 options vesting monthly pro-rata over the next 36 months following the anniversary of his appointment.

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:

	Full Board		Audit and Risk Committee	
	Attended	Held	Attended	Held
Tony Charara	11	12	-	-
Jack Lowenstein	12	12	4	4
Max Johnston ¹	10	10	3	3
Craig Stamp ¹	10	10	3	3
Bryan Gray	12	12	4	4
Michael Silberberg ²	3	3	1	1

¹ Resigned 26 April 2023.

² Appointed 26 April 2023.

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

Company secretary

Alistair McKeough (Resigned 28 September 2022)

Michael Austin (Appointed 28 September 2022, Resigned 28 June 2023)

Priyamvada (Pia) Rasal (Appointed 28 June 2023)

Company Secretary AGIA, ACG

Over 12 years, Ms Priyamvada (Pia) Rasal has gained experience in diverse sectors and in company secretarial consultancies across multiple geographies (Melbourne, Perth, and Mumbai) in governance, corporate secretarial and legal roles. She works with Automic Group and has managed a portfolio of private companies, public companies, ASX listed entities and non-profit organizations as a Company Secretary. Ms Rasal is an Associate Member of the Chartered Governance Institute (UK) and the Governance Institute of Australia. Ms Rasal holds a bachelor's degree in law and commerce from India.

Principal activities

Tissue Repair is a clinical stage biopharmaceutical company developing advanced wound healing products targeting applications in the chronic wound and aesthetic procedure aftercare markets, with the potential for further development of related technologies.

Financial update

The Group recorded a loss of \$4,174,414 for the year ending 30 June 2023 (2022: \$6,837,589). The Group's operating cash outflows for the year was \$4,255,456 (2022 : \$3,966,150) and reported closing cash of \$21,396,461 at 30 June 2023 (2022 \$25,455,289).

Review of operations

Key Highlights and Update

TR987[®] for chronic wounds -On track for Phase 3 commencement

- The Company commissioned meta-analysis combining the results from two Phase 2 VLU trials (n=137), using a consistent endpoint. This analysis confirmed a 60.2% mean reduction in wound size over the placebo control at 12 weeks following treatment with TR987[®] (p=0.031) (ITT cohort, VLU 2-12cm²). This represents the additional decrease in wound area over above placebo attributable to the Active Group. This strong signal of efficacy is clinically and statistically significant across 137 patients and provides additional confidence in achieving a successful Phase 3 outcome.
Process development of the Glucoprime[®] active pharmaceutical ingredient (API) has been delayed slightly due to an incident at its US-based Contract Manufacturer (CMO) GMP facility. However, the Company still has access to previously produced batches of API which will be processed at the R&D site of the CMO for use in the Phase 3 clinical trials.
Pre-validation work to ensure that the Glucoprime[®] API to be used in the Phase 3 study will meet the specifications has been completed. Final validation is expected to be complete by the end of the September 2023 quarter.
A CMO has been engaged to manufacture the TR987[®] gel needed for Phase 3 trials, and an initial pilot batch has been produced for tests for terminal sterilisation and analytical validation.
In response to the Type C meeting request in June 2022, the FDA has broadly accepted as reasonable the Company's intended approach to chemistry, manufacturing and controls, raw material procurement and characterisation, and the proposed abridged toxicology program.
The End-of-Phase 2 (EOP2) meeting held with the FDA in May 2023 provided clearance for the Company to progress into a Phase 3 program, subject to some modifications to the study protocol. The Company is amending the protocol for filing with the FDA in Q3 2023 for final review, adopting the FDA's feedback on all substantive matters for the Phase 3 trial design.
The Company has established the core of an in-house clinical operations team to develop and manage the Phase 3 program. The immediate focus is on site outreach and preparing the necessary quality framework and documents to support the program, with a view to commencing patient enrolment in Q1 2024.
- The toxicology pilot study has been cleared to commence following identification of an assay to measure systemic concentrations of beta-glucan.

TR Pro+[™] for aesthetic and medical procedures – Early success following product launch

- An initial batch of TR Pro+[™] 10g tubes and 3g sample sachets has been completed and released.
- Sales of TR Pro+[™] have started, with overwhelmingly positive feedback from clinicians and patients using the product.
- Promotional activity is focusing primarily on dermatology and aesthetic clinics, complemented by healthcare professional conference sponsorships.
- Early signs post-launch are positive with neither clinicians nor patients highlighting any barriers to the usage of TR Pro+[™] (eg: price, efficacy, format etc), confirming that the main growth strategy will be focused on encouraging clinicians to incorporate the product into aesthetic and medical procedures.

Financial Position

- The Company maintains its strong funding position with cash of \$21.4m as of 30 June 2023.

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KEY OPERATIONAL UPDATES

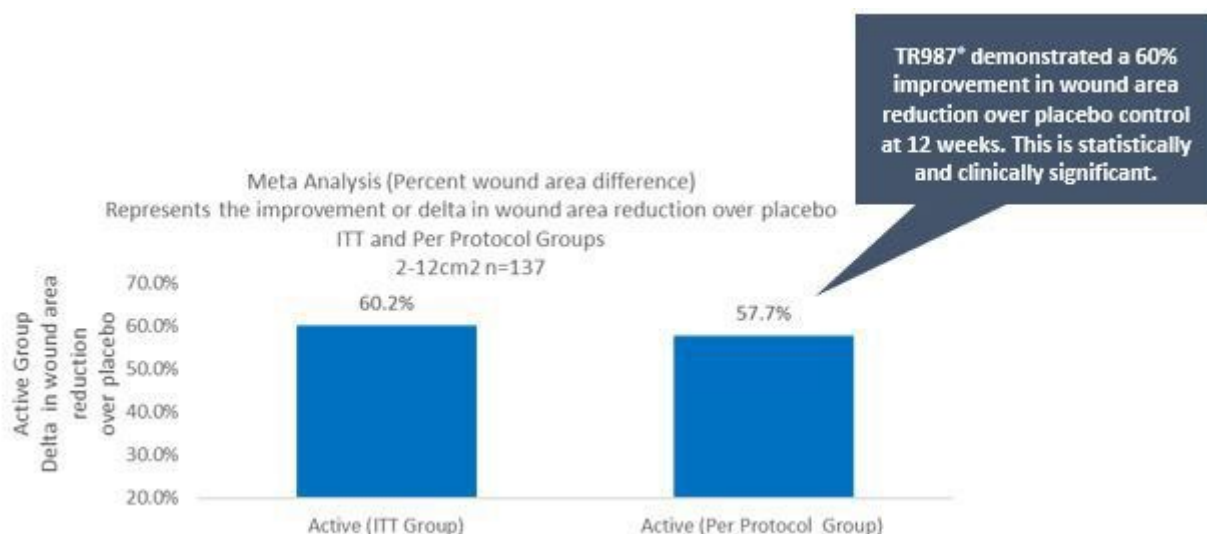
1. TR987[®] DEVELOPMENT (for chronic wounds)

1.1 New Efficacy Data (Meta-Analysis)

In March 2023, an individual patient data (IPD) meta-analysis was conducted of the Phase 2A and Phase 2B studies using consistent endpoints adopted in both studies, namely absolute and percent change in ulcer area.

Analysis of results from 137 patients from both trials confirmed a strong signal of efficacy, with the active group demonstrating a 60% improvement in reduction in wound size over the placebo group ($p=0.03$).

This represents a positive data point and provides further confidence on the likelihood of a successful Phase 3 outcome which is both clinically and statistically significant.



1.2 API (Glucoprime[®]) Manufacturing Update

The Company continues to achieve significant milestones with respect to its manufacturing activities.

In June 2022 the Company received feedback from the FDA as part of a Type C meeting that confirmed acceptability of the manufacturing process to enable progression into the Phase 3 trial.

Three laboratory scale batches and four engineering batches of the Glucoprime[®] API have been produced and are consistent with the reference material that was used in previous clinical trials. Based on our work aimed at stress testing the process and varying the parameters during the laboratory and engineering batches there is a high level of confidence that the process can be transferred at larger scale and into different equipment for commercial GMP manufacture.

Due to an incident in May 2023 at the US-based Contract Manufacturing Organisation (CMO) used by the Company, the manufacturing program has been delayed by around three months. However two other batches that had been processed are currently progressing through the final two stages of spray drying and terminal sterilisation at another site owned by the CMO. These batches will be used to validate the analytical methods, provide supply for the Phase 3 program, and provide additional TR Pro+[™] stock for sale in Australia.

Despite the additional work to be completed for the New Drug application (NDA) and commercial production, the fundamental parts of the process are very robust and repeatable. Based on the scope of our trials to date and the variance in parameter testing, equipment variations and the breadth of scales run to date management is confident that the final steps for characterisation and validation can be completed as planned.

1.3 TR987® Gel Manufacturing Update

A US-based CMO has been engaged to manufacture the TR987® gel, and the production of a test 50kg batch has been completed. Physical test methods for testing of the gel product have been drafted and preliminary tests indicate that the gel meets the required specifications.

