AROA

Initial Public Offering Prospectus

AROA Biosurgery Limited
NZCN 1980577
ARBN 638 867 473

This offer is for 60,000,000 Shares in **Aroa Biosurgery Limited** at a price of A$0.75 per Share.

This is an important document which should be read in its entirety. You may wish to consult your professional advisor about its contents.

Joint Lead Managers

BELL POTTER WILSONS

Important Information

Offer

The Offer contained in this Prospectus is an invitation to apply to acquire Shares in Aroa Biosurgery Limited NZCN 1980577, ARBN 638 867 473 (**Aroa** or **Company**). The Offer is being made by the Company and Aroa Biosurgery (SaleCo) Pty Ltd ACN 639 507 529 (**SaleCo**) in respect of Shares in Aroa.

Lodgement and listing

This Prospectus is dated 22 June 2020 (**Prospectus Date**) and was lodged with ASIC on that date.

Aroa will apply to ASX within seven days of the Prospectus Date for admission of the Company to the Official List and for quotation of its Shares on ASX. None of ASIC, the ASX or their respective officers take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

Expiry Date

No Shares will be sold on the basis of this Prospectus later than 13 months after the Prospectus Date.

Not Investment Advice

The information contained in this Prospectus is not financial product advice and does not take into account the investment objectives, financial situation or particular needs (including financial and tax issues) of any prospective investor.

Aroa is a New Zealand company

Aroa is a company incorporated in New Zealand. As such it is subject to New Zealand law including the Companies Act. Once admitted to the Official List, Aroa will also be subject to the requirements of the ASX Listing Rules. There are certain differences between New Zealand law and Australian law that prospective investors in Australia should be aware of. Refer to Section 11.6 for further information.

Consider risks of investment

It is important that you read this Prospectus carefully and in full before deciding whether to invest in the Company. In particular, in considering the prospects of Aroa you should consider the best estimate assumptions underlying any forward-looking statement, together with the risk factors that could affect the Company's business, financial condition and results of operations, including macro-economic and market condition risks arising from the ongoing global COVID-19 pandemic. Some of the key risk factors that should be considered by prospective investors are set out in Sections 1.5 and 5 of this Prospectus. However, there may be risk factors in addition to these that should be considered in light of your personal circumstances. You should carefully consider these factors in light of your investment objectives, financial situation and particular needs (including financial and taxation issues) and seek professional advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest in the Shares.

Disclaimer

Except as required by law, and only to the extent so required, no person named in this Prospectus, nor any other person, guarantees the performance of Aroa, the repayment of capital by Aroa, or the payment of a return on the Shares.

No person is authorised to give any information or make any representation in connection with the Offer which is not included in this Prospectus. Any information or representation not included in this Prospectus may not be relied on as having been authorised by Aroa, its Directors, or any other person involved in the preparation of the Prospectus or the making of the Offer. In making any investment decision you should rely only on information in this Prospectus.

Exposure Period

The Corporations Act prohibits Aroa from processing applications to acquire Shares under this Prospectus (**Applications**) in the seven-day period after the Prospectus Date (**Exposure Period**). This Exposure Period may be extended by ASIC by up to a further seven days. The examination may result in the identification of deficiencies in this Prospectus, in which case any Application may need to be dealt with in accordance with section 724 of the Corporations Act. Applications received during the Exposure Period will not be processed until after the expiry of the Exposure Period and no preference will be conferred on them.

During the Exposure Period, this Prospectus will be made available to Australian and New Zealand residents, without the Application Form, at the Company's website, www.aroabiooffer.com.au.

Obtaining a copy of this Prospectus

A hard copy of the Prospectus is available free of charge during the Offer Period to any person in Australia and New Zealand by calling the Aroa Offer Information Line on 1300 737 760 (from within Australia) and +61 2 9290 9600 (from outside Australia) between 8.30 am and 5.30 pm Sydney, Australia time Monday to Friday (business days only) during the Offer Period.

This Prospectus is also available to Australian and New Zealand resident investors in electronic form at the Offer website, www.aroabiooffer.com.au. The Offer constituted by this Prospectus in electronic form is available only to Australian and New Zealand residents accessing the website within Australia and New Zealand. Hard copy and electronic versions of this Prospectus are generally not available to persons in other jurisdictions.

Statements of past performance

This Prospectus includes information regarding the past performance of Aroa. Investors should be aware that past performance should not be relied upon as being indicative of future performance.

Financial information

Section 4 sets out in detail the financial information referred to in this Prospectus and the basis of preparation for the financial information. The financial information in this Prospectus should be read in conjunction with, and is qualified by reference to, the information contained in Sections 1.5 and 5.

All references to financial years appearing in this Prospectus are to the financial years of Aroa ended or ending 31 March (as relevant), unless otherwise indicated.

The Financial Information has been prepared in accordance with the recognition and measurement principles prescribed by the Generally Accepted Accounting Principles in New Zealand which complies with the International Financial Reporting Standards (**IFRS**) and with New Zealand equivalents to International Financial Reporting Standards – Reduced Disclosure Regime (**NZ IFRS RDR**).

The Financial Information is presented in an abbreviated form. It does not include all of the presentation and disclosures required by the IFRS or NZ IFRS RDR and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act or New Zealand law.

All financial amounts contained in this Prospectus are expressed in New Zealand currency, unless otherwise stated. Any discrepancies between totals and sums of components in tables contained in this Prospectus are due to rounding.

Forward looking statements

This Prospectus contains forward looking statements which are identified by words such as "believes", "considers", "could", "estimates", "expects", "intends", "may", and other similar words that involve risks and uncertainties. Certain statements, beliefs and opinions contained in this Prospectus, particularly those regarding the possible or assumed future financial or other performance of Aroa's industry growth or other trend projections are or may be forward-looking statements.

Any forward-looking statements are subject to various known and unknown risk factors that could cause Aroa's actual results and circumstances to differ materially from the results and circumstances expressed or anticipated in these statements. Such statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of Aroa or its Directors and Management. Forward looking statements should be read in conjunction with, and are qualified by reference to, risk factors as set out in Sections 1.5 and 5 and other information in this Prospectus.

No assurance is given that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur

and investors are cautioned not to place undue reliance on these forward-looking statements. The Company will not necessarily update or revise forward-looking statements, or publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

This Prospectus, including the industry overview in Section 2, uses market data, industry forecasts and projections. The Company has obtained significant portions of this information from market research and commentary prepared by third parties. There is no assurance that any of the forecasts or forward-looking information contained in the reports, surveys and research of such third parties that are referred to in this Prospectus will be achieved. In particular, the market data was prepared before the onset of COVID-19, the final economic effect of which is currently not possible to predict with any certainty. Consequently, while the Company has no reason to believe that the markets to which the data relates will not return to the operating levels experienced before COVID-19, the impact of COVID-19 (if any) on the market data that is referenced is not possible to currently predict with any certainty and investors are cautioned against placing undue reliance on such data. The Company has not independently verified any of the market data information. Estimates and industry forecasts and projections involve risks and uncertainties and are subject to change based on various factors, including those discussed in the key risks in Sections 1.5 and 5.

Important notice to New Zealand Investors

This offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the *Corporations Act 2001* (Cth) (Aust) and regulations made under that Act. In New Zealand, this is subpart 6 of Part 9 of the *Financial Markets Conduct Act 2013* and Part 9 of the Financial Markets Conduct Regulations 2014.

This Offer and the content of the offer document are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act and the regulations made under the Corporations Act set out how the Offer must be made.

There are differences in how financial products are regulated under Australian law. For example, the disclosure of fees for managed investment schemes is different under the Australian regime.

The rights, remedies, and compensation arrangements available to New Zealand investors in Australian financial products may differ from the rights, remedies and compensation arrangements for New Zealand financial products.

Both the Australian and New Zealand financial markets regulators have enforcement responsibilities in relation to this Offer. If you need to make a complaint about this Offer, please contact the Financial Markets Authority, New Zealand (http://www.fma.govt.nz). The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian financial products is not the same as for New Zealand financial products.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

The Offer may involve a currency exchange risk. The currency for the financial products is not New Zealand dollars. The value of the financial products will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.

If you expect the financial products to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

If the financial products are able to be traded on a financial product market and you wish to trade the financial products through that market, you will have to make arrangements for a participant in that market to sell the financial products on your behalf. If the financial product market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the financial products and trading may differ from financial product markets that operate in New Zealand.

Selling restrictions in foreign jurisdictions

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of Shares, in any jurisdiction outside Australia and New Zealand.

The taxation treatment of the Shares may not be the same as those for securities in jurisdictions outside Australia. If you are uncertain about whether this investment is appropriate for you, you should seek the advice of your accountant, financial adviser, stockbroker, lawyer or other professional adviser.

The distribution of this Prospectus (including in electronic form) outside Australia and New Zealand may be restricted by law, and persons who come into possession of this Prospectus outside Australia and New Zealand should seek advice on, and observe any, such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

In particular, this Prospectus may not be released or distributed in the United States. The Shares have not been, and will not be, registered under the US Securities Act of 1933, as amended (**US Securities Act**) or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, in the United States unless the Shares are registered under the US Securities Act or are offered and sold in transactions exempt from, or not subject to the registration requirements of the US Securities Act and any other applicable US securities laws.

See Sections 7.16 and 11.13 for more detail on the selling restrictions that apply to the offer and sale of Shares in jurisdictions outside of Australia and New Zealand.

No cooling off rights

Cooling off rights do not apply to an investment in Shares offered under this Prospectus. This means that, in most circumstances, you cannot withdraw your Application.

Photographs and diagrams

Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents or that the assets shown in them are or, on Completion of the Offer will be, owned by Aroa. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the Prospectus Date.

Documents available on website

Any references to documents included on Aroa's website at www.aroabio.com or the Offer website at www.aroabiooffer.com.au are for convenience only, and none of the documents or other information available on these websites is incorporated in this Prospectus by reference.

Defined terms and time

Defined terms and abbreviations used in this Prospectus have the meanings given in the glossary of this Prospectus at Section 12. Unless otherwise stated or implied, references to times in this Prospectus are to the time in Sydney, Australia.

Unless otherwise stated or implied, references to dates or years are calendar year references.

Applications

Applications for Shares under this Prospectus may only be made during the Offer Period on the Application Form included in, or accompanying, this Prospectus in its hard copy form, or in its electronic form which must be downloaded in its entirety from www.aroabiooffer.com.au together with an electronic copy of this Prospectus (**Application Form**). By making an Application, you declare that you were given access to the Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing the Application Form on to another person unless it is included in, or accompanied by, this Prospectus in its hard copy form or the complete and unaltered

Important Information (continued)

electronic version of this Prospectus. Refer to Sections 7 and 11 for further information.

Aroa and SaleCo reserve the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

As set out in Section 7.18, it is expected that the Shares will be quoted on ASX on a normal settlement basis. To the extent permitted by law, each of the Company and the Share Registry disclaim all liability, whether in negligence or otherwise, to persons who trade Shares before receiving their holding statement, whether on the basis of a confirmation of allocation provided by any of them, by the Aroa Offer Information Line, by a broker or otherwise.

Privacy

By filling out the Application Form to apply for Shares, you are providing personal information to Aroa and the Share Registry, which is contracted by the Company to manage some of the Applications. Aroa, and the Share Registry on their behalf, may collect, hold, use and disclose that personal information for the purpose of processing your Application, servicing your needs as a Shareholder, providing facilities and services that you need or request and carry out appropriate administration in accordance with this privacy statement and the *Privacy Act 1988* (Cth) and *Privacy Act 1993* (NZ). If you do not provide the information requested in the Application Form, Aroa and the Share Registry may not be able to process or accept your Application.

Once you become a Shareholder, the Corporations Act and Australian taxation legislation require information about you (including your name, address and details of the Shares you hold) to be included in the Share register. In accordance with the requirements of the Corporations Act, information on the Share register will be accessible by members of the public. The information must continue to be included in the Share register if you cease to be a Shareholder.

Your personal information may also be used from time to time to inform you about other products and services offered by Aroa which it considers may be of interest to you including by email if you have opted-in to such. Your personal information may also be provided to Aroa's agents and service providers on the basis that they deal with such information in accordance with Aroa's privacy policy. The agents and service providers of Aroa may be located outside Australia and New Zealand where your personal information may not receive the same level of protection as that afforded under Australian or New Zealand laws. The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared are:

- the Share Registry for ongoing administration of the Share register;
- brokers for the purpose of providing their services;
- printers and other companies for the purpose of preparation and distribution of statements and for handling mail;
- market research companies for the purpose of analysing the Shareholder base and for product development and planning; and
- legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering, and advising on, the Shares and for associated actions.

Information contained in Aroa's Share register is also used to facilitate corporate communications (including Aroa's financial results, annual reports and other information that Aroa may wish to communicate to its Shareholders) and compliance by Aroa with legal and regulatory requirements. An Applicant has a right to access, correct and update his or her personal information that Aroa and the Share Registry hold about that person, subject to certain exemptions under law and verification of your identity. A reasonable fee may be charged for access. Access requests may be made in writing or by telephone call to Aroa's registered office or the Share Registry's office, details of which are disclosed in the corporate directory inside the back cover of this Prospectus. The Company will aim to ensure that the personal information it retains about you is accurate, complete and up to date. To assist with this, please contact the Company or the Share Registry if any of the details you have provided change.

By submitting an Application, you agree that Aroa and the Share Registry may communicate with you in electronic form or to contact you by telephone in relation to the Offer.

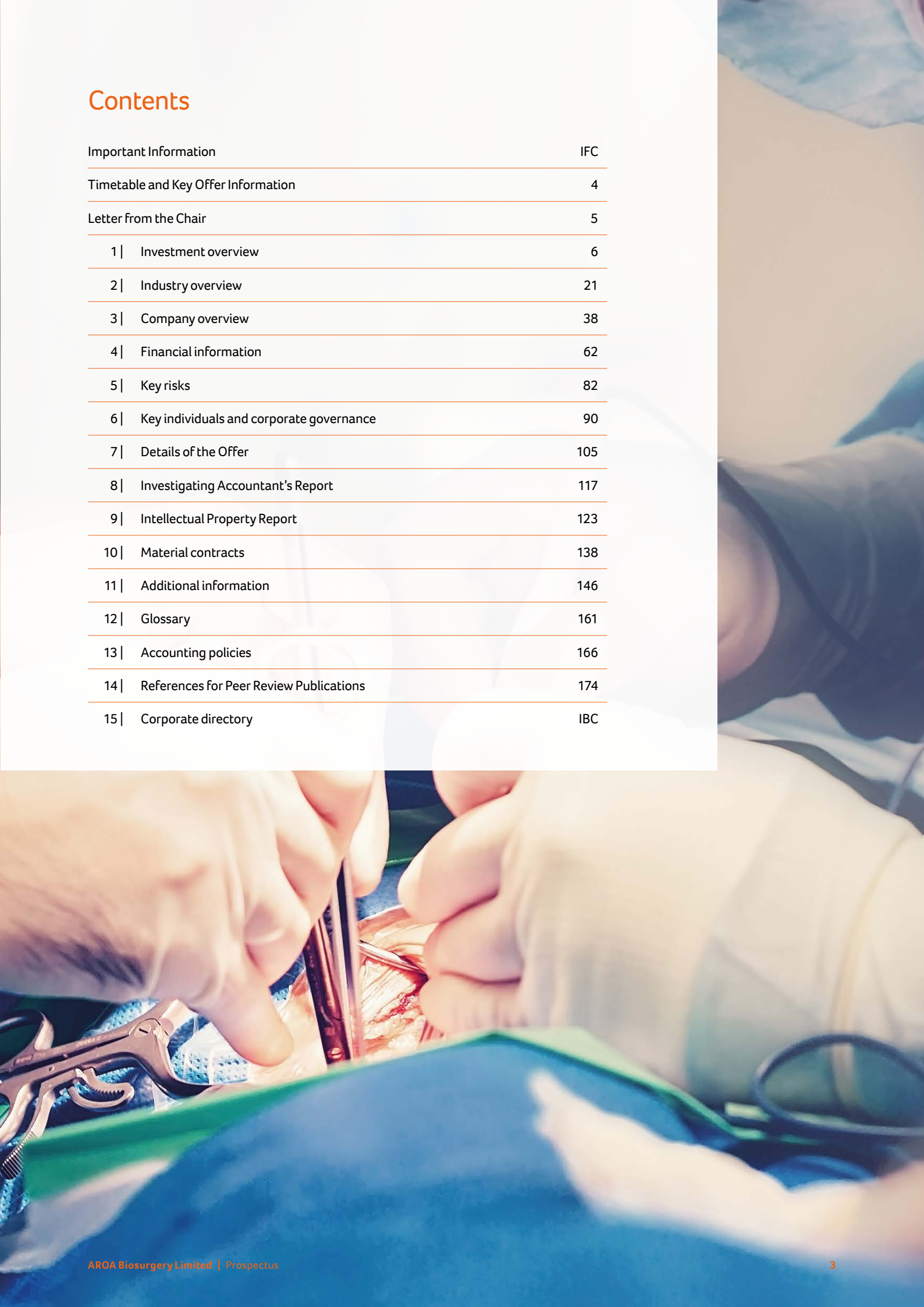
If you have a query or complaint in relation to how your personal information is handled please contact us at info@aroa.com and, in the event your complaint is not resolved satisfactorily, you may contact the Office of Australian Privacy Commissioner (**OAIC**).

Questions

If you have any questions about this Prospectus or how to apply for Shares, you should seek advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser. Instructions on how to apply for Shares are set out in Section 7 and on the Application Form. Alternatively, please contact the Aroa Offer Information Line on 1300 737 760 (from within Australia) and +61 2 9290 9600 (from outside Australia) between 8.30 am and 5.30 pm Sydney, Australia time, Monday to Friday (business days only) during the Offer Period.

This document is important and should be read in its entirety before making any investment decision.

Contents



Timetable and Key Offer Information

Indicative dates

Prospectus Date	**22 June 2020**
Opening date of Offer	**1 July 2020**
Closing time of Offer	**5.00 pm, 3 July 2020**
Issue and Transfer of Shares (**Completion of the Offer**)	**29 July 2020**
Expected despatch of holding statements	**30 July 2020**
Shares begin ASX trading (normal settlement basis)	**30 July 2020**

Dates may change

The above dates are indicative only and may be subject to change. Unless indicated, all times and dates are Sydney, Australia time. Subject to compliance with the Corporations Act, ASX Listing Rules and the terms of the Underwriting Agreement, Aroa and SaleCo reserve the right to vary the dates and times of the Offer, including to extend the Offer, close the Offer early or to accept late Applications, without notifying any recipient of this Prospectus or any Applicants. Investors are encouraged to submit their Applications as soon as possible.

Key Offer Information

Offer Price	**A$0.75 per share**
Gross proceeds of the Offer payable to the Company	**A$30.0 million**
Gross proceeds of the Offer payable to the Selling Shareholders	**A$15.0 million**
Total number of Shares to be issued under the Offer	**40,000,000**
Total number of Shares to be sold under the Offer	**20,000,000**
Total number of Shares to be held by Existing Shareholders at Completion of the Offer	**240,074,950**
Total number of Shares on issue on Completion of the Offer	**300,074,950**
Indicative market capitalisation[1]	**A$225.0 million**
Pro forma historical net cash as at 31 March 2020[2]	**A$28.0 million**
Enterprise value at the Offer Price[3]	**A$197.0 million**
Enterprise value/Pro forma FY20 revenue[4] (times)	**8.4**

1. *Calculated as the total number of Shares on issue following Completion of the Offer multiplied by the Offer Price.*
2. *The Pro forma historical net cash as at 31 March 2020 as set out in Section 4.5.2, has been converted to A$ at an exchange rate of A$0.94/NZ$1.00.*
3. *Enterprise value is calculated by adding market capitalisation at the Offer Price and pro forma net debt or deducting net cash.*
4. *The Pro forma FY20 revenue of NZ$25.1 million is set out in Section 4.3.*

Letter from the Chair

Dear Investor,

On behalf of the Directors of Aroa Biosurgery Limited (**Aroa**), it is my pleasure to invite you to become a shareholder in Aroa.

Aroa is a New Zealand-based soft tissue regeneration company that is focused on developing, manufacturing and selling regenerative tissue substitutes for medical conditions where impaired healing leads to serious consequences for patients. The company commenced operations in 2008, and has its headquarters and manufacturing facilities located in Auckland, New Zealand, with additional sales and distribution functions in the United States of America.

Aroa has developed the Endoform® proprietary soft tissue regeneration technology platform, which is based on many years of research and development by Aroa and is based on the benefits of applying a unique Extracellular Matrix (**ECM**) to wounds and soft tissue repair and reconstruction. Endoform provides a 'short-cut' to growing new tissue and an associated blood supply, supporting recovery from injury or surgery. This technology offers leading regenerative performance at a disruptive cost compared to other biologic solutions, enabling more patients to have access to the benefits of regenerative healing. Aroa produces a range of products that utilise this technology, targeted at chronic wounds, hernia repair, abdominal wall reconstruction and breast reconstruction. Additionally, it has, and continues to develop, a pipeline of new products. Aroa's leading products are covered by a patent portfolio that includes 10 patents and 25 pending patent applications across 6 patent families, with regulatory clearance in over 37 countries globally, including US FDA clearance and European CE mark.

Aroa's first product, Endoform® Natural, for chronic non-healing wounds, was launched in the United States in 2013 after obtaining U.S. Food & Drug Administration (**FDA**) clearance and reimbursement from the Centre for Medicare and Medicaid Services. Since then, Aroa's products have been used in over 4 million procedures globally.

Aroa has a history of revenue generation and growth. Aroa expects its revenue growth to continue once elective surgeries and outpatient treatments return to the levels seen prior to the COVID-19 pandemic.

Aroa's initial public offering is the next step for the Company in executing its growth strategy.

The Offer is looking to raise A$45 million, comprising A$30 million of primary capital through the issue of 40,000,000 new Shares at A$0.75 per Share, with the remaining A$15 million allowing Existing Shareholders an opportunity to realise part of their long term pre-listing investment in Aroa. Upon completion of the Offer, new Shareholders are expected to hold 20% of Aroa shares and Existing Shareholders, including Management, will retain 80% of Aroa shares, of which 83% of those shares will be escrowed for up to 36 months following the completion of the Offer, with a staged release.

This Prospectus contains important information in relation to the Offer, the financial and operating performance of Aroa, as well as information relating to its operations and business strategy. The risk factors that could affect Aroa's business, financial condition and results of operations, including macro-economic and market condition risks arising from the ongoing global COVID-19 pandemic, together with risks associated with an investment in Aroa, and in shares generally, are contained in Section 5. These risk factors should be considered in detail before making any investment decision. I encourage you to read the Prospectus carefully and if you have any queries consult with your accountant, financial adviser, stockbroker, lawyer or other professional adviser before making any investment decision.

On behalf of my fellow Directors, I look forward to welcoming you as a shareholder of Aroa.