The Company's manufacturing status is summarised in the table below:

Stage	Update	Status
Stage 1 Laboratory scale API	<ul style="list-style-type: none"> Successful production of 3 laboratory scale batches 	Completed
Stage 2 Engineering API	<ul style="list-style-type: none"> Successful production of three scaled-up engineering batches. Production scheduled with the necessary equipment ordered. Batch record finalised and an agreement reached with contract manufacturer. Terminal sterilization processing 	Completed Expected completion Q3 2023 (validation completed by Q3 2023)
Stage 3 GMP API	<ul style="list-style-type: none"> Partial production of three GMP batches has been completed with the final stages in the manufacturing process to be completed following successful production of the engineering batches. 	Expected completion Q4 2023/Q1 2024
Stage 4 Production of API into finished gel (10-gram tubes) for Phase 3 clinical supply	<ul style="list-style-type: none"> Formulation of API material into gel and filling into 10-gram tubes for the Phase 3 trial Contract manufacturer has been appointed and is preparing pilot filling of gel product into tubes. 	Expected completion Q4 2023

1.4 Analytical Update

There are more than 20 tests used to characterise the Glucoprime® API and demonstrate consistency of linkage analysis and structural consistency. As a result of the incident at the CMO, some of these methods have been outsourced to alternate laboratories. While the interruption in Glucoprime® API production has led to a delay in test validation, the pre-validation work has been completed with final validation expected to be completed in Q3 2023. Data generated from the batches analysed to date shows a high level of consistency with the previous Glucoprime® API material used in the Phase 2 clinical trial. The primary aim of the method development work is to support a comprehensive dossier for the FDA which describes in detail each of the specification tests and the respective method developments, as well as the test results prior to the Phase 3 study.

1.5 Regulatory Update

The Company submitted an FDA Type C meeting request in June 2022 to seek clarity on key matters required to progress to the Phase 3 clinical study and received a written response from the Agency in mid-September. In its response, the FDA broadly accepted as reasonable the Company's intended approach to:

- Chemistry Manufacturing and Controls - including release specifications for Glucoprime® API
- Raw material - including the Company's yeast supply arrangements, characterisation and creation of a master cell bank facilitating long-term supply of this raw material
- Toxicology - including the Company's proposed abridged toxicology program consisting of an in vitro degradation analysis, a 28-day mini-pig toxicology study, and a maximal clinical use human study.

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The FDA also accepted that the documentation and the yeast material is suitable for use in the Phase 3 Glucoprime® API material.

Based on the recommendations within the Type C meeting response, the Company was pleased to have greater clarity on key matters to progress into a Phase 3 program, which was the main purpose of the meeting.

In May 2023 the Company attended an End of Phase 2 (EOP2) meeting with the FDA to seek feedback and broad agreement on the proposed pivotal Phase 3 protocol and the overall clinical program towards a New Drug Application (NDA) filing.

Key points included:

- Clarification around the roles of the treating and blinded investigators.
- Provision of an assessment for nutritional status.
- Enrolment criteria for participants who have multiple ulcers.
- Further detail on the management of infection.
- Assessment of dermal safety including local irritability and sensitization, and refinement of the pain scale.
- Validation of an assay to assess glucan levels in human plasma as part of a maximal clinical usage study.

Following review of its EOP2 dossier to date and the proposed Phase 3 protocols, the FDA response provided clearance for the Company to progress into the Phase 3 program. The Company anticipates submitting the Phase 3 protocol for final review by FDA in Q3 2023.

A US-based firm has been engaged to carry out the initial toxicology pilot study and is currently preparing for proof of concept studies to validate the proposed protocol.

1.6 Phase 3 VLU Trial Management

The Company plans to conduct two trials, each with 300 patients, in Australia and the US. Overall, the Phase 3 clinical program will enrol 600 patients in a randomised, double-blinded study design.

Following the EOP2 meeting, the Company established an in-house clinical operations team to develop and manage the Phase 3 program. The team is currently US-based but there are plans to add an Australian arm shortly. The immediate focus is on preparing the necessary quality framework and documentation to support the clinical program. Given the delay in production of the Glucoprime® API, we anticipate patient enrolment to commence in Q1 2024. More than 15 sites have been approached and have indicated a strong level of engagement and commitment to participate in the trial.

The Company is also pleased to confirm the acceptance and appointment of eminent Principal Investigators for the Phase 3 trials being Professor Robert Kirsner from the University of Miami for the US trial and Professor Michael Woodward from Austin Health in Melbourne for the Australian trial. Prof. Kirsner was the principal investigator in a recent large scale clinical trial using a spray-on skin product from Smith and Nephew with a similar target indication to that planned for the TR987® phase 3 trial (ie: VLUs 2-12 cm²).

The primary endpoint of the planned trials will be incidence of complete closure over a 16-week treatment period. The two main secondary endpoints will be reduction on ulcer size and amelioration of pain in affected patients.

1.7 Scientific Advisory Board (SAB)

The Scientific Advisory Board (SAB) met virtually for an inaugural meeting in early 2023 to discuss and align on the Phase 3 protocol synopsis. Present at the meeting were both Principal Investigators along with a number of other members with expertise in trial design and the clinical management of chronic wounds. Key discussion points included the trial design, control of infection, statistical analysis, and the role of debridement in wound management.

1.8 Pre-clinical work on the mechanism of action

Work continues to progress at the University of South Australia on investigations into the mechanism of action of the Glucoprime® API to support our FDA application for TR987® as well as the local launch activities of TR Pro+™. Initial work has validated the 0.1% concentration as being superior to higher doses. Over the coming months we expect to gain a more complete understanding of the temporal effects on cytokines and growth factors as well as insights into on collagen production and scar formation.

1.9 Conferences

In July 2023 Dr Darryl Reed (COO) attended the 25th World Congress of Dermatology (Singapore) and presented on the 'Efficacy of TR987[®], beta-1,3-1,6-D-glucan, in the treatment of chronic venous insufficiency ulcers: a two-arm, double-blind, placebo-controlled, randomized controlled Phase 2B trial' in the 'Novel Medical Therapies' session. He also delivered a poster (summary of study and outcomes) on 'A Patient Experiential Program to assess the effectiveness of a novel wound healing hydrogel, TR Pro+[™] (beta-1,3-1,6-D-glucan) as an aftercare treatment for aesthetic and therapeutic procedures'.

2. TR Pro+[™] COMMERCIALISATION (for aesthetic and therapeutic procedures)

2.1 Real-World Evaluation of TR Pro+[™] completed

The real-world evidence study concluded on 15 September 2022 by which time 12 dermatology clinics had enrolled 102 patients who represented a broad cross section of ages and skin types. Of these, 63 patients and 49 patients completed the surveys on days 6 and 28, respectively, with 48 patients completing both surveys. The results of the 48-patient cohort were consistently positive at day 28 for patients' feelings towards perception of skin healing ('Happy/Very Happy' - 81%), satisfaction using TR Pro+[™] ('Satisfied/Very Satisfied' - 81%), perception of skin healing ('Well/Very Well' - 85%). Notably, 100 percent of patients reported that their overall healing using TR Pro+[™] was similar or better in comparison to their previous experiences using other products.

2.2 Commercial launch of TR Pro+[™]

An Australian-based contract manufacturer was appointed to manufacture the initial batch of TR Pro+[™] comprising 10g tubes and 3g sample sachets. The launch of TR Pro+[™] in early June 2023 was later than expected due to technical challenges associated with the filling of sachets with the viscous gel, something which had not been done previously.

A full-time territory manager with experience in dermatology commenced work in January and has been presenting TR Pro+[™] to dermatology and beauty clinics. Initial feedback from the market has been very positive, consistent with the outcomes of the earlier research and real-world evidence study. A comprehensive range of marketing activities has been planned and is being implemented.

First sales of TR Pro+[™] have been achieved with overwhelmingly positive feedback being received from clinicians and patients from in field use. Promotional activity has been driven predominantly by virtual and face-to-face calls on dermatology and aesthetic clinics, complemented by healthcare professional conference sponsorships. Importantly, neither clinicians nor patients have highlighted any barriers to the usage of TR Pro+[™] (eg: price, efficacy, format etc), confirming that the main growth strategy will focus on changing clinician behaviour.

The immediate goal is to establish a group of clinics willing to integrate the aftercare product into their procedures and demonstrate consistently re-ordering. Confirmation of this positive signal of market uptake will prompt the team to identify further channels to scale up activity and accelerate growth.

A broad selection of conferences and meetings have been sponsored over the past year to increase awareness of TR Pro+[™] and provide product samples to initiate sales. These meetings have targeted dermatologists, wound physicians, skin cancer specialists, plastic surgeons, dermal therapists, and aesthetic nurses and have proven to be valuable customer access opportunities given the modest size of the sales team.

The team have also been working to partner with clinics and develop case studies to support the marketing strategy. To date there are TR Pro+[™] cases for hard to heal wounds, skin needling including treatment with the new Morpheus8 device, dermatitis, and laser procedures.

2.3 Publication of TR Pro+[™] for use following laser skin resurfacing procedures

An academic paper describing the phase 2 clinical trial which used TR Pro+[™] (referred to in the article as TR987[®]) in patients who had undergone CO₂ fractionated laser skin resurfacing treatment was published in the highly regarded, peer reviewed Journal of Dermatologic Surgery in December 2022 (Wu DC, Kollipara R, Carter MJ, Goldman MP. A Novel Macrophage-Activating Gel Improves Healing and Skin Quality After CO₂ Laser Resurfacing of the Chest. Dermatol Surg. 2022 Dec 1;48(12):1312-1316). This represents the first publication from the Company describing clinical studies using the Glucoprime[®] API.