Yours sincerely,

Jim Mclean
Independent Chair of the Board of Directors

Section 1 |

Investment overview

1 | Investment overview

1.1 Company overview

Topic	Summary	For more information
Who is Aroa and what does it do?	Aroa is a soft tissue regeneration company that commenced operations in 2008. Aroa focuses on improving the rate and quality of healing in complex wounds and soft tissue reconstruction. From over 10 years of research and development, Aroa has developed Endoform®, a proprietary soft tissue regeneration technology platform. Endoform® can temporarily replace damaged tissue by acting as a scaffold in the wound or the soft tissue to grow new tissue. It is used where tissue has been lost or damaged by disease or injury. Currently, Aroa has five commercial products based on the Endoform® technology, alongside a new product development pipeline. Aroa is based in Auckland, New Zealand, with an additional sales office and distribution function in the United States.	Section 3
What is the industry in which Aroa operates, and what are Aroa's key markets?	Aroa is primarily focused on improving healing outcomes in the following segments of the medical market: • complex wounds; • soft tissue reconstruction procedures including: » abdominal wall reconstruction (hernia repair); » breast reconstruction; and » reconstructive surgery for trauma, limb salvage and tumour resections. The causes of each of these conditions and the procedures for treating them are different. However, the healing process (see Section 2.3) for all conditions is fundamentally the same. Similarly, conditions which impair healing will affect all healing processes in a patient. Consequently, Aroa's Endoform® technology can be used in a wide range of tissue regeneration applications. The Company's current principal market for its products is the United States. In the US alone, it is estimated that there is a total addressable market for Aroa's existing products in excess of US$1.5 billion[1]. The Company also operates in other markets globally including Canada, Europe and certain countries in Asia. Aroa is planning to grow its sales both within its principal market of the United States and also in other markets globally.	Section 2

1. *Throughout this Section reference is made to third party market data. The market data was prepared before the onset of COVID-19, the final economic effect of which is currently not possible to predict with any certainty. Consequently, while the Company has no reason to believe that the markets to which the data relates will not return to the operating levels experienced before COVID-19, the impact of COVID-19 (if any) on the market data that is referenced is not possible to currently predict with any certainty and investors are cautioned against placing undue reliance on such data.*

Topic	Summary	For more information
What are Aroa's existing products and what are they used for?	The Company has five existing products currently for sale in the key US market: **Product** / **Product's key use** / **Product's market segment** Endoform® Natural — Tissue matrix for treating stalled chronic wounds — Complex wounds Endoform® Antimicrobial — Antimicrobial tissue matrix for treating stalled chronic wounds — Complex wounds Myriad — Biological graft for dermal and implantable soft tissue reconstruction and repair — Soft tissue and reconstruction Ovitex — Reinforced biological scaffold for abdominal wall reconstruction — Soft tissue and reconstruction Ovitex PRS — Reinforced biological scaffold — Plastic and reconstructive surgery (e.g. breast reconstruction) Aroa also has a pipeline of additional products under development based on the Endoform® technology. This includes Symphony, a skin substitute for closing wounds in patients with severely impaired healing (e.g. diabetic foot ulcers and venous leg ulcers) and a single-use negative pressure wound therapy (sNPWT) product with an Endoform® interface for complex wounds and dead space management.	Section 3

1.2 Key characteristics of the industries in which Aroa operates

Topic	Summary	For more information
What is the nature and scale of the complex wound market?	A number of different product types address the clinical problems arising in wound care, including traditional wound dressings (bandages etc.), advanced passive dressings (moist and antimicrobial), active wound care (including skin substitutes) and negative pressure wound therapies. Aroa's Endoform® Natural and Endoform® Antimicrobial products focus on the complex wound market. The complex wound market targets hard-to-heal wounds with delayed healing. It is estimated that over 3.3 million people in the United States alone suffer from complex wounds. The global wound care market is estimated at US$12.35 billion as of 2019, and is forecast to reach US$13.0 billion in 2020, at a CAGR of 5.7%. The US is estimated to comprise 30% of the global market, with a US market size estimated at US$3.6 billion in 2019. Of this global market, Aroa operates in the active wound care segment which is estimated to represent an opportunity in excess of US$1 billion. The active wound market can be broken down further into collagen/active dressings (Aroa's Endoform® products) and skin/dermal substitutes (Aroa's Symphony products, expected to be commercialised in 2021). In 2020, the total US market size for collagen/active wound dressings is estimated to be approximately US$78.2 million. The potential market opportunity for skin substitutes in the US alone is estimated to be as high as US$9 billion.	Section 2.6.1

Topic	Summary	For more information
What is the scale of the soft tissue reconstruction procedure market, and what products currently exist?	The soft tissue reconstruction procedure market includes a wide range of soft tissue reconstruction procedures for trauma, limb salvage and tumour surgery, hernia repair procedures and breast reconstruction surgery. Myriad is a general-purpose biologic graft for use in a wide range of soft tissue reconstruction procedures. For example, plastic, orthopaedic and podiatric surgeons undertake a wide range of reconstructive soft tissue procedures using reconstructive materials. The Company estimates that the US total addressable market for Myriad in these procedures to be in excess of US$200 million. Ovitex is a reinforced bioscaffold specifically designed for hernia repair. The US hernia repair market value was estimated to be approximately US$845 million in 2020 and this is expected to grow to approximately US$996 million by 2028 with procedure numbers growing at a CAGR of 2%. Ovitex PRS is a reinforced bioscaffold specifically designed for breast surgery. In the United States, the breast reconstruction product market is estimated at US$463 million in 2020 and is forecast to grow to US$567 million by 2026.	**Sections 2.6.2.1 and 2.6.2.2**
What demographic trends will drive demand for wound care and soft tissue reconstruction products?	The demographic trends driving an increase in the number of patients with complex wounds and soft tissue injuries include: • **Ageing populations** – wounds and soft tissue injuries increase as people age and develop chronic age-related diseases; • **Growing incidence of diabetes** – chronic wounds often occur amongst diabetics (2% annual incidence rate), and the rate of diabetes in the US more than doubled between 2000 and 2015; and • **Increased rates of obesity** – obesity increases complex wounds and soft tissue injuries. In the United States, the prevalence of extreme obesity in the population aged 20 and over has increased from 4.7 to 7.7% between 2000 and 2016.	**Section 2.7**
What is reimbursement and how does it affect the wound care and soft tissue reconstruction markets?	In the United States, reimbursement provides the basis for hospitals and health care providers to receive payment for medical products from third party payors, such as governments or private health insurers, for procedures performed. Most of Aroa's sales are in the United States which is their primary reimbursement focus. In hernia and soft tissue reconstruction, a fixed procedure payment system known as a Medicare Severity Diagnosis Related Groups, provides a lump sum payment, which varies based on the degree of complications and comorbidities. Similarly, advanced active wound care products used in the outpatient setting are reimbursed with the professional service fees for a procedure. With lump sum payments health care providers make product choices based on the relative efficacy and cost of products. With cell and tissue products (skin substitutes) hospitals and physicians receive separate payments for the procedure and for the products used. As a result the payments for using these products are considerably higher.	**Section 2.8**

Topic	Summary	For more information
How does regulation affect the wound care and soft tissue reconstruction markets?	Aroa's products and manufacturing process are required to comply with the medical device regulations and international standards applicable to the markets in which the Company operates. The current principal market for Aroa's products is the United States where Aroa's products are regulated FDA and are subject to the Federal Food, Drug, and Cosmetic Act. Aroa's products must receive 510(k) clearance for commercialisation. The 510(k) process requires the manufacturer to demonstrate 'substantial equivalence' to another device that is already legally marketed in the United States. In the European Union, medical devices must be evaluated and certified by a "Notified Body" in order to achieve CE certification, which means that the device conforms to the applicable "essential requirements" set forth by the relevant Medical Device Directive. Aroa maintains FDA 510(k) clearance in the United States and CE certification in Europe for all of its products sold in those markets.	Section 2.9

1.3 Key features of Aroa's business model

Topic	Summary	For more information
How does Aroa generate revenue?	Aroa generates revenue from the sale of its Endoform® Natural and Endoform® Antimicrobial complex wound care products and its Myriad, Ovitex and Ovitex PRS soft tissue reconstruction products. Aroa operates as a technology and product developer, manufacturer, and sells and distributes its products through three principal sales, marketing and distribution channels: • **Appulse**, a joint venture with Hydrofera LLC (a company based in Connecticut, US); • **Tela Bio Inc.** (a company based in Pennsylvania, US), which is listed on NASDAQ; and • **Direct sales**, Aroa's direct and independent sales representatives based in NZ and the US.	Section 3.5
What is Aroa's growth strategy?	The Company intends to focus its resources on expanding its commercial operations and product awareness in its principal market in the United States in order to grow sales in the short and medium term. Aroa's strategy in the United States has been to advance the rate at which it can commercialise products by establishing three targeted sales and distribution channels to maximise operating leverage. Aroa also intends to enter new international markets to grow its global sales. Aroa plans to continue expanding its product portfolio within the market segments it currently operates with line extensions for current products. In addition, Aroa also intends to launch new products based on extensions to the use of its proprietary Endoform® platform technology.	Section 3.8

Topic	Summary	For more information
Who are Aroa's customers?	The primary customers for Aroa's products are hospitals, ambulatory surgery centres and outpatient wound centres. In the United States, Aroa's sales and distribution partner TelaBio has 200 active hospital accounts and plans to expand to cover the top 500 hospitals for soft tissue reconstruction. For wound care, Aroa's joint venture sales team, Appulse, targets outpatient wound centres associated with hospital facilities, and promotes wound care products to nurses, physicians and surgeons. Additionally, Aroa is expanding its direct sales to target inpatient operating rooms in high volume hospitals in major metropolitan areas to accelerate the growth of its Myriad product in the US. Initially, this direct sales team will be mainly independent sale representatives and a small number of Aroa employees.	**Section 3.5**
Why do clients select Aroa?	Currently, the use of regenerative extracellular matrices (**ECM**) for wound repair and soft tissue reconstruction is constrained by variable results and the high cost of existing products. This limits their use to more complex cases or where patients' healing is impaired. Aroa believes that a wider group of patients could benefit from the ECM technology to improve their outcomes. Aroa's Endoform® technology platform offers a leading ECM that is affordable and accessible to a wider group of patients. This may lead to faster recovery, cost savings and reduce the risk of serious complications. Aroa's products have been used in over 4 million procedures globally.	**Section 3.4**
Which geographic markets does Aroa operate in?	Aroa's principal market is the United States. Outside the United States, Aroa has regulatory clearances to operate in 37 countries, including CE Mark certification in Europe for Endoform® Natural and Ovitex, and a pipeline of further approvals pending. The Company is beginning to pursue international sales through distribution agreements in the markets where regulatory clearances have been obtained or are being sought.	**Section 3.1**
How does Aroa expect to fund its operations?	The Company will fund its operations from the proceeds of the Offer, product sales and from its existing cash reserves.	**Section 3**
What is Aroa's dividend policy?	The existing policy of the Company is to reinvest all cash flow into the business in order to maximise growth. Accordingly, Aroa does not expect to pay dividends in the near future following listing on the ASX.	**Section 4.7**
What is Aroa's competitive position?	Aroa believes its patented proprietary Endoform® technology offers superior regenerative healing properties compared to leading biologics, at a 20%-60% cost reduction compared to similar products, depending on the use case. In use cases where high strength is important, Aroa has incorporated synthetic reinforcement into their devices to overcome the limitations with existing biologics and reduce reoccurrence.	**Sections 3.3 and 3.4**

Topic	Summary	For more information
Who are Aroa's competitors?	Aroa competes with various industry participants, which vary based on the product and the segment of the market. In some cases, Aroa competes with large medical supply companies like 3M and Smith+Nephew, and in other cases it competes with specialist active wound healing companies such as Integra Life Sciences, MiMedx, Organogenesis and Osiris Therapeutics.	**Section 2.6**

1.4 Key investment highlights

Topic	Summary	For more information
Strong financials	The Company recorded FY20 pro forma revenue of NZ$25.1 million and was pro forma EBITDA positive. Product gross margin exceeded 70% in FY20.	**Section 4.3**
Patented, proprietary Endoform® Technology	The Company's products use Aroa's proprietary Endoform® technology platform based on ECM derived from ovine (sheep) forestomach. It provides a scaffold and signals to short-cut or restore the patient's normal healing processes. Typically, the patients receiving treatment utilising Aroa's products have severe tissue damage or impaired healing which will not heal without a medical intervention. Aroa's technology has been purposefully designed to produce high quality products more cost effectively to disrupt and transform clinical use.	**Sections 2.1, 3.2 to 3.4**
Five products in commercial stage in US	The Company currently has five key products for sale in its principal market in the US targeting complex wounds, hernia, plastics and reconstructive surgery (breast reconstruction) and trauma/limb salvage/tumour surgery. The Company has an established US distribution network (both direct and indirect) with sales in over 600 hospitals in the US. The Company has a development pipeline of new products, including its Symphony product that will target diabetic foot ulcers and venous leg ulcers which is due for commercialisation in 2021.	**Sections 3.6 and 3.7**
Large total addressable market in US	In the US alone there is an estimated total addressable market for Aroa's existing products in excess of US$1.5 billion.	**Sections 2.1 and 3.1**
Established and scaleable commercial manufacturing	The raw materials for Aroa's products are readily available in New Zealand. The Company's modular manufacturing design allows production to be easily scaled as sales volumes grow. Aroa estimates that it has production capacity in place to support revenue of up to NZ$30 million per annum. The Company will use part of the proceeds of the Offer to invest a further A$3-4 million to increase capacity threefold to satisfy expected future demand.	**Section 3.9**
Large untapped global opportunity	In addition to its principal market in the US, Aroa has received regulatory clearances for its products in 37 countries globally, including CE certification in Europe. Aroa has an ongoing pipeline of regulatory clearances in other countries.	**Section 3.10**

Topic	Summary	For more information
Competitors face significant barriers to entry	Aroa's leading products are covered by a patent portfolio that includes 10 patents and 25 pending patent applications across 6 patent families. Aroa holds the only patent family globally for a tissue scaffold comprising a decellularized forestomach matrix tissue. Aroa has a broad product portfolio with established and recognised brands in the US. Aroa has invested significant time and capital in establishing its supply (including tissue source/supply and traceability in New Zealand) and distribution capability. Potential competitors would need to invest significant capital to emulate this network. Competitors will be faced with long regulatory and reimbursement timeframes. Aroa has multiple FDA 510(k) clearances, CE certification and other regulatory clearances/approvals which have required the provision of extensive data to satisfy the regulatory requirements. Developing new products is also expensive and time consuming for competitors. Aroa's products employ a complex manufacturing process including trade secrets perfected over 10 years which Aroa considers is difficult to replicate. Aroa's disruptive value proposition and first mover advantage also creates a barrier to entry for competitors.	**Sections 3.3, 3.4, 3.6, 3.9 to 3.11 and Section 9**
Strong product pipeline	Aroa has a strong product pipeline with an estimated US total addressable market of US$1 billion (above its existing market opportunity).	**Sections 3.6 and 3.7**
Board and Management with deep experience in medical technology	Aroa's board and Management are highly experienced in the medical technology industry. The Board includes two US-based directors with deep knowledge of the US medical market. The Company continues to be led by its founder Brian Ward. The Management team has a long tenure with Aroa and several decades of experience in life sciences and biologics development.	**Section 6**

1.5 Key investment risks (see also Section 5)

Topic	Summary
Reliance on partners	A large portion of Aroa's revenue is reliant on its US sales and distribution partner, TelaBio. TelaBio is a US corporation listed on NASDAQ, whose business focuses on the sale, distribution and marketing of the Ovitex product range. A slowdown, decrease in demand or failure to grow demand from TelaBio could adversely impact Aroa's operating and financial performance. In addition, Aroa's US-based "Appulse" sales and marketing personnel are shared with Hydrofera under an unincorporated joint venture structure. Aroa's operating results are directly dependent upon the sales and marketing efforts of the salesforce. Failure to hire or retain adequate sales and marketing personnel who are skilled and qualified would prevent Aroa from expanding its business and generating revenue growth.
Product acceptance	Aroa's growth and the commercial success of Aroa's products and future products is reliant on the acceptance of Aroa's products by healthcare professionals, including surgeons and wound care specialists. The acceptance of Aroa's existing products may slow, and planned future products may gain acceptance slower than planned or may not gain broad market acceptance by healthcare professionals which, should this arise, would impact Aroa's operating and financial performance.

1 | Investment overview (continued)

Topic	Summary
Competition	Aroa competes against many existing and potential competitors with significantly more resources than Aroa and with greater access to more markets. Aroa's competitors may be able to increase market share through aggressive marketing campaigns, product improvements, acquisitions or price discounting which will affect Aroa's market share and margins.
Product pipeline and development of new products	Aroa's commercial success is dependent on the continued advancement of existing products and the research and development of new products utilising Aroa's ECM technology platform. Product development involves a high degree of risk, and there are no guarantees that new product development efforts will result in any clinically or commercially successful products.
Intellectual property	The value of Aroa's products depends in part on its success in obtaining and maintaining issued patents, trademarks and other intellectual property rights and protecting the Company's proprietary technology. If Aroa's intellectual property and proprietary technology is not adequately protected, competitors may be able to use the technologies or the goodwill Aroa has acquired in the marketplace and erode or negate any competitive advantage Aroa may have, which could harm Aroa financially.
Product liability	Any defects in Aroa's products may harm Aroa and its customers' reputation and business. Aroa may also be subject to warranty and liability claims for damages related to defects in its products.
Manufacturing/ production risks	Aroa manufactures its products in a single location in Auckland, New Zealand and is exposed to risks of harm caused by natural or man-made disasters, or operation or human error, 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 Aroa's products and have an adverse impact on the availability of Aroa's products to customers, which would affect contractual obligations, particularly with respect to failure to supply.
Supply of ovine rumen	The ovine (sheep) rumen used in the manufacturing of Aroa products is currently sourced from New Zealand sheep. Currently, New Zealand sheep are not known to carry any prion disease (progressive neurodegenerative disorders, including scrapie disease). However, the geographic concentration of Aroa's ovine rumen supply creates risks of disruption due to natural disasters, disease or other events.
Hazardous substances	Aroa's activities in manufacturing its products involve the controlled storage, use and disposal of hazardous materials. Aroa is subject to laws and regulations governing the use, generation, manufacture, storage, handling and disposal of these hazardous materials. Although Aroa's safety procedures for handling and disposing of these materials and waste products comply with the standards prescribed by these laws and regulations, Aroa cannot eliminate the risk of accidental injury or contamination from the use, storage, handling or disposal of hazardous materials.
Country/region specific risks	Aroa has operations in the US and has to comply with a range of different US legal and regulatory regimes. As Aroa expands the sales of its products geographically into new international jurisdictions, it is subject to the risks associated with conducting its business in the relevant countries, 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 Aroa's ability to carry on certain activities or product offerings. It could also interrupt or adversely affect parts of Aroa's business and may have an adverse effect on Aroa's operating and financial performance.

Topic	Summary
Marco-economic risk including the impact of COVID-19	The ongoing impact of COVID-19 on the Company's operations is not currently fully ascertainable and may not be known for a period of time. The Company has experienced a reduction in the direct and indirect sales of its products due to elective surgeries being cancelled and outpatient clinics being closed as a result of COVID-19, but the full general economic impact of COVID-19 is not yet known, with economists predicting a global economic slowdown. While the Company sees no reason why the number of elective surgeries and outpatient procedures will not in the future return to pre-COVID-19 levels, any general economic slowdown could potentially impact suppliers and customers. Any economic slowdown is likely to have an impact on the Company's financial performance, and depending on the depth and length of the slowdown, the impact could be material.
Market conditions	In light of the COVID-19 pandemic, extra care should be taken when assessing the risks associated with investment. The rapidly changing COVID-19 situation is bringing unprecedented challenges to global financial markets, and the global economy as a whole. Capital markets have seen equity securities suffer from spikes in volatility and significant price decline.
Other risks	The above risks are a summary of some of the key risks, but not an exhaustive list of all of the risks associated with the Company or an investment in the Shares. Further details on the risks summarised in this Section and other key risks are included in Section 5, and investors should review all of those risks carefully before making an investment decision.

1.6 Summary of key financial information (see also Section 4)

Topic: **What is Aroa's pro forma financial performance?**

Summary:

	Pro Forma Historical Results		
NZ$'000s	FY18	FY19	FY20
Product Revenue	8,434	18,771	21,924
Other Revenue	1,538	4,473	3,152
Total Revenue	**9,972**	**23,244**	**25,076**
Cost of sales	(5,418)	(6,563)	(6,334)
Gross profit	**4,555**	**16,682**	**18,742**
Other income	749	888	1,137
Selling and administrative expenses	(5,428)	(13,328)	(17,388)
Research and development	(3,353)	(4,643)	(5,042)
EBIT	**(3,478)**	**(401)**	**(2,551)**
Depreciation and amortisation	1,157	2,490	2,774
EBITDA	**(2,321)**	**2,088**	**224**
Net finance (expense)/income	(95)	(4,089)	(3,337)
Loss before income tax	**(3,573)**	**(4,490)**	**(5,888)**
Income tax credit/(expense)	–	38	(274)
Net (loss)/profit after tax	**(3,573)**	**(4,452)**	**(6,162)**

Refer to Notes in Section 4.3.1 for a more detailed explanation of the pro forma historical financial information outlined above.

Topic	Summary
What is the impact of COVID-19 on the Company?	The Company experienced a slowdown in sales and revenue in late March due to the impacts of COVID-19. For wound care, outpatient clinics were closed moving to telemedicine and home care. Elective procedures (like hernia repair) were postponed. To counteract the sales and revenue slowdown, the Company reduced its expenditure including re-scheduling non-essential items and reducing overheads. The Company's manufacturing, development and distribution continued uninterrupted. Although treatment and procedures were postponed in the short term, the Company is starting to see elective surgery re-opening in the US and globally, and a gradual transition back to normal operating levels, which may include additional demand due to clearing the backlog of procedures. Aroa expects its revenue growth to continue once elective surgeries and outpatient treatments return to the levels seen prior to the COVID-19 pandemic.

1.7 Directors and Management

Topic	Summary	For more information
Who are the Directors?	• James McLean, Independent Non-executive Director and Chair • Brian Ward, Managing Director • Steven Engle, Independent Non-executive Director • Philip McCaw, Non-executive Director • John R. Pinion, Independent Non-executive Director • John Diddams, Independent Non-executive Director.	Section 6.1
Who are the key management of Aroa?	• Brian Ward, Chief Executive Officer and Founder, Managing Director • James Agnew, Chief Financial Officer • Simone Von Fircks, Vice President – Operations • Barnaby May, Vice President – Technology • Brad Adams, Vice President – Commercial Operations.	Section 6.2

1.8 Significant interests of key people and related party transactions

Topic: **Who are the substantial Shareholders and what will their interests be at Completion of the Offer?**

Summary:

	Shareholding following Completion*		
Shareholder (or controller of Shareholder)	Shares	%	Options following Completion
Brian Ward#	33,125,800	11.0%	3,132,525
MOVAC Fund 3 LP	25,841,850	8.6%	–
Phil McCaw^	16,722,425	5.6%	245,775

* *Assumes that no existing substantial Shareholder applies for additional Shares under the Offer. Shares following Completion take into account the sale of Existing Shares by Phil McCaw as part of the Sell-down.*

\# *Brian Ward holds his interest through Arawai No. 2 Trust of which he is one of 3 trustees and a beneficiary.*

^ *Phil McCaw holds his interest through McSyth Capital Investment Trust of which he is one of 3 trustees and a beneficiary.*

For more information: Section 7.8

Topic	Summary	For more information
What significant interests do the Directors hold in the securities of Aroa and what benefits and interests are payable to Directors and other persons connected with Aroa or the Offer?		Section 6.3

	Shareholding following Completion*		
Director	Shares	%	Options following Completion
Jim McLean	2,572,308	0.9%	307,200
Brian Ward	33,125,800	11.0%	3,132,525
Steven Engle	226,533	0.1%	879,000
Phil McCaw	16,722,425	5.6%	245,775
John Pinion	472,500	0.2%	879,000
John Diddams	827,550	0.3%	495,000

* *Assumes that no existing Director or entities controlled by a Director applies for additional Shares under the Offer. Shares following Completion take into account the sale of Existing Shares by some of the Directors as part of the Sell-down.*

The total remuneration pool for directors is fixed at NZ$465,000 per annum which includes any amounts paid to Directors (excluding the Managing Director) in cash. The total amount is not currently utilised. Fees to be paid to Directors from Admission are:

Director	Director's fees per annum from Admission
Jim McLean	NZ$95,000
Brian Ward*	No director's fees (executive director)
Steven Engle	US$60,000
Phil McCaw	NZ$70,000
John Pinion	US$60,000
John Diddams	A$70,000

* *Brian Ward is entitled to an executive salary which does not include any amount with respect to his directorship. See Section 6.3.3.1 for further details.*

What related party transactions exist?	John Diddams, a non-executive director of the Company, has entered into an agreement with the Company with respect to managing the Listing and to chair the due diligence committee established in connection with the Offer, for which Mr Diddams has been granted options over Shares. Other than the above and Director appointment or employment agreements, Aroa believes there are no other related party transactions that exist.	Section 6.3