3. Other Business Activities

3.1 Intellectual property

A summary of the intellectual property position of the Company is provided below consisting of eligible regulatory exclusivity and patent protection.

Regulatory exclusivity (5 years in USA; 10 years in Europe)

- Glucoprime® meets the FDA criteria of A New Chemical Entity (NCE). There is no drug substance currently approved globally for any indication based on Tissue Repair's engineered molecule. This provides the potential for exclusivity preventing competitors from replicating the technology.
- USA: The FDA defines a new chemical entity as "a drug that contains no active moiety that has been approved by FDA in any other application submitted under section 505(b) of the Act." The FDA grants exclusivity for New Chemical Entities (NCE). This exclusivity provides the licence holder of an approved new drug application protection from new competition in the marketplace for the innovation represented by its approved drug product.
- Europe: A chemical active substance that is not previously authorised in a medicinal product for human use in the European Union and that is from a chemical structure point of view not related to any other authorised substances should be considered as a NAS ("New Active Substance")
If Glucoprime® is classified as a biologic by the FDA, it may be eligible to increase marketing exclusivity from 5 to 12 years in the USA. Whilst the focus for TR987® is as a potential drug approval, the Company will also be discussing and considering the classification of Glucoprime® with the FDA as a biologic.

Two patents have been awarded with a third currently under consideration.

Patent 1 US Divisional Patent Glucoprime® - GRANTED

Methods of manufacture (Pub No US 11,384,160 B1; Publication Date Jul. 12, 2022)

METHOD OF MAKING A BETAGLUCAN COMPOUND

The claims allowed cover the methods of extraction for the Glucoprime® API. There are no other methods known to produce the Glucoprime® API to the specifications required by the FDA. This method links to potency and efficacy and in turn clinical impact.

Patent 2 US Divisional Patent Glucoprime® - GRANTED

Composition Claims (Pub. No.: US 2023/0085802 A1; Publication Date 23 March 2023)

ISOLATED BIOLOGICAL POLYSACCHARIDE COMPOUND, METHODS OF USE AND METHODS OF MANUFACTURE THEREOF

The claims allowed are relatively broad in terms of the type of skin treatments that are covered. The only limitation in terms of treatment is that the Glucoprime® API is applied topically to the skin of a wound site. The broadest claim is not restricted in terms of the type of wound and what else the vehicle may comprise apart from Glucoprime® API.

Patent 3 US Divisional Patent Glucoprime®: UNDER EXAMINATION

BIOLOGICAL POLYSACCHARIDE COMPOUND

The claims sought in this application cover the molecule itself for any application.

For personal use only.

3.2 Quality Systems Update

A pharmaceutical Quality System (QS) ensures the quality and efficacy of the medicinal product, together with patient safety, while improving the overall level of quality and the performance of the business. A new QS framework which covers both manufacturing and clinical operations has been secured and is in the process of being integrated. Quality documents including manuals, quality plans, policies, SOPs, forms, and templates have been drafted and will be implemented according to the new QS framework.

3.3 Australian Government R&D Tax Incentive

The Company holds two R&D Overseas certificates awarded in 2013 by the Australian Government, which preapprove R&D expenditure for the TR987[®] project. The Company has received advice it remains compliant with these certificates and remains eligible to receive cash tax rebates on the costs associated with the TR987[®] project, future developments, prospects and business strategies.

4. Work streams planned for the 2023/24 financial year

The following are the key work streams planned over the 2023/24 financial year:

TR987[®] – for treatment of chronic wounds

- Further validation of the analytical methods required to characterise the Glucoprime[®] API and TR987[®] hydrogel.
- Production of Phase 3 clinical supplies of TR987[®].
- Submission of the revised Phase 3 protocol to the FDA.
- Continued outreach to clinical sites and development of documentation to support the clinical program.
- Advancement of the toxicology program and preclinical mechanism of action studies.

TR Pro+[™] COMMERCIALISATION (for aesthetic and therapeutic procedures)

- Continued promotion of TR Pro+[™]
- Exploration of potential partnerships and growth opportunities

5. Business risks

The material business risks faced by the company that are likely to have an effect on the financial prospects of the company include:

5.1 Products not yet launched and the therapeutic product is not yet approved for commercial sale

Tissue Repair's ability to achieve profitability is dependent on a number of factors, including, for its therapeutic product, its ability to commence and complete successful Phase 3 clinical trials and obtain regulatory approval in the USA and Australia (at a minimum), and Tissue Repair's ability to successfully commercialise either or both of its aesthetic or therapeutic products. There is no guarantee that Tissue Repair's products (either or both its aesthetic or therapeutic product/s) will be commercially successful. Revenue from Tissue Repair's therapeutic product will not be possible until FDA approval is granted in the USA and the product is successfully launched. Clinical trials for Tissue Repair's therapeutic product may also be suspended for safety or efficacy reasons, following development it may prove difficult or impossible to replicate and manufacture any of Tissue Repair's products on a large scale, or, during the period of development, competitors (including those with greater resources) may emerge with competing or alternative treatments or technologies.

5.2 Product acceptance

Tissue Repair's growth and the commercial success of Tissue Repair's current and future products is reliant on the acceptance of Tissue Repair's products by healthcare professionals, including the relevant medical and wound care specialists.

The degree of market acceptance and continued adoption of Tissue Repair's products will depend on a number of factors, including:

- the potential and perceived advantages of Tissue Repair's products over competitor products and the preference by healthcare professionals of competitor's products due to familiarity with those products or for other reasons;
- Tissue Repair's products performing to expected standards of care and quality;
- Tissue Repair's ability to successfully market its products by providing clinical and economic data that show the safety, clinical efficacy, cost effectiveness and patient benefits from Tissue Repair's products; and
- Tissue Repair's ability to deliver consistent clinical results for indications when approved.

The acceptance of Tissue Repair's products may be slower than planned, or the products may not gain broad market acceptance by healthcare professionals which, should it arise, would impact Tissue Repair's operating and financial performance and viability.

5.3 Clinical trial risk for therapeutic product

There is no guarantee that Tissue Repair's technology will prove to be safe and efficacious in the planned Phase 3 clinical trials, or that the regulatory approval to manufacture and market its therapeutic products will be received. The clinical trials could be put on hold or terminated, which will likely have a significant adverse effect on the Company, the value of its securities and the future commercial development of its technology.

5.4 Manufacturing risk

Tissue Repair may face potential scale-up challenges as it seeks to increase the output of its manufacturing for commercialisation of its products and may have difficulty reproducing the API material and/or drug product and producing it in large quantities.

The Company expects to be dependent on one or more Contract Manufacturing Companies (CMC), exposing it to additional risks through these counterparties.

5.5 Regulatory and reimbursement approvals

The research, development, manufacture, marketing and sale of products using Tissue Repair's technology are subject to varying degrees of regulation by government authorities in Australia, USA, Europe and Asia. Products developed using Tissue Repair's technology must undergo a comprehensive and highly regulated development and review process.

For Tissue Repair's therapeutic product, that process also includes the requirement to obtain regulatory approval for marketing. This additional process includes the provision of clinical data relating to the quality, safety and efficacy of the therapeutic product for its proposed use, and therapeutic products may also need to be submitted for reimbursement approval. The availability and timing of that reimbursement approval may have an impact upon the uptake and profitability of therapeutic products in some jurisdictions.

Any of the products utilising Tissue Repair's technology may be shown to be unsafe, non-efficacious, difficult or impossible to manufacture on a large scale, uneconomical to market, compete with superior products marketed by third parties or not be as attractive as alternative treatments or technologies.

5.6 Commercialisation of products, revenue, and expenditure

Tissue Repair has not yet commercialised its technology. Tissue Repair is also dependent on commercially attractive markets remaining available to it during the commercialisation phase and there is a risk that, once developed and ready for sale, commercial sales (to fund sufficient revenues for continued operations and growth) may not be achieved.

Tissue Repair may experience delay or adverse outcomes in achieving a number of critical milestones, including securing commercial partners, completion of clinical trials for its therapeutic products, obtaining regulatory approvals, manufacturing, pre-launch market research, product launch and sales. Any material delays may impact Tissue Repair adversely, including the timing of any revenues.

The Company may require substantial additional financing in the future to sufficiently fund its operations, commercialisation, and development.

Without revenue from commercialisation, the Company may be required to raise additional equity or debt capital in the future. There is no assurance that it will be able to raise that capital when it is required or, even if available, the terms may be unsatisfactory. If the Company is unsuccessful in obtaining funds when they are required, Tissue Repair may need to delay or scale down its operations.

While the Company will be subject to the constraints of the ASX Listing Rules regarding the percentage of its capital that it is able to issue within a 12-month period without Shareholder approval (other than where exceptions apply), Shareholders may be diluted as a result of any issues and fundraisings.

5.7 Intellectual property

Tissue Repair's ability to leverage its innovation and expertise depends upon its ability to protect its intellectual property and any improvements to it. The intellectual property may not be capable of being legally protected, it may be the subject of unauthorised disclosure or be unlawfully infringed, or Tissue Repair may incur substantial costs in asserting or defending its intellectual property rights. This includes the Company's ability to obtain commercially valuable patent claims.

If relevant patents or trademarks are not granted to Tissue Repair, then the value of the intellectual property rights may be significantly diminished. Further, any information contained in patent applications will become part of the public domain, and so will not be protected as confidential information.

5.8 Dependence upon key personnel, and growth management

Tissue Repair depends on the talent and experience of its personnel (employees and consultants) as its primary asset. There may be a negative impact on Tissue Repair if any of its key personnel leave. It may be difficult to replace them, or to do so in a timely manner or at comparable expense. Additionally, any key personnel who leave to work for a competitor may adversely impact Tissue Repair. There is a corresponding risk that Tissue Repair may be unable to manage its future growth successfully. The ability to hire and retain skilled personnel as outlined above may be a significant obstacle to growth.

5.9 Arrangements with contract manufacturers and third-party collaborators

Tissue Repair itself has not produced active pharmaceutical ingredient (API) material and has appointed a contract manufacturer to undertake manufacture of engineering and production batches of its unique active ingredient, named Glucoprime®.

The service provided by contracted parties to Tissue Repair may be disrupted or terminated for a variety of reasons which may result in manufacturing disruptions or an inability to manufacture and produce its products for some time. This has the potential to limit, delay or prevent supply of Tissue Repair's products and have an adverse impact on the availability of Tissue Repair's products to customers.

Tissue Repair may pursue collaborative arrangements with pharmaceutical and life science companies, academic institutions or other partners to complete the development and commercialisation of its products. These collaborators may be asked to assist with funding or performing clinical trials, manufacturing, regulatory approvals, or product marketing. There is no assurance that the technology will attract and retain appropriate strategic partners or that any such collaborators will perform and meet commercialisation goals.

5.10 Competition

The biotechnology and pharmaceutical industries are intensely competitive and subject to rapid and significant technological change. Other companies, both in Australia and abroad, may be pursuing the development of products that target the same therapeutic conditions or markets that Tissue Repair is targeting. Tissue Repair's products may compete with existing alternative treatments or technologies that are already available to customers. Some of these companies may have, or develop, technologies superior to Tissue Repair's own technology. Tissue Repair may face competition from parties who have substantially greater resources than the Company.

5.11 Product liability

Any defects in Tissue Repair's products may harm Tissue Repair and its customers' reputation and business. Tissue Repair may also be subject to warranty and liability claims for damages related to defects in its products. In addition, the products may be subject to a recall, withdrawal, or other regulatory action. This risk exists even if a product is cleared or approved for commercial sale by the TGA, FDA or other regulatory authorities and is manufactured in appropriately licensed and regulated facilities.

There may also be adverse events reported from the use, misuse or defect of Tissue Repair's products which could expose Tissue Repair to product liability claims or litigation. Tissue Repair may be subject to product liability claims if its products cause, or merely appear to have caused, patient injury or death. The industry in which Tissue Repair operates has historically been subject to extensive litigation over product liability claims, especially in the USA market. Product liability claims may result in substantial litigation costs, product recalls or market withdrawals, suppressed demand for Tissue Repair products and damage to Tissue Repair's reputation, regardless of merit or eventual outcome. If this were to occur, it would adversely impact Tissue Repair's operating and financial performance.

5.12 Country/region specific risks

Tissue Repair has operations in the USA and must comply with a range of different USA legal and regulatory regimes. As Tissue Repair expands the sales of its products geographically into new international jurisdictions, it is subject to the risks associated with conducting business in those new international jurisdictions, which include adapting to, and complying with, the differing laws and regulations, business and clinical practices, and patient preferences in foreign countries, developing and managing foreign relationships and operations and being subject to the political and economic climate of the various countries. A breach of any of these areas could result in fines or penalties, the payment of compensation or the cancellation or suspension of Tissue Repair's ability to carry on certain activities or product offerings. It could also interrupt or adversely affect parts of Tissue Repair's business and may have an adverse effect on Tissue Repair's operating and financial performance.

5.13 Currency risk

A significant proportion of Tissue Repair's costs are incurred in the USA. There is a risk that unfavourable exchange rate movements may cause higher than expected costs. Tissue Repair does hedge some of its USD foreign exchange rate exposure by holding some cash in a USD bank account, however other hedging arrangements may be considered closer to product launch and bulk manufacturing.

Significant changes in the state of affairs

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

Dividends

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

Options granted

Subject to Shareholder approval, Dr Silberberg will be granted 392,753 unlisted options under the Company's Long Term Incentive Plan, exercisable at \$1.15 and expiring 15 November 2036, which will be subject to the following vesting conditions: 98,188 options vesting 12 months from the date of his appointment on 26 April 2023; 294,565 options vesting monthly pro-rata over the next 36 months following the anniversary of his appointment.

Shares under option

Unissued ordinary shares of Tissue Repair Ltd under option at the date of this report are as follows:

Number on issue	Exercise price	Expiry date
11,240,000 ¹	\$0.2055	30/12/2033
1,265,000 ¹	\$0.3715	01/10/2034
3,930,000 ¹	\$0.3715	30/11/2034
5,519,292 ²	\$1.1500	27/09/2036

¹ Options issued under the former incentive plan adopted on 1 January 2019 as outlined in the Prospectus. The former incentive plan relates to options issued to the founding team over the 9 year period of development activities from 2012-2021. These options were fully accounted in the capital structure and share offer price at the time of listing.

² Options issued under the current incentive plan as outlined in the Prospectus.

Shares issued on the exercise of options

There were no ordinary shares of Tissue Repair Ltd issued on the exercise of options during the year ended 30 June 2023 and up to the date of this report.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Rounding

The Group is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191* issued by the Australian Securities and Investments Commission (ASIC), relating to the rounding off of amounts in the consolidated financial statements. Amounts in the consolidated financial statements have been rounded off in accordance with that legislative instrument to the nearest dollar, unless specifically stated to be otherwise.

Environmental regulation

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

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 22 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The directors are of the opinion that the services as disclosed in note 22 to the financial statements do not compromise the external auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

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.

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.

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.

Remuneration report (audited)

The Directors of Tissue Repair Limited present the Remuneration Report (the Report) for the Company and its controlled entities for the year ended 30 June 2023. This Report forms part of the Directors' Report and has been audited in accordance with section 300A of the *Corporations Act 2001*.

The Report details the remuneration arrangements for the Company's key management personnel (KMP):

- ▶ Non-executive directors (NEDs)
- ▶ Executive directors and senior executives (collectively the executives).

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The table below outlines the KMP of the Group during the year:

Name	Position	
<i>Non-executive</i>		
Jack Lowenstein	Non-Executive Chairman	
Max Johnston	Non-Executive Director	Resigned 26 April 2023
Craig Stamp	Non-Executive Director	Resigned 26 April 2023
Bryan Gray	Non-Executive Director	
Michael Silberberg	Non-Executive Director	Appointed 26 April 2023
<i>Executive</i>		
Tony Charara	Executive Director	

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The Board is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:

- having economic profit as a core component of plan design
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracting and retaining high calibre executives

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-executive directors remuneration

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Board. The Board may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration. Non-executive directors may also receive share options or other incentives.

Below is the summary of Board fees payable to NEDs for the year (inclusive of superannuation):

Board Fees	\$
Non-Executive Chair	\$80,000
Non-Executive Director	\$50,000

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. Under the constitution the maximum annual aggregate remuneration is set at \$500,000 as approved by shareholders at the AGM.

Executive remuneration - Tony Charara

The consolidated entity aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The Company has an Executive Director Agreement with Spark Capital Pty Ltd a company operated by the Executive Director Tony Charara. The Executive Director receives fixed remuneration of \$50,000 per annum. Subject to the Executive Director undertaking services to a standard acceptable by the Board, the Executive Director is entitled to a cash bonus payment to be determined at the discretion of the Board. The Executive Director Agreement specifies that the agreement shall continue in force until it is terminated by either party. Either party may terminate the Agreement by providing at least three months written notice.

The executive remuneration and reward framework has three components:

- service fees
- short-term performance incentives
- share-based payments

The combination of these comprises the executive's total remuneration.

The short-term incentives ('STI') program is designed to align the targets of the business units with the performance hurdles of executives.

The long-term incentives ('LTI') include share-based payments. Options may be awarded to executives over a period of years based on long-term incentive measures. These include increase in shareholders value relative to the entire market and the increase compared to the consolidated entity's direct competitors.

Either the Company or the Executive can terminate the service agreement by providing three months notice period.

Details of remuneration

Amounts of remuneration

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

	Short-term benefits		Post-employment benefits	Long-term benefits	Share-based payments		Total
	Cash salary and fees	Cash bonus	Super-annuation	Long service leave	Option-settled ⁵	Share-settled	
2023	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Jack Lowenstein	72,398	-	7,602	-	43,325	-	123,325
Max Johnston ¹	41,667	-	-	-	38,099	-	79,766
Craig Stamp ¹	37,707	-	3,959	-	38,099	-	79,765
Bryan Gray	50,000	-	-	-	43,325	-	93,325
Michael Silberberg ²	9,041	-	-	-	1,541 ³	-	10,582
<i>Executive Directors:</i>							
Tony Charara ⁴	50,000	50,000	-	-	189,366	-	289,366
	260,813	50,000	11,561	-	353,755	-	676,129

¹ Max Johnston and Craig Stamp resigned 26 April 2023.

² Michael Silberberg was appointed 26 April 2023.

³ Share based payments relate to options that require shareholder approval.

⁴ Tony Charara received a bonus which was determined by the Board. Under Tony Charara's service agreement, the Board has complete discretion on awarding any bonus payment.