1.9 Key terms and conditions of the Offer

Topic	Summary	For more information
Who is the issuer of this Prospectus?	Aroa Biosurgery Limited, NZCN 1980577, ARBN 638 867 473. Aroa Biosurgery (SaleCo) Pty Ltd ACN 639 507 529.	**Sections 11.1 and 11.4**
What is the Offer?	Aroa is offering to issue, and SaleCo is offering to sell, up to 60,000,000 Shares in aggregate. The Offer Price is A$0.75 per Share. All Shares issued and sold pursuant to this Prospectus will rank equally with all other Shares on issue.	**Section 7.1**
How is the Offer structured?	The Offer comprises of: • the **Institutional Offer**, which consists of an invitation to apply for Shares made to institutional investors in Australia, New Zealand and other eligible overseas jurisdictions (see Section 7.4); • the **Broker Firm Offer**, which is only open to investors who have a registered address in Australia or New Zealand and who have received an allocation from their broker (see Section 7.5); and • the **Priority Offer**, which is only open to investors who receive a personal invitation from Aroa to participate in the Priority Offer (see Section 7.6).	**Section 7.3**
What are the terms of the Shares offered under the Offer?	A summary of the material rights and liabilities attaching to the Shares offered under the Offer is set out in Section 11.8.	**Section 11.8**
What is the proposed use of funds raised under the Offer?	A$30 million of the proceeds of the Offer will be received by Aroa and A$15 million by SaleCo (on behalf of Selling Shareholders). The purpose of the Offer is to: • provide funding to enable Aroa to: » invest in sales and marketing; » invest in additional manufacturing capacity, product development and other plant and equipment; » cover working capital, other operating costs; » repay borrowings; and » pay the costs of the Offer. • facilitate Aroa's application for admission to list its Shares on ASX; • broaden the shareholder base and list the Shares on ASX; • enhance Aroa's profile with existing and potential clients; and • allow the Selling Shareholders to establish a market value for their holding in Aroa and to unlock some of that value. SaleCo will use the proceeds of the Offer to pay the Selling Shareholders the proceeds due to them for the sale of their Shares.	**Sections 7.2 and 7.7**

Topic	Summary	For more information
Will the Shares be quoted on the ASX?	Aroa will apply to the ASX within seven days of the Prospectus Date for admission to the Official List and quotation of Shares on the ASX (which is expected to be under the code "ARX"). It is expected that quotation will be on a normal settlement basis.	**Sections 7.10 and 7.18**
Is there a minimum Application amount under the Offer?	There is no minimum Application amount under the Institutional Offer. There was no maximum value of Shares that may be applied for under the Institutional Offer. The minimum Application amount under the Broker Firm Offer is 10,000 Shares and in multiples of 5,000 Shares thereafter. There is no maximum value of Shares that may be applied for under the Broker Firm Offer. The minimum Application under the Priority Offer is 10,000 Shares and in multiples of 5,000 Shares thereafter. There is no maximum value of Shares that may be applied for under the Priority Offer. If the Offer (or any component of the Offer) is oversubscribed, Applications will be scaled back at the discretion of Aroa and SaleCo, in consultation with the Joint Lead Managers.	**Section 7.4 to 7.6 and Section 7.10**
What is the allocation policy?	The allocation of Shares among Applicants in the Institutional Offer was determined by agreement between Aroa, SaleCo and the Joint Lead Managers. Those parties have absolute discretion regarding the basis of allocation of Shares among other Institutional Investors. The apportionment of Shares to brokers for allocation to Institutional Investors and retail clients under the Broker Firm Offer will be agreed between Aroa, SaleCo and the Joint Lead Managers. Shares which have been allocated to brokers for allocation to their Australian or New Zealand resident clients will be issued to the Applicants who have received a valid allocation of Shares from those brokers. It will be a matter for those brokers as to how they choose to allocate Shares among their clients, and they (and not Aroa, SaleCo or the Joint Lead Managers) will be responsible for ensuring that clients who have received an allocation from them, receive the relevant Shares. Invitations to apply, and allocations, under the Priority Offer will be made at the absolute discretion of Aroa and SaleCo.	**Sections 7.3 to 7.6 and Section 7.10**
Is the Offer underwritten?	Yes, the Offer will be fully underwritten by the Joint Lead Managers.	**Sections 7.10 and 10.4**
Is there any brokerage, commission or stamp duty payable by Applicants?	No brokerage, commission or stamp duty is payable by Applicants on Shares allotted under the Offer.	**Sections 7.10 and 11.10.3**
What are the tax implications of making an investment?	Shareholders may be subject to Australian or New Zealand income tax or withholding tax on any future dividends paid. The tax consequences of any investment in the Shares will depend upon an investor's particular circumstances. Applicants should obtain their own tax advice before deciding whether to invest.	**Sections 11.10**

1 | Investment overview (continued)

Topic	Summary	For more information
How can eligible investors apply?	Eligible investors may apply for Shares by completing a valid Application Form attached to or accompanying this Prospectus.	Section 7
When will I know my Application has been successful?	It is expected that initial holding statements will be despatched by standard post by 30 July 2020.	Section 7.10
Can the Offer be withdrawn?	Aroa and SaleCo reserve the right not to proceed with the Offer (or any part of it) at any time before the issue or transfer of Shares to successful Applicants. If the Offer does not proceed, the Share Registry or Aroa and SaleCo will refund Application Monies. No interest will be paid on any Application Monies refunded as a result of the withdrawal of the Offer.	Section 7.10

Section 2 |

Industry overview

2 | Industry overview

2.1 Introduction

Aroa is a soft tissue regeneration company focused on improving the rate and quality of healing in complex wounds and soft tissue reconstruction.

Aroa participates in the complex wound market and a number of distinct segments within the wider soft tissue reconstruction market.

The Company's current principal market is the United States where it currently has five key products for sale targeting chronic wounds, hernia, plastics and reconstructive surgery (breast reconstruction) and trauma/limb salvage/tumour surgery. In the US alone, the Company estimates that there is a total addressable market for Aroa's existing products in excess of US$1.5 billion.

The Company's products use Aroa's proprietary Endoform® technology platform based on ECM derived from ovine (sheep) forestomach. It provides a scaffold and signals to short-cut or restore the patient's normal healing processes. The Company's products have been used in over 4 million procedures globally.

A patient who is receiving treatment with Aroa's products typically has severe tissue damage or impaired healing and a wound which will not heal without a medical intervention.

2.2 Aroa's target markets[2]

Aroa is primarily focused on improving healing outcomes in the following segments of the medical market:

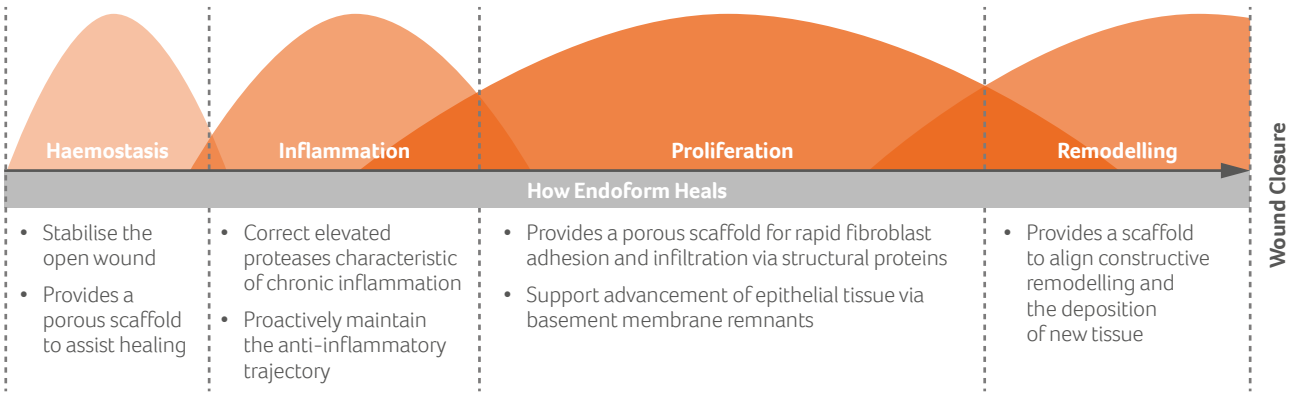
- complex wounds;
- soft tissue reconstruction procedures, including:
  - » hernia repair;
  - » breast reconstruction; and
  - » reconstructive surgery for trauma, limb salvage and tumour resections.

The causes of each of these conditions and the procedures for treating them are different. However, the healing process (see Section 2.3) for all conditions is fundamentally the same. Some concurrent diseases may also impair healing in a patient. Consequently, Aroa's Endoform® technology can be used in a wide range of tissue regeneration applications where tissue has been damaged or the patients healing is impaired.

2.3 Normal soft tissue healing

Wounds are characterised by missing or damaged tissue, where the ECM and associated cells have been removed or damaged due to disease, injury or surgery. When skin is damaged an orderly cascade of events termed the 'phases of wound healing' occurs and is demonstrated in Figure 1 below.

Figure 1: The phases of wound healing



2. *Throughout this Section 2 reference is made to third party market data. The market data was prepared before the onset of COVID-19, the final economic effect of which is currently not possible to predict with any certainty. Consequently, while the Company has no reason to believe that the markets to which the data relates will not return to the operating levels experienced before COVID-19, the impact of COVID-19 (if any) on the market data that is referenced is not possible to currently predict with any certainty and investors are cautioned against placing undue reliance on such data.*

Initially, clotting ('haemostasis') occurs at the site of injury to prevent further blood loss. A provisional matrix is formed, comprising blood, blood components and fragments of the damaged ECM. Following this initial stabilisation of the wound, the wound enters the inflammatory phase where immune cells (e.g. macrophages) arrive at the site to begin clearing damaged ECM and cellular fragments. Macrophages, and other cells, secrete enzymes called 'proteases' that clear away the debris and facilitate the rebuilding process. Many cells are involved in the proliferative phase, including fibroblasts, endothelial cells (blood vessel cells) and stem cells. Each cell has a role to play, for example, fibroblast begin by rebuilding the damaged ECM to provide a scaffold for healing and endothelial cells build new blood vessels to provide nutrients and oxygen to the newly forming tissue. Cell-extracellular matrix interactions are an important regulator during this process. After the wound is closed the wound enters the remodelling phase where tissues are gradually replaced over time.

2.4 Impaired soft tissue healing

Most wounds are due to minor injuries and heal quickly, with very little attention. However, certain wounds are more complex, and can be difficult to heal and can be debilitating and painful. These wounds may not heal via the typical orderly progression of phases outlined in Section 2.3 above. Examples of the types of wounds that can be difficult to heal include complex wounds (e.g. diabetic foot ulcers, venous leg ulcers and pressure ulcers), hernia and traumatic injury. Healing of these wounds can be further complicated by other medical conditions which limit the patient's capacity to heal such as those listed in Table 1 below. For these patients medical intervention is required.

Table 1: Examples of patient conditions that impair healing

Condition	Reason for healing Impairment
Radiation and Chemotherapy	Cell death and damage, inflammation and risk of infection
Renal disease and Uremia	Toxins impair all stages of healing
Hypertension and vascular disease	Impaired blood flow and poor tissue oxygenation
Obesity	Altered cell function and metabolism
Diabetes	Poor circulation, reduced immunity, altered cell function, aberrant ECM and poor sensation due to neuropathy
Smoking	Toxic chemicals and poor blood supply
Steroid use	Glucocorticoids increase the risk of wound infection and delayed healing by interfering with the normal healing mechanisms in the wound
Ageing	Delayed healing, lower immune response, poorer quality tissue
Anemia	Lack of oxygen slows wound healing
Immunosuppression	Impair immune cell function increasing risk of infection and decreasing growth factors and cytokine secretion
Inflammation	Inflammatory cells create a proteolytic environment that does not support rebuilding of new tissue
Contamination, bioburden, biofilm or surgical site infection	Increased inflammation and elevation of matrix metalloproteinases
Poor nutrition	Nutrient deficiencies and altered metabolism limit new tissue formation

2.5 Healing technologies

The healing technologies used for complex wounds and soft tissue reconstruction can be broadly classified as either synthetic or biologic. The healing properties of each technology are different but the inherent properties of each technology remains the same whether they are used externally on the skin (e.g. diabetic foot ulcers) or implanted internally in muscle or connective tissues (e.g. hernia).

2.5.1 Synthetic technologies

Synthetic technologies use synthetic molecules and polymers that are not normally present in tissue. In wounds they provide a protective barrier and maintain a moist wound environment. In soft tissue reconstruction they have high tensile strength and can be used to reinforce tissue to facilitate soft tissue reconstruction and repair.

2.5.2 Biologic technologies

Biologic technologies are derived from human or animal tissues. They attract cells and provide a scaffold in the wound that enables cells to migrate into the deficit and lay down new tissue. They also encourage new blood vessel formation. Biologics are more commonly used in more complex cases where the patient's healing is impaired.

Two broad classes of biologics exist:

Reconstituted Collagens

Reconstituted collagens are made from tissues that are dissolved to release collagen molecules and then formed into foams. This process may also include chemical cross linking. Both processes lead to loss of the native tissue structure, collagen damage and loss of important secondary molecules. Reconstituted collagens lose the structure, integrity, tensile strength and biological diversity of the tissue source. This limits their use to applications where high tensile strength is not required.

Extracellular Matrix

ECMs are made from tissues that are processed to remove the cells and cell contents and retain native collagen scaffold along with the secondary molecules which are inherent in the natural tissue.

The structure, biomechanical properties and composition of the ECM is dependent on the tissue source and processing conditions. Variability in these factors leads to ECM products that are markedly different in their performance.

Some products have been chemically cross-linked to improve their persistence. This is known to increase the inflammatory response and reduce biologic properties.

ECM based products have been predominantly used in the most complex and challenging cases where patients have failed to heal due to inflammation, infection, or other conditions which impair healing. Historically, the high cost of biological matrices has been a key constraint to widespread adoption.

2.6 Market segments

2.6.1 Complex wounds

Clinical Problem

Complex wounds can typically originate from complications of diabetes, venous insufficiency, arterial disease or pressure sores. They are problematic as the normal healing responses are altered, and the orderly sequence of events is interrupted so healing stalls.

When wound healing stops, wounds can become chronic and trapped in the inflammatory phase of healing. Wound protease (enzyme) levels increase leading to tissue destruction and the wound becomes susceptible to infection. This further exacerbates inflammation and elevates wound proteases, which works against the body's normal healing processes.

To effectively heal these wounds, wound proteases levels and bioburden/biofilm needs to be corrected to advance beyond the inflammatory phase of healing. In the proliferation phase the focus moves to accelerating new tissue growth and allowing the epidermis, or the top layer of the skin, to migrate over the wound to achieve closure.

The number of complex wounds that cannot be adequately healed with traditional or advanced passive technology is growing sharply. It is estimated that over 3.3 million people in the US suffer from a hard-to-heal wound at any given time[3]. This offers a significant opportunity for biologic wound care products, with penetration of these products into hard-to-heal wounds still at a relatively low level.

Healthcare Cost

The estimated Medicare cost of treating chronic wounds (for both primary or secondary diagnosis) was approximately US$97 billion in 2014.[4] When costs incurred amongst the non-Medicare population are considered, the total economic burden of chronic wounds is likely to be significantly higher.

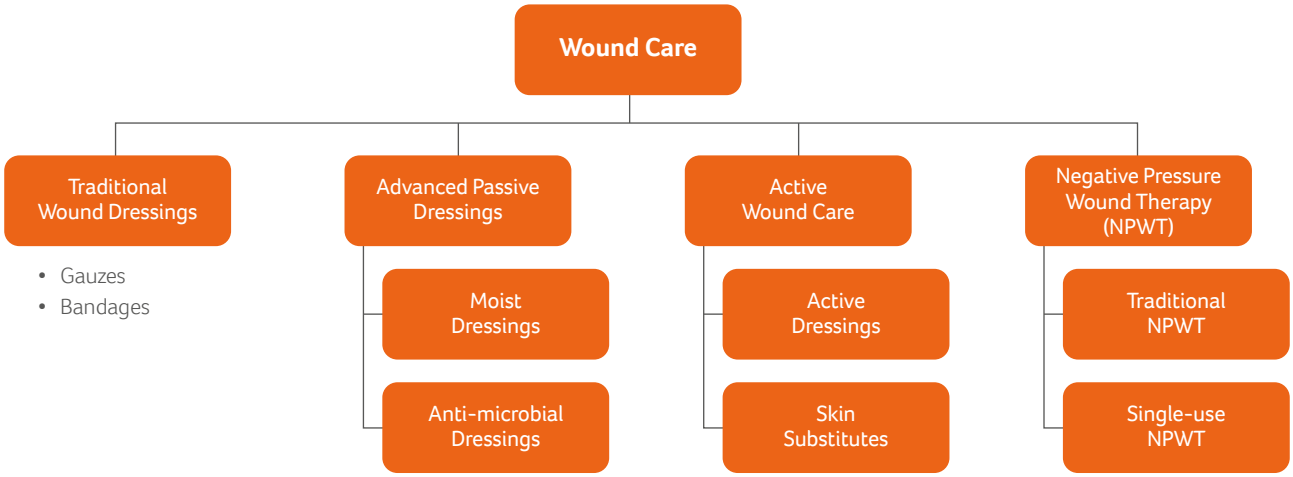
3. *Frost & Sullivan Market Report.*
4. *Nussbaum et al. (2018). An Economic Evaluation of the Impact, Cost, and Medicare Policy Implications of Chronic Nonhealing Wounds. Value Health, 21(1), 27-32*

Current Treatments

There are a range of different product types which address the clinical problems arising in wound care. Figure 2 below illustrates the segments in the wound care market. Across all of these segments, a broad range of products are commercially available.

Aroa's Endoform® products are focused on the active wound care segment of the wound care market.

Figure 2: Structure of the Wound Care Market, Global, 2020



Source: Frost & Sullivan Market Report

Traditional Wound Dressings

Traditional wound dressings include bandages, gauzes, lints and other items which provide cover and protection to the wound, but do not maintain moisture levels and have no anti-microbial or biologic agents to restrict infection and promote healing. They are generally indicated for the treatment of clean and dry wounds with mild exudate levels, or used as secondary dressings.

Advanced Passive Dressing

Advanced passive dressings are designed to maintain moisture levels in the wound (exudate management), as well as including products with anti-microbial agents to reduce infection. Moist wound dressings include non-occlusive, semi-occlusive and occlusive products, available in the forms of alginates, hydrocolloids, hydrogels, foams and films, which are primarily used for exudate management. Advanced passive dressings also include products designed for infection management, including products using silver and non-silver agents as the anti-microbial.

Active Wound Care (Biologics)

Active wound care dressings use a biologic agent, of which collagen is the most common.

Active wound care dressings promote the natural healing of the wound. The natural tissues from which the biologic agents are derived can come from a variety of sources, including ovine (sheep), bovine (cattle), and porcine (pigs).

Skin/dermal substitute products aid in wound closure and replace the functions of the skin, either temporarily or permanently, and are commonly used in treatment of burns and chronic wounds. These include collagen sheets, composite skin substitutes (xenografts and allografts) and tissue-engineered skin.

Of the estimated 3.3 million difficult-to-treat wounds in the US each year, only 135,000 or less than 5%, are currently estimated to be treated with skin substitutes[5].

Active wound care products are being increasingly used as they improve the effectiveness of wound healing, limit the risk of infection and help to prevent more serious health problems. Overall, this helps to reduce hospitalisation periods and reduces the overall cost of treatment. Active wound care products are also being found to reduce scarring, as scars and associated functional and aesthetic concerns of patients represent a huge burden on healthcare. As more physicians are becoming familiar with active wound care, usage is increasing especially as a first-line treatment.

5. *Frost & Sullivan Market Report.*

Aroa currently sells two active wound care products:

- **Endoform® Natural** is a sheet of Endoform® ECM which is used to lower the level of wound proteases and transition the wound to the proliferative phase of healing
- **Endoform® Antimicrobial** provides all the benefits of the Endoform® Natural product as well as providing sustained broad-spectrum antimicrobial activity for up to 7 days

The Company also has a product called **Symphony**, a cell and tissue based (skin substitute) product, which is currently being reviewed for regulatory approval in the United States by the FDA.

Additionally, reimbursement for active wound care products is becoming more common. In the US, the largest payer for healthcare products is Medicare, administered by the Centers for Medicare and Medicaid Services (**CMS**). Private (non-Medicare) payers often follow the lead of these government payers in coverage and reimbursement decisions, and hence achieving favourable Medicare reimbursement and coverage is usually a significant factor for gaining coverage and reimbursement from private payers. Education to payers that active wound care products, although generally more expensive than traditional or advanced passive alternatives, provide overall cost savings through faster wound healing with fewer complications is stimulating take-up of these products.

Negative Pressure Wound Therapy

Negative pressure wound therapy (**NPWT**) devices consist of a vacuum pump, tubing and a dressing, and maintain negative pressure over the wound to promote healing and allow removal of fluid. Traditional NPWT devices are powered by mains electricity, meaning they are not portable and are used in an in-patient setting.

The major trend in NPWT has been the development of portable, single-use devices (**sNPWT**) which has allowed the technology to be applied in a broader range of wound cases, in particular in applications with smaller wounds or high-risk surgical wounds, such as Caesarean sections. Traditional NPWT devices were not portable and required mains electricity supply, generally limiting their use to hospitalised patients. sNPWT devices can be used in outpatient settings, significantly reducing the hospitalisation costs for patients, and allowing them to continue with everyday activities. A range of sNPWT devices are now available from vendors including Acelity (3M) and Smith+Nephew. sNPWT devices are indicated for a variety of wound types including chronic, acute, traumatic, dehisced, burns, flaps, grafts and closed surgical incisions.

Aroa has an active development programme focused on combining single use negative pressure wound therapy with Endoform® based wound interfaces. Endoform® is currently being used by health care providers in combination with these systems. The Company believes there is opportunity to improve on existing practices, performance and cost effectiveness. Aroa expects that commercial products in this area will be available from 2023.

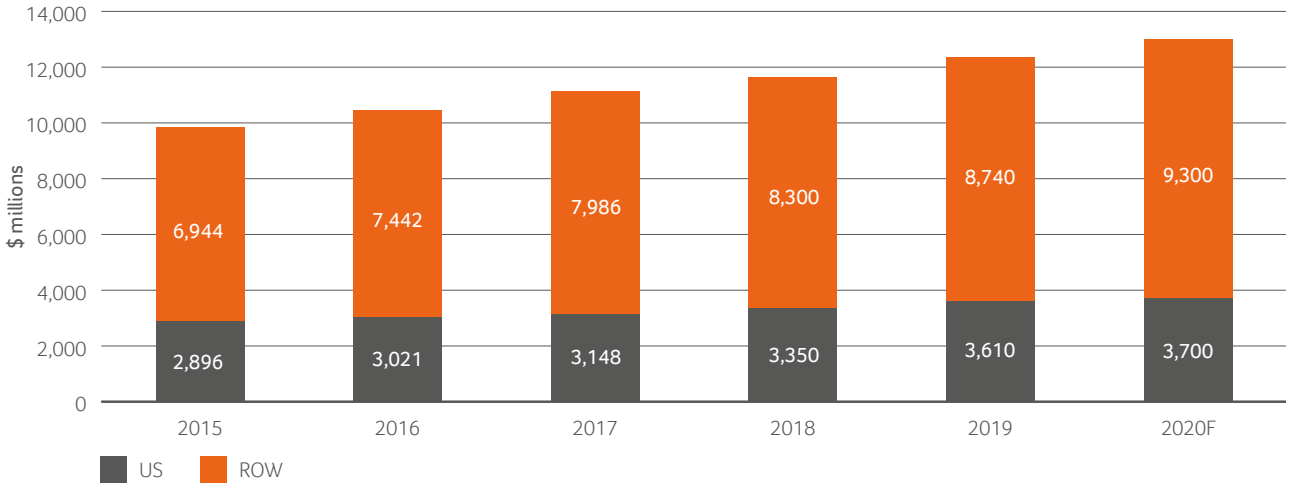
Market Size

Global wound care market

The wound care market is defined as expenditure on wound care consumables, such as dressings, and specialist wound care devices. Globally, the wound care market is estimated at US$12.35 billion in 2019, and is forecast to reach US$13 billion in 2020, at a CAGR of 5.7% between 2015 and 2020. The US accounts for around 30% of the global market, with a US market size estimated at US$3.61 billion in 2019.[6]

6. *Frost & Sullivan Market Report.*

Figure 3: Total Wound Care Market, Global and US, 2015 to 2020 (US$)



Source: Frost & Sullivan Market Report

Traditional wound care is a highly mature segment that is generally declining in developed markets in favour of advanced and active wound care products (being those products manufactured by Aroa).