⁵ The value included in the share-based payment options column is calculated using sophisticated financial models. The expense is apportioned from the grant date to the date the options vest. As at the date of this report no KMP options have been exercised and this amount does not represent a cash benefit to the key management personnel.

	Short-term benefits		Post-employment benefits	Long-term benefits	Share-based payments		Total
	Cash salary and fees	Cash bonus	Super-annuation	Long service leave	Option-settled ⁵	Share Settled	
2022	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Jack Lowenstein	44,904	-	4,490	-	48,384	29,992	127,770
Max Johnston	30,972	-	-	-	48,384	29,992	109,348
Craig Stamp	58,157	-	2,816	-	48,384	29,992	139,349
Bryan Gray	30,972	-	-	-	48,384	14,996	94,352
Peter Scutt ¹	-	-	-	-	8,986	-	8,986
<i>Executive Directors:</i>							
Tony Charara ²	80,972	-	-	-	248,169	-	329,141
	245,977	-	7,306	-	450,691	104,972	808,946

¹ Peter Scutt resigned 7 October 2021.

² Tony Charara and Craig Stamp received additional fees for work performed as part of and prior to the IPO.

³ The value included in the share-based payment options column is entirely non cash and based on a required valuation of options issued over the period pre listing 2012-2021 and under the current incentive plan as outlined in the Prospectus. This arises when applying the Black Scholes option valuation methodology. As at the date of this report no options have been exercised and this amount does not represent a cash benefit to the key management personnel. Details of options and inputs in the valuation of options are included in note 18 of the financial statements.

⁴ As disclosed in the Prospectus, on Listing on the ASX, 91,280 (post split) shares were issued to Directors for services rendered during the IPO price of \$1.15 per share.

⁵ The value included in the share-based payment options column is calculated using sophisticated financial models. The expense is apportioned from the grant date to the date the options vest. As at the date of this report no KMP options have been exercised and this amount does not represent a cash benefit to the key management personnel.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2023	2022	2023	2022	2023	2022
<i>Non-Executive Directors:</i>						
Jack Lowenstein	100%	100%	-	-	-	-
Max Johnston ¹	100%	100%	-	-	-	-
Craig Stamp ¹	100%	100%	-	-	-	-
Bryan Gray	100%	100%	-	-	-	-
Peter Scutt ²	-	100%	-	-	-	-
Michael Silberberg ³	100%	-	-	-	-	-
<i>Executive Directors:</i>						
Tony Charara	50%	100%	50%	-	-	-

¹ Max Johnston and Craig Stamp resigned 26 April 2023.

² Peter Scutt resigned 7 October 2021.

³ Michael Silberberg was appointed 26 April 2023.

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 issued to directors and other key management personnel as compensation during the year ended 30 June 2023. However, there are options to be issued to Dr Silberberg, that are subject to Shareholder approval as disclosed below. The table below represents the terms and conditions of options were issued in prior financial years that remain outstanding at balance date.

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows. The majority of the options were issued under the former incentive plan and relates to options issued to the founding team over the 9 year period of development activities from 2012-2021. These options are fully accounted in the capital structure and share offer price at the time of listing.

Subject to Shareholder approval, Dr Silberberg will be granted 392,753 unlisted options under the Company's Long Term Incentive Plan, exercisable at \$1.15 and expiring 15 November 2036, which will be subject to the following vesting conditions:

98,188 options vesting 12 months from the date of his appointment on 26 April 2023;
294,565 options vesting monthly pro-rata over the next 36 months following the anniversary of his appointment.

Fair value of \$0.0374 used as estimation for calculation purposes.

Name	Number of options granted	Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
Tony Charara	9,540,000	30/12/2018	18/11/2021 ¹	30/12/2033	\$0.2000	\$0.007
Tony Charara	608,758	30/11/2019	18/11/2021 ¹	01/10/2034	\$0.3700	\$0.046
Tony Charara	1,891,242	30/11/2019	18/11/2021 ¹	30/11/2034	\$0.3700	\$0.046
Tony Charara	1,600,000	27/9/2021	27/9/2022 ²	27/9/2036	\$1.1500	\$0.847
Jack Lowenstein	366,060	27/9/2021	27/9/2022 ²	27/9/2036	\$1.1500	\$0.847
Bryan Gray	366,060	27/9/2021	27/9/2022 ²	27/9/2036	\$1.1500	\$0.847

¹ These options vested on IPO and became exercisable as of that date.

² The first 25% of these options vested on 27 September 2022. The remaining options vest equally each month until all options are vested by 27 September 2025.

Options granted carry no dividend or voting rights.

Additional information

The earnings of the consolidated entity for the five years to 30 June 2023 are summarised below:

	2023	2022	2021	2020	2019
	\$	\$	\$	\$	\$
Sales revenue	3,076	-	-	-	-
Loss after income tax	4,174,414	6,837,589	915,228	352,214	357,193

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2023	2022 ¹	2021	2020	2019
Share price at financial year end (\$)	0.27	0.25	-	-	-
Total dividends declared (cents per share)	-	-	-	-	-
Basic loss per share (cents per share)	6.90	13.74	5.57	21.50	24.18
Diluted loss per share (cents per share)	6.90	13.74	5.57	21.50	24.18

¹Tissue Repair Limited listed on the ASX during the year ended 30 June 2022 and therefore for years prior the share price at year end is not available.

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 consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Balance on resignation	Balance at the end of the year
<i>Ordinary shares</i>					
Tony Charara	4,895,336	-	-	-	4,895,336
Jack Lowenstein	38,080	-	75,000	-	113,080
Max Johnston ¹	96,080	-	-	(96,080)	-
Craig Stamp ¹	26,080	-	-	(26,080)	-
Bryan Gray	68,759	-	-	-	68,759
Michael Silberberg ²	-	-	-	-	-
	5,124,335	-	75,000	(122,160)	5,077,175

¹Max Johnston and Craig Stamp resigned on 26 April 2023.

²Michael Silberberg was appointed 26 April 2023.

Option holding

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

	Balance at the start of the year	Granted	Exercised	Balance on resignation	Balance at the end of the year
<i>Options over ordinary shares</i>					
Tony Charara	13,640,000	-	-	-	13,640,000
Jack Lowenstein	366,060	-	-	-	366,060
Max Johnston ¹	366,060	-	-	(366,060)	-
Craig Stamp ¹	366,060	-	-	(366,060)	-
Bryan Gray	366,060	-	-	-	366,060
Michael Silberberg ³	-	-	-	-	-
	15,104,240	-	-	(732,120)	14,372,120

¹Max Johnston and Craig Stamp resigned on 26 April 2023.

²Michael Silberberg was appointed 26 April 2023.

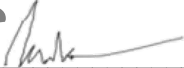
Consequences of performance on shareholder wealth

In considering the Group's performance and how best to generate shareholder value, the Board has regard to a broad range of factors, some of which are financial and others of which relate to the technical and commercial progress on the Group's projects. The Board has some but not absolute regard to the Group's result and cash consumption for the year. It does not utilise earnings per share as a performance measure and does not contemplate consideration of any dividends in the short to medium term given that all efforts are currently being devoted to obtaining value for the Group's assets. The Group is of the view that any short term, adverse movements in the Company's share price should not necessarily be taken into account in assessing the performance of KMP's.

This concludes the remuneration report, which has been audited.

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



Jack Lowenstein
Non-Executive Chair

30 August 2023

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**Auditor's Independence Declaration
To the Directors of Tissue Repair Ltd
ABN 20 158 411 566**

In relation to the independent audit of Tissue Repair Ltd for the year ended 30 June 2023, to the best of my knowledge and belief there have been:

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



S M Whiddett

Partner

Pitcher Partners

Sydney

30 August 2023

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Tissue Repair Ltd
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2023

	Note	30 June 2023 \$	30 June 2022 \$
Revenue			
Revenue from contracts with customers		3,076	-
Research and development tax incentives		968,579	171,921
Interest		430,157	39,779
Net foreign exchange gains	6	167,182	274,368
Total revenue and other income		<u>1,568,994</u>	<u>486,068</u>
Expenses			
Research and development expenses		(2,612,158)	(1,421,201)
Employee benefits expense		(1,138,226)	(743,582)
Consulting and professional expenses		(812,680)	(932,978)
Share based payment expenses		(705,423)	(856,520)
General and administration expenses		(386,506)	(269,552)
Advertising and Marketing		(85,767)	-
Depreciation and amortisation expense		(2,648)	(1,713)
IPO expenses		-	(1,223,108)
Fair value decrease on convertible note		-	(1,875,000)
Finance costs		-	(3)
Total expenses		<u>(5,743,408)</u>	<u>(7,323,657)</u>
Loss before income tax expense		(4,174,414)	(6,837,589)
Income tax expense	7	-	-
Loss after income tax expense for the year attributable to the owners of Tissue Repair Ltd		(4,174,414)	(6,837,589)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		24,814	12,091
Other comprehensive income for the year, net of tax		<u>24,814</u>	<u>12,091</u>
Total comprehensive income for the year attributable to the owners of Tissue Repair Ltd		<u>(4,149,600)</u>	<u>(6,825,498)</u>
		Cents	Cents
Basic earnings per share	8	(6.90)	(13.74)
Diluted earnings per share	8	(6.90)	(13.74)