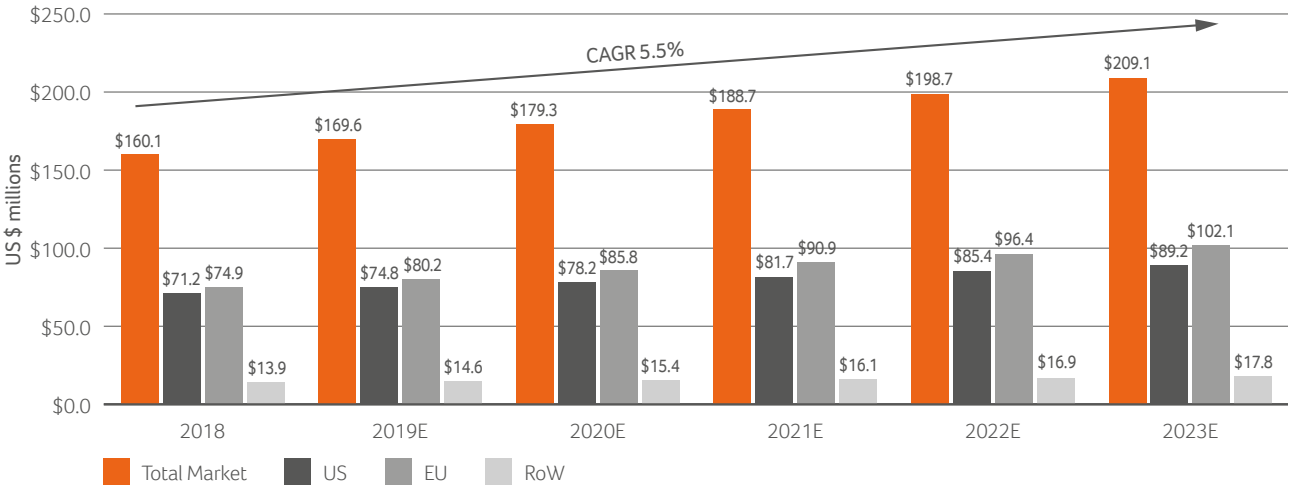
Active wound care market

Aroa operates in the active wound care segment of the global wound care market, which can be broken down into collagen/active dressings (Aroa's Endoform® products) and skin/dermal substitutes (Aroa's Symphony product).

(a) Collagen/active wound dressings

In 2020, the total US market size for collagen/active wound dressings is estimated to be approximately US$78.2 million.

Figure 4: Collagen/Active Wound Dressings Market Opportunity – Revenue (US$MM)



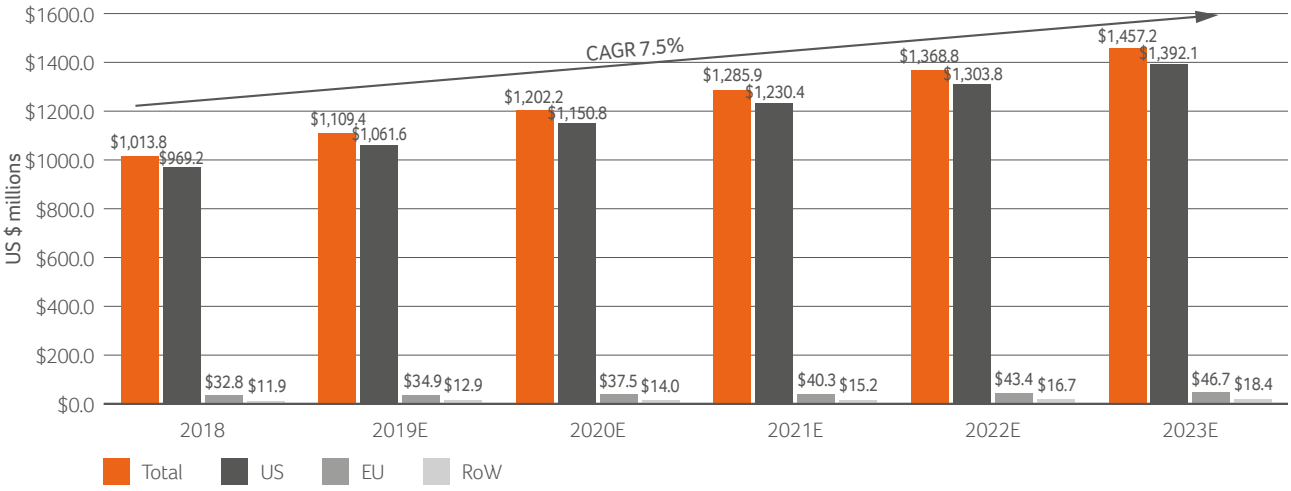
BioMedGPS LLC, SmartTRAK®

Source: SmartTRAK Report

(b) Skin/dermal substitutes

Aroa's Symphony product targets the skin substitute category of active wound products. In 2020, the total US market size for skin substitutes (also referred to as Cell and Tissue Products or **CTPs**) is estimated to be approximately US$1.15 billion. Skin substitutes is dominated by the US market, primarily due to a favorable regulatory and reimbursement environment. The total market for skin substitutes is forecast to reach US$1,457.2 million by 2023, a five-year CAGR of 7.5%. The market is still under penetrated with SmartTRAK estimating 475,000 applications of skin substitutes for diabetic foot ulcers and venous leg ulcers in the wound clinic in 2018, accounting for roughly 120,000 wounds. The potential market opportunity for skin substitutes in the US is estimated to be as high as $9 billion[7].

Figure 5: Skin/Dermal Substitutes Market Opportunity – Revenue (US$MM)



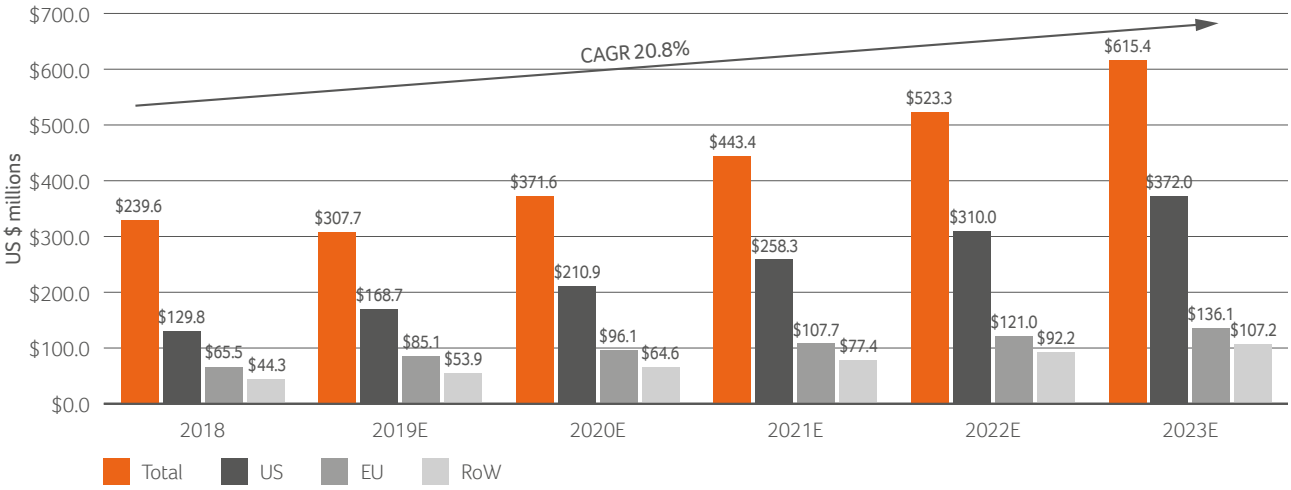
BioMedGPS LLC, SmartTRAK®

Source: SmartTRAK Report

Negative pressure wound therapy (NPWT)

In 2018, the total global market size for sNPWT was approximately US$239.6 million. The total market for sNPWT is forecast to reach US$615.4 million by 2023, a five-year CAGR of 20.8%. Market growth is being driven by reduction of surgical site infections (**SSIs**) in high risk surgeries where clinical evidence is mounting.

Figure 6: sNPWT Market Opportunity – Revenue (US$MM)



BioMedGPS LLC, SmartTRAK®

Source: SmartTRAK Report

7. *Frost & Sullivan Market Report.*

Aroa has a development programme focused on the development of a sNPWT in combination with an Endoform® wound interface. The Company believes there is significant potential in the sNPWT market and it plans to use part of the Offer proceeds to further its product development in this area.

Competitors

The largest global industry participants in wound care are 3M (Acelity), Coloplast, ConvaTec, Mölnlycke and Smith+Nephew. These companies mainly participate in the advanced dressings and NPWT segments of the wound care market.

Table 2: Main Industry Participants in Wound Care, Global, 2020

Company	Headquarters	Product Focus	Comments
3M (Acelity)	US	NPWT	3M acquired Acelity in 2019. Acelity revenues- approximately US$1.5 billion. Largest wound care company, dominant market position in NPWT
Coloplast	Denmark	Advanced dressings (foams, hydrocolloids)	Wound and skin care revenues DKK 2.34 billion (US$339 million). Number 5 player in wound care
ConvaTec	UK	Advanced dressings (foams, anti-microbials)	Wound care revenues US$588 million. Number 4 player in wound care
Mölnlycke	Sweden	Advanced dressings (foams, anti-microbials)	€781 million (US$843 million) wound care revenue. Number 3 player in wound care
Smith+Nephew	UK	Advanced dressings, NPWT, active dressings	Wound care revenue US$1.38 billion. Number 2 player in wound care

Source: Frost & Sullivan Market Report, based on company reports and presentations

Unlike the traditional and advanced passive segments of the wound care market, the major players in the active wound care segment (being the segment in which Aroa currently participates), including Integra, Mimedx and Organogenesis, tend to be US based research-intensive biotech companies focused on developing novel technologies for use in wound care which underlines the unmet clinical need, opportunity for growth and appetite for clinical innovation in this market that Aroa targets.

The large global wound care company Smith+Nephew recently established a position in active wound care through the acquisition of Osiris Therapeutics in 2019.

Table 3: Main Industry Participants in Active Wound Care, Global, 2020

Company	Headquarters	Product Focus	Comments
Integra Life Sciences	US	Skin substitutes	Orthopedics and tissue technologies revenue US$758 million (2018)
MiMedx	US	Skin allografts made from placental tissue	US$234 million revenue (2017)
Organogenesis	US	Skin substitutes	US$193 million revenue (2018)
Osiris Therapeutics (Smith+Nephew)	US	Skin allografts made from placental tissue	Acquired by Smith+Nephew in 2019 for US$660 million. Osiris revenue was US$143 million in 2018

Source: Frost & Sullivan Market Report, based on company reports and presentations

2.6.2 Soft Tissue Reconstruction

Clinical Problem

Reconstructive surgery is performed to treat structures of the body affected aesthetically or functionally by congenital defects, developmental abnormalities, trauma, infection, tumours or disease. It is generally completed to improve function and ability, but may also be performed to achieve a more typical appearance of the affected structure. Healing in these types of conditions is typically limited by factors such as significant tissue loss, poor blood supply, inadequate tissue-to-tissue contact, tension, or poor tissue quality. Healing becomes more difficult as the extent of these limitations increase. Like complex wounds, healing can be further impaired by other concurrent conditions.

Healthcare Costs

The healthcare burden associated with damaged or injured soft tissues to patients, insurers and employers is significant. The healthcare cost of reconstructive surgery can vary significantly based on severity and the extent of tissue damage. For some procedures the costs have been quantified. For example, healthcare costs in the US for both ventral and incisional hernia repairs are estimated at more than US$10 billion per year[8]. This includes the costs of multiple visits to physicians, initial procedures and revisions, additional healthcare expenditures and time away from work.

For all of these procedures every additional day that a patient spends in hospital results in significant cost. The estimated daily cost for a patient in hospital in the United States is approximately US$2,500[9]. Reducing hospital stay has a significant impact on overall costs.

Current Treatments

Most soft tissue reconstructions use a form of reconstructive material to provide support at the site of the repair. These reconstruction materials include synthetic mesh (either permanent or resorbable) and biologic matrices made from tissue material.

Permanent synthetic mesh

Permanent synthetic mesh products are the oldest available category of materials and are made of plastic materials that are also typically used in other industrial and consumer products. These synthetic products have gained popularity in their use due to their ease of sterilisation, biomechanical strength, durability and low upfront cost. However, there are multiple issues with their use:

- significant and persistent foreign body inflammatory response;
- chronic post-operative pain;
- scar tissue formation and soft tissue regeneration issues;
- susceptibility to infection;
- significant cost associated with mesh repairs; and
- compromised abdominal wall anatomy due to damaged tissue, resulting in difficult subsequent surgical repairs.

Studies on permanent synthetic mesh show poor post-operative outcomes. A longitudinal database study from the Danish Hernia Database indicated approximately 17% of 2,900 patients required surgical intervention due to recurrence or mesh-related complications, and the number of adverse events reported to the FDA for permanent synthetic mesh hernia repairs has sharply increase since 2016.