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

Tissue Repair Ltd
Consolidated statement of financial position
As at 30 June 2023

	Note	30 June 2023 \$	30 June 2022 \$
Assets			
Current assets			
Cash and cash equivalents	9	21,396,461	25,455,289
Other receivables	10	829,679	377,647
Inventories	11	20,285	-
Other current assets	12	130,784	62,436
Total current assets		<u>22,377,209</u>	<u>25,895,372</u>
Non-current assets			
Property, plant and equipment	13	1,808	2,211
Total non-current assets		<u>1,808</u>	<u>2,211</u>
Total assets		<u>22,379,017</u>	<u>25,897,583</u>
Liabilities			
Current liabilities			
Trade and other payables	14	444,770	547,699
Provisions	15	46,027	11,082
Total current liabilities		<u>490,797</u>	<u>558,781</u>
Non-current liabilities			
Provisions	15	6,550	864
Total non-current liabilities		<u>6,550</u>	<u>864</u>
Total liabilities		<u>497,347</u>	<u>559,645</u>
Net assets		<u>21,881,670</u>	<u>25,337,938</u>
Equity			
Issued capital	16	35,037,623	35,037,623
Reserves	17	1,648,128	929,982
Accumulated losses		(14,804,081)	(10,629,667)
Total equity		<u>21,881,670</u>	<u>25,337,938</u>

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

Tissue Repair Ltd
Consolidated statement of changes in equity
For the year ended 30 June 2023

	Issued capital \$	Share based payment reserve \$	Foreign currency reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2021	3,819,076	61,371	-	(3,792,078)	88,369
Loss after income tax expense for the year	-	-	-	(6,837,589)	(6,837,589)
Other comprehensive income for the year, net of tax	-	-	12,091	-	12,091
Total comprehensive income for the year	-	-	12,091	(6,837,589)	(6,825,498)
<i>Transactions with owners in their capacity as owners:</i>					
Share-based payments (note 18)	-	856,520	-	-	856,520
Issue of ordinary shares	22,482,385	-	-	-	22,482,385
Conversion of Convertible Notes	9,375,000	-	-	-	9,375,000
Share issue transaction costs (note 16)	(638,838)	-	-	-	(638,838)
Balance at 30 June 2022	<u>35,037,623</u>	<u>917,891</u>	<u>12,091</u>	<u>(10,629,667)</u>	<u>25,337,938</u>
	Issued capital \$	Share based payment reserve \$	Foreign currency reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2022	35,037,623	917,891	12,091	(10,629,667)	25,337,938
Loss after income tax expense for the year	-	-	-	(4,174,414)	(4,174,414)
Other comprehensive income for the year, net of tax	-	-	12,723	-	12,723
Total comprehensive income for the year	-	-	12,723	(4,174,414)	(4,161,691)
<i>Transactions with owners in their capacity as owners:</i>					
Share-based payments (note 18)	-	705,423	-	-	705,423
Balance at 30 June 2023	<u>35,037,623</u>	<u>1,623,314</u>	<u>24,814</u>	<u>(14,804,081)</u>	<u>21,881,670</u>

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

Tissue Repair Ltd
Consolidated statement of cash flows
For the year ended 30 June 2023

	Note	2023 \$	2022 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		3,384	-
Payments to suppliers and employees (inclusive of GST)		(5,227,150)	(4,119,620)
Interest received		418,796	10,094
Research and development tax incentive		549,514	143,376
		<u> </u>	<u> </u>
Net cash used in operating activities	20	<u>(4,255,456)</u>	<u>(3,966,150)</u>
Cash flows from investing activities			
Payments for property, plant and equipment		<u>(2,244)</u>	<u>(3,924)</u>
		<u> </u>	<u> </u>
Net cash used in investing activities		<u>(2,244)</u>	<u>(3,924)</u>
Cash flows from financing activities			
Proceeds from issue of shares	16	-	22,000,006
Payments for costs of capital raising		<u>-</u>	<u>(638,838)</u>
		<u> </u>	<u> </u>
Net cash from financing activities		<u>-</u>	<u>21,361,168</u>
		<u> </u>	<u> </u>
Net increase/(decrease) in cash and cash equivalents		(4,257,700)	17,391,094
Cash and cash equivalents at the beginning of the financial year		25,455,289	7,763,764
Effects of exchange rate changes on cash and cash equivalents		198,872	300,431
		<u> </u>	<u> </u>
Cash and cash equivalents at the end of the financial year	9	<u><u>21,396,461</u></u>	<u><u>25,455,289</u></u>

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

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Note 1. General information

The financial statements cover Tissue Repair Ltd as a consolidated entity consisting of Tissue Repair Ltd and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Tissue Repair Ltd's functional and presentation currency.

Tissue Repair Ltd is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 10, 255 Pitt Street, Sydney NSW 2000

A description of the nature of the consolidated entity'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 30 August 2023.

Note 2. 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 Group 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 and have not had a material impact on the financial statements.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted and are not expected to have any material impact.

(a) Basis of preparation

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

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

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

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

Note 2. Significant accounting policies (continued)

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Parent entity as at 30 June 2023 and the results of all subsidiaries for the half year then ended. The Parent entity and its subsidiaries together are referred to in these financial statements as the Group.

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

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

(c) Foreign currency translation

Transactions and balances

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

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets at amortised cost

A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

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Note 2. Significant accounting policies (continued)

Impairment of financial assets

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

(d) Revenue recognition

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Company is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Company: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

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.

Interest income

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

(e) Government grants

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

(f) Income tax

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

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

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Note 2. Significant accounting policies (continued)

(g) Impairment of non-financial assets

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

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

(h) Cash and cash equivalents

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

(i) Other receivables

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

(j) Trade and other payables

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

(k) Contributed equity

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

(l) Goods and services tax (GST)

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

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

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

(m) Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

(n) Rounding of amounts

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, the amounts in the director's report and in the financial report have been rounded to the nearest dollar.

Note 2. Significant accounting policies (continued)

(o) Plant, Property and Equipment

Each class of plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment losses. In the event the carrying amount of plant and equipment is greater than its estimated recoverable amount, the carrying amount is written down immediately to its estimated recoverable amount and impairment losses recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset.

Depreciation

The depreciable amount of all fixed assets is depreciated on a diminishing value basis over the asset's useful life to the Company commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Computer hardware - 50%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are recognised in profit or loss when the item is derecognised. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(p) 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.

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.

Note 2. Significant accounting policies (continued)

(q) Share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees and directors.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at the date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

(r) Inventory

Stock on hand is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

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. Significant accounting policies (continued)

(s) Leases

For short-term leases and leases of low-value assets, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term instead of recognising a right-of-use asset and lease liability. Short-term leases are leases with a lease term of 12 months or less. During the period the Company entered into an office lease agreement for a period of 12 months

Note 3. Critical accounting judgements, estimates and assumptions

(i) Share-based payment transactions

The Group 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 either the Binomial or Black Scholes model taking into account the terms and conditions upon which the instruments were granted. 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.

Further information about share-based payments is set out in Note 18).

(ii) Research and development expenditure

With the successful track record of the Group in obtaining the Research and Development rebate from the ATO, an estimated rebate of \$748,898 has been accrued as income for the year ended 30 June 2023 (30 June 2022: \$399,700). The company is entitled to claim grant credits from the Australian Government in recompense for its research and development program expenditure. The program is overseen by AusIndustry, which is entitled to audit and/or review claims lodged for the past 4 years. In the event of a negative finding from such an audit or review AusIndustry has the right to rescind and clawback those prior claims, potentially with penalties. Such a finding may occur in the event that those expenditures do not appropriately qualify for the grant program. In their estimation, considering also the independent external expertise they have contracted to draft and claim such expenditures, the directors of the company consider that such a negative review has a remote likelihood of occurring.

(iii) Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Note 4. Going concern

For the period ended 30 June 2023 the entity has incurred a loss after tax of \$4,174,414 (2022: \$6,837,589) and incurred a net cash outflow from operating activities of \$4,255,456 (2022: \$3,966,150). As at 30 June 2023, the entity has net assets of \$21,881,670 (2022: \$25,337,938) and cash reserves of \$21,396,461 (2022: \$25,455,289).

The directors are satisfied that at the date of the signing of the financial report, there are reasonable grounds to believe that the company will be able to meet its debts as and when they fall due and that it is appropriate for the financial report to be prepared on a going concern basis.

Note 5. Operating segments

A segment is a component of the Group entity that earns revenues or incurs expenses whose results are regularly reviewed by the chief operating decision makers and for which discrete financial information is prepared. The Group has no operating segments, management review financial information on a consolidated basis. It has established entities in more than one geographical area, however the activities from these entities comparative to the Group are considered immaterial for the purposes of segment reporting.

Note 6. Net foreign exchange gains

	2023 \$	2022 \$
Realised exchange gains / (losses)	(19,300)	(4,708)
Unrealised exchange gains / (losses)	186,482	279,076
	<u>167,182</u>	<u>274,368</u>

Note 7. Income tax expense

	2023 \$	2022 \$
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense	(4,174,414)	(6,837,589)
Tax at the statutory tax rate of 30% (2022: 25%)	(1,252,324)	(1,709,397)
Permanent differences	408,552	214,239
Tax effect of accounting R&D tax incentive not deductible	(290,574)	103,480
Timing differences	320,171	736,407
Carried forward tax benefit not recognised	929,645	655,271
Foreign entity losses	(115,470)	-
Income tax expense	<u>-</u>	<u>-</u>

The Company has revenue losses of approximately \$6.4m for which no deferred tax asset has been recognised.

The Company has no franking credits currently available for future offset.

Note 8. Earnings per share

	2023 \$	2022 \$
Loss after income tax attributable to the owners of Tissue Repair Ltd	(4,174,414)	(6,837,589)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	60,464,843	49,763,529
Weighted average number of ordinary shares used in calculating diluted earnings per share	60,464,843	49,763,529
	Cents	Cents
Basic earnings per share	(6.90)	(13.74)
Diluted earnings per share	(6.90)	(13.74)

Note 9. Cash and cash equivalents

	30 June 2023	30 June 2022
	\$	\$
<i>Current assets</i>		
Cash at bank	7,640,303	15,449,131
Cash on deposit	<u>13,756,158</u>	<u>10,006,158</u>
	<u><u>21,396,461</u></u>	<u><u>25,455,289</u></u>

The term deposits have maturities ranging from 3 to 12 months. The Company has the ability to terminate a term deposit by providing the institution with notice, typically no longer than 30 days with minor financial penalties and therefore term deposits are considered cash and cash equivalents.

Note 10. Other receivables

	30 June 2023	30 June 2022
	\$	\$
<i>Current assets</i>		
R&D tax incentive - FY21	-	149,777
R&D tax incentive - FY22	-	180,056
R&D tax incentive - FY23	748,898	-
Interest receivable	41,363	29,685
GST receivable	<u>39,418</u>	<u>18,129</u>
	<u><u>829,679</u></u>	<u><u>377,647</u></u>

The research and development tax incentives were disclosed as a Tax Asset in the prior year, but are now disclosed as receivable. Amounts received relating to the tax incentive outstanding at 30 June 2022 exceeded the estimate by \$219,644, which has been included in income in the current period.

Note 11. Inventories

	30 June 2023	30 June 2022
	\$	\$
<i>Current assets</i>		
TR Pro+	<u>20,285</u>	<u>-</u>

Inventory valued at cost.

Note 12. Other current assets

	30 June 2023	30 June 2022
	\$	\$
<i>Current assets</i>		
Prepayments	109,059	62,436
Other current assets	<u>21,725</u>	<u>-</u>
	<u><u>130,784</u></u>	<u><u>62,436</u></u>

Note 13. Property, plant and equipment

	30 June 2023	30 June 2022
	\$	\$
<i>Non-current assets</i>		
Computer equipment - at cost	6,168	3,924
Less: Accumulated depreciation	<u>(4,360)</u>	<u>(1,713)</u>
	<u>1,808</u>	<u>2,211</u>

Note 14. Trade and other payables

	30 June 2023	30 June 2022
	\$	\$
<i>Current liabilities</i>		
Trade payables	82,298	195,983
Other payables	31,898	15,958
Accrued expenses	<u>330,574</u>	<u>335,758</u>
	<u>444,770</u>	<u>547,699</u>

Amounts are classified as current as they expected to be settled within 12 months.

Refer to note 21 for further information on financial instruments.

Note 15. Provisions

	30 June 2023	30 June 2022
	\$	\$
<i>Current liabilities</i>		
Annual leave	<u>46,027</u>	<u>11,082</u>
<i>Non-current liabilities</i>		
Long service leave	<u>6,550</u>	<u>864</u>
	<u>52,577</u>	<u>11,946</u>

Note 16. Issued capital

	30 June 2023	30 June 2022	30 June 2023	30 June 2022
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>60,464,843</u>	<u>60,464,843</u>	<u>35,037,623</u>	<u>35,037,623</u>

Note 16. Issued capital (continued)

Movements in ordinary share capital

	30 June 2023 Shares	30 June 2022 Shares	30 June 2023 \$	30 June 2022 \$
Opening balance	60,464,843	1,638,143	35,037,623	3,819,076
Share split ¹	-	31,124,717	-	-
Issuance of Ordinary Shares upon conversion of the Convertible Notes ²	-	8,152,174	-	9,375,000
Issuance of Ordinary Shares for services ³	-	419,369	-	482,379
Issue of Ordinary Shares - IPO	-	19,130,440	-	22,000,006
Less: Costs of capital raising	-	-	-	(638,838)
Closing balance	<u>60,464,843</u>	<u>60,464,843</u>	<u>35,037,623</u>	<u>35,037,623</u>

¹ On 17 November 2021 the Company undertook a share split on the basis of 1:20.

² Upon successful admission to the Official List, the Convertible Notes were converted to Ordinary shares.

³ The Company issued shares for services rendered to the company including medical trials, director fees, consultancy and offer costs.

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.

Through a poll, 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.

Share buy-back

There is no current on-market share buy-back.

Capital risk management

The consolidated entity'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.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The consolidated entity is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

Note 17. Reserves

	30 June 2023	30 June 2022
	\$	\$
Foreign currency reserve	24,814	12,091
Share-based payments reserve	1,623,314	917,891
	<u>1,648,128</u>	<u>929,982</u>

Foreign currency reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

	30 June 2023	30 June 2022
	\$	\$
Reconciliation:		
Balance at beginning of period	12,091	-
Foreign exchange movements on translation	12,723	12,091
Balance at end of period	<u>24,814</u>	<u>12,091</u>

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

	30 June 2023	30 June 2022
	\$	\$
Reconciliation:		
Balance at the beginning of the period	917,891	61,371
Share based payment expense recognised in the profit and loss	705,423	856,520
Balance at end of period	<u>1,623,314</u>	<u>917,891</u>

Further information on share based payments can be found at note 18.

Note 18. Share-based payments

Set out below are summaries of options granted that are deemed share based payments:

30 June 2023

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted ¹	Exercised	Other ²	Balance at the end of the year
30/12/2018	30/12/2033	\$0.2055	11,240,000	-	-	-	11,240,000
30/11/2019	01/10/2034	\$0.3715	1,265,000	-	-	-	1,265,000
30/11/2019	30/11/2034	\$0.3715	3,930,000	-	-	-	3,930,000
27/09/2021	27/09/2036	\$1.1500	6,035,580	-	-	(516,288)	5,519,292
26/04/2023	26/04/2026	\$1.1500	-	392,753	-	-	392,753
			<u>22,470,580</u>	<u>392,753</u>	<u>-</u>	<u>(516,288)</u>	<u>22,347,045</u>
Weighted average exercise price			\$0.5000	\$1.1500	\$0.0000	\$1.1500	\$0.4900

¹Options require shareholder approval.

²Options lapsed on resignation of Max Johnston and Craig Stamp on 26 April 2023.

Note 18. Share-based payments (continued)

30 June 2022

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Other ¹	Balance at the end of the year
30/12/2018	30/12/2033	\$0.2550	562,000	-	-	10,678,000	11,240,000
30/11/2019	01/10/2034	\$0.3715	63,250	-	-	1,201,750	1,265,000
30/11/2019	30/11/2034	\$0.3715	181,500	-	-	3,748,500	3,930,000
27/09/2021	27/09/2036	\$1.1500	-	6,035,580	-	-	6,035,580
			<u>806,750</u>	<u>6,035,580</u>	<u>-</u>	<u>15,628,250</u>	<u>22,470,580</u>
Weighted average exercise price			\$0.2600	\$1.1500	\$0.0000	\$0.2600	\$0.5000

¹ On 17 November 2021 the Company undertook a share split of 1:20 so the number of options on hand and the exercise price were adjusted accordingly.

Set out below are the options vested and exercisable at the end of the financial year:

Grant date	Expiry date	30 June 2023 Number	30 June 2022 Number
30/12/2018	30/11/2033	11,240,000	11,240,000
30/11/2019	01/10/2034	1,265,000	1,265,000
30/11/2019	30/11/2034	3,930,000	3,930,000
18/11/2021	18/11/2026	2,216,108	-
		<u>18,651,108</u>	<u>16,435,000</u>

On 27 September 2022 for those options granted 27 September 2021 25% will vest. The remaining options vest equally each month until all options are vested by 27 September 2025.

The weighted average remaining contractual life of options outstanding at the end of the financial year was 1.36 years (2022: 2.78 years).

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

Grant date	Assumed expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
27/09/2021	27/09/2026 ¹	\$1.1500	\$1.1500	100.00%	-	0.10%	\$0.847
26/04/2023	26/04/2028 ²	\$0.2100	\$1.1500	100.00%	-	3.60%	\$0.060

¹ For those options granted 27 September 2021 the first 25% of these options vested on 27 September 2022. The remaining options vest equally each month until all options are vested by 27 September 2025.

² For those options subject to shareholder approval, the first 25% of these options will vest on 26 April 2024. The remaining options vest equally each month until all the options are vested by 26 April 2026.

The vesting condition of options is based on service conditions.

Note 19. Dividends

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

Note 20. Reconciliation of loss after income tax to net cash used in operating activities

	2023 \$	2022 \$
Loss after income tax expense for the year	(4,174,414)	(6,837,589)
Adjustments for:		
Depreciation and amortisation	2,648	1,713
Share-based payments	705,423	856,520
Foreign exchange differences	(186,150)	274,368
Non-cash settled liabilities	-	(80,328)
Net fair value expense on financial liabilities ¹	-	1,875,000
Change in operating assets and liabilities:		
Decrease/(increase) in other receivables	(452,032)	6,162
Increase in inventories	(20,285)	-
Decrease in other assets	(68,348)	(85,599)
Increase/(decrease) in trade and other payables	(102,929)	13,261
Increase in other provisions	40,631	10,342
Net cash used in operating activities	<u>(4,255,456)</u>	<u>(3,966,150)</u>

¹ Refer to for further information.

Note 21. Financial instruments

	30 June 2023 \$	30 June 2022 \$
Financial assets		
Cash	21,396,461	25,455,289
Other current assets	21,725	-
	<u>21,418,186</u>	<u>25,455,289</u>
Financial liabilities		
Accounts payable and other current liabilities	<u>418,591</u>	<u>531,741</u>

Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses derivative financial instruments such as forward foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

Market risk

Foreign currency risk

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

Note 21. Financial instruments (continued)

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting. The Group closely monitors the US foreign exchange rate movements.

The Group undertakes transactions denominated in foreign currencies, mainly in US dollars; consequently, exposures to exchange rate fluctuations arise. At 30 June 2023, the Company has cash denominated in US dollars of US\$3,323,897 (2022: US\$4,100,690). The A\$ equivalent at 30 June 2023 is \$5,003,496 (2022: \$5,948,006). A 5% movement in foreign exchange rates would increase or decrease the Group's loss before tax by approximately \$250,175 (2022: \$297,400).

Interest rate risk

Interest earned on cash at bank is determined in accordance with published bank interest rates. The Group's exposure to interest rate risk is limited to interest received on cash held. The Group conducts a tender process with a number of large Australian banks when considering Term Deposits and new interest bearing accounts. As at 30 June 2023, the Group had cash assets of \$13,756,158 (2022: \$12,709,813) attracting interest at a weighted average interest rate of 4.66% (2022: 0.55%). An increase or decrease of 0.50% in interest rates applied for 12 months to the cash balances at reporting date would have increased or decreased profit or loss by \$68,781 (2022: \$123,975), if all other variables, including foreign currency rates, remain constant.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major counterparties. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The credit risk is on cash held at bank institutions and is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity by maintaining adequate banking facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

	Carrying amount	Less than 3 months	3-12 months	1 year to 5 years	Total contractual cash flows
	\$	\$	\$	\$	\$
Contractual cash flows at 30 June					
2023 - Trade and other payables	444,770	444,770	-	-	444,770
2022 - Trade and other payables	547,699	547,699	-	-	547,699

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value due to their short maturities.

(a) Fair value hierarchy

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

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

Note 22. Remuneration of auditors

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

	2023 \$	2022 \$
<i>Audit services -</i>		
Audit or review of the financial statements ²	72,500	120,043
<i>Other services -</i>		
Due diligence ¹	-	63,405
Taxation	-	17,940
	-	81,345
	<u>72,500</u>	<u>201,388</u>

¹ Due diligence fees were in respect of the investigative accounting report for the Prospectus.

² The total remuneration for the review and audit of financial statements related to the year ended 30 June 2022 was \$60,017, the balance of \$60,026 related to the audit of prior years (2021FY and 2020FY and 2019FY).

Note 23. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2023 \$	2022 \$
Loss after income tax	(3,651,439)	(7,356,294)
Total comprehensive income	(3,651,439)	(7,356,294)

The loss after income tax includes an impairment of the intercompany loan to TR Therapeutics Inc of \$653,895 (2022: \$907,879).

Statement of financial position

	Parent	
	30 June 2023 \$	30 June 2022 \$
Total current assets	22,356,667	25,364,579
Total assets	22,358,475	25,366,790
Total current liabilities	490,798	558,783
Total liabilities	497,348	559,647
Equity		
Issued capital	35,037,623	35,037,623
Share-based payments reserve	1,623,314	917,891
Accumulated losses	(14,799,810)	(11,148,371)
Total equity	<u>21,861,127</u>	<u>24,807,143</u>

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Tissue Repair Ltd
Notes to the consolidated financial statements
30 June 2023

Note 23. Parent entity information (continued)

The difference in equity to the consolidated balance sheet relates to the net of the impairment of intercompany loan and the retained earnings of subsidiary TR Therapeutics Inc.

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2023.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2023.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2023

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment

Note 24. Related party transactions

Parent entity

Tissue Repair Ltd is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 25.

Key management personnel

Disclosures relating to key management personnel are set out below and in the remuneration report included in the directors' report.

	30 June 2023	30 June 2022
Short-term benefits (excluding performance bonus)	260,813	245,977
Short-term benefits - performance bonus	50,000	-
Post-employment benefits	11,561	7,306
Share based payments	353,755	555,663
	<u>676,129</u>	<u>808,946</u>

Transactions with related parties

There were no transactions with related parties during the current and previous financial year other than in respect of remuneration arrangements as disclosed above.

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.

Loans to/from related parties

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

Note 25. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiary in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest	
		30 June 2023 %	30 June 2022 %
TR Therapeutics, Inc.	United States of America	100.00%	100.00%

Note 26. Commitments and contingencies

As at 30 June 2023, the Group had entered into a material agreement related to research and development activities, under the agreement, the Group is committed to making payments over future periods, as follows:

	30 June 2023	30 June 2022
During the period 1 July 2022 - 30 June 2023	271,433	1,447,235

Where commitments are denominated in foreign currencies, the amounts have been converted to Australian dollars based on exchange rates prevailing as at 30 June 2023.

Note 27. Events after the reporting period

No matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

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Tissue Repair Ltd
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 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity'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.

The directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

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



Jack Lowenstein
Non-Executive Chair

30 August 2023

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**Independent Auditor's Report
To the Members of Tissue Repair Ltd
ABN 20 158 411 566****Report on the Audit of the Financial Report***Opinion*

We have audited the financial report of Tissue Repair Ltd ("the Company") and its controlled entity ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- a) giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year ended; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

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

Key Audit Matters

Key audit matters are those that, in our professional judgement, were of more significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters to communicate in our report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group'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.

Responsibility of 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 Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

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

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 18 to 23 of the Directors' Report for the year ended 30 June 2023. In our opinion, the Remuneration Report of Tissue Repair Ltd, for the year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



S M Whiddett
Partner



Pitcher Partners
Sydney

30 August 2023

The shareholder information set out below was applicable as at 7 August 2023.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Ordinary shares	
	Number of holders	% of total shares Issued
1 to 1,000	41	0.04
1,001 to 5,000	210	1.14
5,001 to 10,000	162	2.13
10,001 to 100,000	314	16.26
100,001 and over	79	80.42
	<u>806</u>	<u>100.00</u>
Holding less than a marketable parcel	<u>78</u>	<u>0.13</u>

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares Issued
1 SELENE HOLDINGS LTD	5,955,980	9.85%
2 SPARK CAPITAL PTY LIMITED	4,822,260	7.98%
3 CREIGHT INVESTMENTS PTY LTD <987 TRUST A/C>	3,031,720	5.01%
4 WELAS PTY LTD <WALES FAMILY TRUST A/C>	2,317,580	3.83%
5 MARK DEACON-SHAW	2,035,160	3.37%
6 HISHENK PTY LTD	1,700,000	2.81%
7 BANNABY INVESTMENTS PTY LIMITED	1,690,580	2.80%
8 MOORE FAMILY NOMINEE PTY LIMITED	1,217,400	2.01%
9 SUPER SECRET PTY LIMITED <TKOCZ SF A/C>	1,213,317	2.01%
10 GIDLEY-BAIRD HOLDINGS PTY LTD	1,055,440	1.75%
11 MR GUY BANDUCCI & MRS LISA MAREE BANDUCCI <KALI SUPER FUND A/C>	1,050,000	1.74%
12 CREIGHT INVESTMENTS PTY LTD <SCUTT RETIREMENT FUND A/C>	990,540	1.64%
13 WARWICK NETTLE PTY LIMITED <WARWICK NETTLE SUPERANNUATIONFUND A/C>	967,040	1.60%
14 PHYTOSE CORPORATN LIMITED <BOUNDARYONE S/F A/C>	793,940	1.31%
15 TERENCE JOSEPH CAPLICE	730,440	1.21%
16 DC SCUTT PTY LTD <DCS PENSION A/C>	642,095	1.06%
17 CINDERELLA MANAGEMENT COMPANY PTY LTD <THE CINDERELLA UNIT A/C>	608,694	1.01%
18 RG RODEN PTY LIMITED	608,680	1.01%
19 BMY GROUP PTY LTD	543,478	0.90%
20 SCINTILLA STRATEGIC INVESTMENTS LIMITED	512,200	0.85%
Total	32,468,544	53.73%
Total issued capital – selected security class(es)	60,464,843	100.00%

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Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	21,954,292	14

The following person holds 20% or more of unquoted equity securities:

Name	Class	Number held
SPARK CAPITAL PTY LIMITED	Options over ordinary shares issued	13,640,000

Substantial holders

Substantial holders in the company are set out below:

	Number held	Ordinary shares % of total shares issued
SELENE HOLDINGS LTD	5,955,980	9.85%
SPARK CAPITAL PTY LIMITED	4,822,260	7.98%
CREIGHT INVESTMENTS PTY LTD <987 TRUST A/C>	3,031,720	5.01%

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

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.

There are no other classes of equity securities.

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