Biologic matrices

Given the complications that arose following clinical use of permanent synthetic mesh solutions, development of biologic matrices was undertaken. These products were developed with the intent of being replaced entirely by a patient's own tissue over time. These products have been derived from human or animal dermis, pericardium or intestinal submucosa.

In comparison to permanent synthetic mesh solutions, biologic matrix reconstructive materials are less likely to induce an inflammatory response and become infected. However, there are other limitations that arise:

- lack of strength or durability compared to synthetic products;
- material is prone to stretching;
- difficult to handle, resulting in extended operating times compared to synthetic products;

8. *Costa, A. et al. (2019) Biological Scaffolds for Abdominal Wall Repair: Future in Clinical Application? Materials (Basel), 12(15), 2375.*
9. *Freeman, W. J., Weiss, A. J., & Heslin, K. C. (2006). Overview of U.S. Hospital Stays in 2016: Variation by Geographic Region: Statistical Brief #246. Healthcare Cost and Utilization Project (HCUP) Statistical Briefs. Rockville (MD).*

- unable to be used in minimally invasive (laparoscopic or robotic assisted) surgery; and
- considerably more expensive than permanent synthetic mesh, resulting in use cases that are limited to complex hernia repairs and other complex abdominal wall reconstruction.

Biologic matrices have the highest rates of recurrence amongst soft tissue reconstruction methods, which may be in part due to their high rate of use in complex hernia repairs and abdominal wall reconstructions. For example, the RICH study, a multicenter, prospective study sponsored by LifeCell Corporation, evaluated the performance of Strattice, the current market-leading biologic matrix, in open ventral incisional hernia repair in contaminated abdominal wall defects. It demonstrated post-operative hernia recurrence rates of 22% and 33% at 12-months and 24-months follow-up, respectively[10].

In conclusion, established biological matrices improve healing and reduce complications but their high cost and medium-term failure remain as major shortcomings. Aroa's Reinforced Bioscaffold's combine Endoform with synthetic polymers to address both of these issues.

Resorbable Synthetic Mesh

Resorbable synthetic mesh was introduced as a third category of materials and as an alternative to permanent synthetic mesh and biologic matrices. Resorbable synthetic mesh is polymer-based and does not include biologic material to promote tissue remodelling and healing. Resorbable synthetic mesh was designed with the intended benefits of full degradation over several months, moderate cost which is lower than biologic matrices and gradual transfer of strength from synthetic mesh to native tissue over time. Despite improvements compared to the use of permanent synthetic mesh or biologic matrices, resorbable synthetic mesh may have the following limitations:

- significant foreign body inflammatory response that can result in encapsulation or contraction of the mesh until resorbed;
- scar tissue formation and lack of remodelling of soft tissue;
- mesh infection until resorbed;
- migration of the mesh until resorbed which can result in organ erosion or perforation; and
- a lack of mid-term and long-term soft tissue reinforcement as resorption progresses.

Data from a recently published, multicenter, prospective study sponsored by C.R. Bard, Inc. evaluated the performance of Phasix. Phasix is the current market-leading resorbable synthetic mesh, in CDC Class I, high risk ventral and incisional hernia repair. The study showed a post-operative hernia recurrence rate of 12% at 18-months follow-up[11]. Patients with recurrence require subsequent surgery to fix their hernia and this becomes increasingly difficult.

2.6.2.1 Abdominal Wall Reconstruction (Hernia repair)

Clinical problem

A hernia occurs when a tissue, a structure, or part of an organ protrudes through an abnormal opening in the body. It is most commonly associated with the projection of the intestine through a weak point in the abdominal wall. Age and lifestyle factors such as smoking and obesity can also contribute to the weakening of tissue[12,13,14]. Most often, hernias develop in the groin (inguinal), at the site of a previous surgical incision (ventral), or around the navel (umbilical).

For patients who have had multiple prior hernia surgeries that have failed, the anatomy of their abdominal wall is often compromised and weakened. Surgeons must perform more advanced techniques to repair the abdomen, known as abdominal wall reconstruction. Abdominal wall reconstruction surgery typically involves the use of an implanted mesh to assist in reconstruction. Given the loading at the hernia surgical site the implant must offer a high degree of strength.

It is estimated that about 90% of hernia repairs today use a form of reconstruction material to provide long-term support at the repair site.

Globally procedure numbers are expected to increase from 6.3 million procedures to 7.5 million in the period between 2019 to 2028[15].

10. See – https://clinicaltrials.gov/ct2/show/NCT00617357

11. Roth, J. S et al. (2018). Prospective evaluation of poly-4-hydroxybutyrate mesh in CDC class I/high-risk ventral and incisional hernia repair: 18-month follow-up. Surg Endosc, 32(4), 1929-1936.

12. Ruhl, C. E. & Everhart, J. E. (2007). Risk factors for inguinal hernia among adults in the US population. Am J Epidemiol., 165(10), 1154-1161.

13. Sorensen, L. T. et al. (2005). Smoking is a risk factor for incisional hernia. Arch. Surg., 140(2), 119-123.

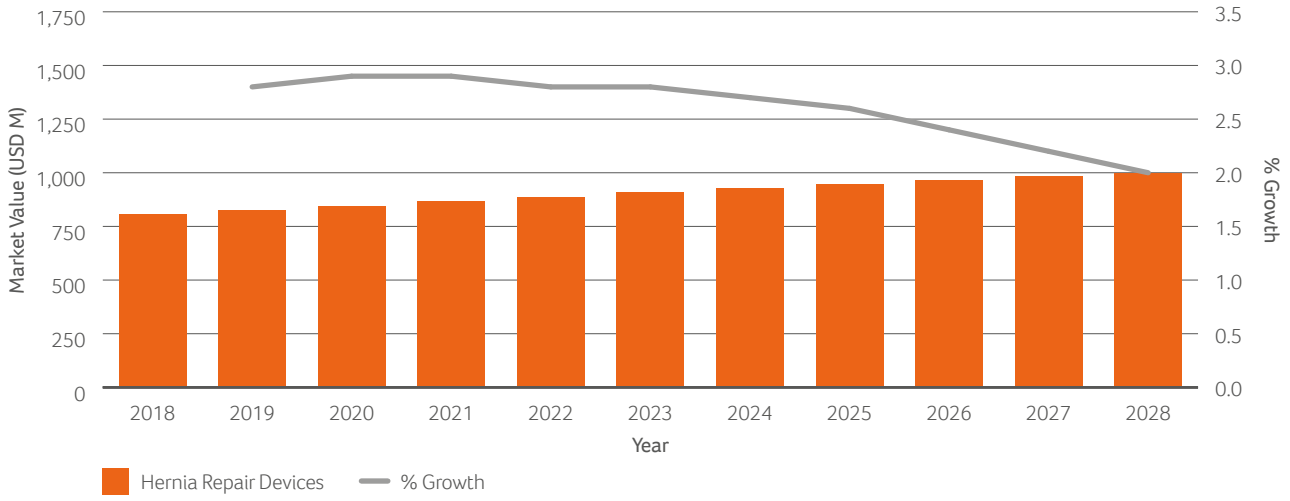
14. Menzo, E. L. et al. (2018). American Society for Metabolic and Bariatric Surgery and American Hernia Society consensus guideline on bariatric surgery and hernia surgery. Surg. Obes. Relat. Dis., 14(9), 1221-1232.

15. DRG. (2019). Hernia Repair Devices, Medtech 360 Market Insights: Global 2020. Ontario, Canada: Millennium Research Group, Inc.

Market Size

The US hernia repair market value was estimated to be approximately US$845 million in 2020 and this is expected to expand to approximately US$996 million by 2028 with procedure numbers growing by a CAGR of 2% as illustrated by Figure 7 below.

Figure 7: Hernia Repair Device Market, by Product Type, US (USD), 2018-2028



Note: Hernia repair devices include VHR meshes, IHR meshes, and Hernia fixation devices. Hernia fixation devices are only covered for the US.

Source: Millennium Research Group, Inc.

Competitors

The global hernia repair device market is dominated by a small number of large competitors. In 2019, Becton Dickinson held the top position globally and in the United States with Phasix their resorbable synthetic mesh.

Allergan is the market leader in the global hernia biologic mesh segment based on the success of Strattice. Their global presence is somewhat limited by the low penetration of biologic meshes in countries outside of the United States. Biologics are typically priced considerably higher than their synthetic counterparts which have limited widespread use. Consequently, their use has been confined to complex, infected, or repeat hernias where it is important to have vascularisation, effective incorporation and minimal adverse foreign body reactions.

Ethicon and Medtronic also hold significant shares globally due to their broad product offerings.

Aroa and its partner TelaBio have developed and launched a new class of Reinforced Biologics called Ovitex which combines Endoform® with synthetic polymers to overcome previous strength limitations of biologics. These products are typically priced 20%-40% lower than the existing biologics and compete with resorbable synthetics.

2.6.2.2 Breast Reconstruction

Clinical Problem

Breast reconstruction, to restore the breast to near normal shape and appearance, can be performed after breast cancer treatment involving a mastectomy (removal of the entire breast), lumpectomy (tumour removal only), or, less frequently, after severe injury to the breast.

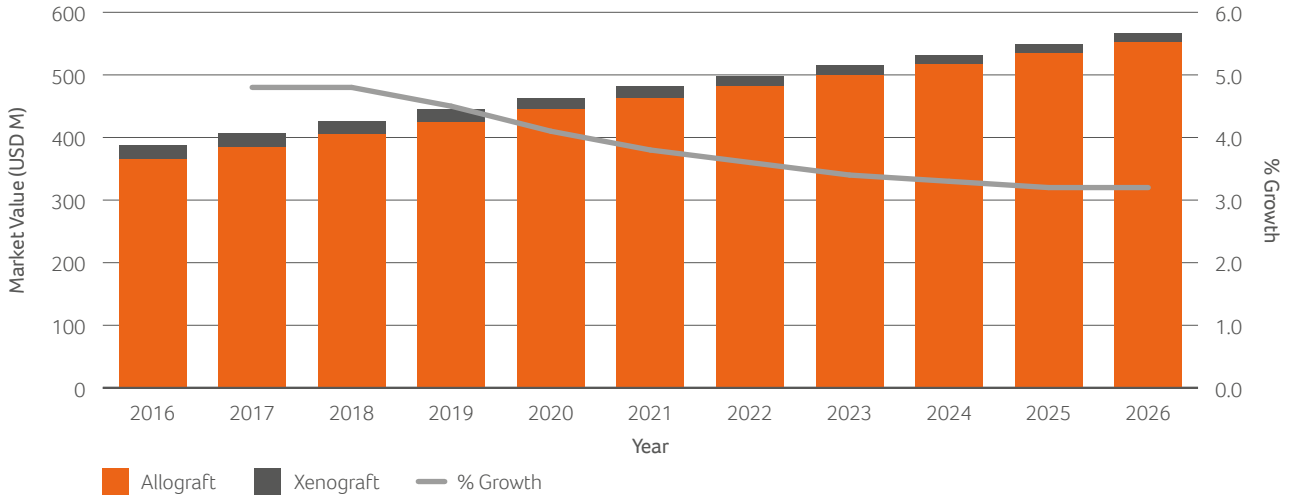
Biologic matrices are commonly used in breast reconstruction and are increasingly being adopted. They eliminate the need to have a second surgical site and transfer tissue from another part of the patient's body. Biologic matrices provide a scaffold on which the patient's own cells regenerate, cover and act as a sling to support the implant. They may also result in an enhanced aesthetic outcome. Biological matrices are soft, pliable and not associated with inflammation and, consequently, they are preferred for breast reconstruction over stiffer synthetic meshes. They may also be used to correct capsular contracture, bottoming out, fold malposition, and other complications associated with breast augmentation.

Market Size

The US market for biological matrices in breast reconstruction is expected to grow moderately despite being a relatively new technology. More plastic surgeons are being trained to perform breast reconstruction procedures with these products. To some extent growth is constrained by the high costs of biological matrices and clinical evidence relating to outcomes and complications. Aroa believes that further innovation and long-term clinical outcomes will drive increased adoption.

In the United States, the breast reconstruction product market is estimated at US$463 million in 2020 and is forecast to grow to US$567 million by 2026.

Figure 8: ADM Market, by Material, US (USD), 2016-2026



Source: DRG – Medtech 360, Market Analysis US: Breast Implants and Reconstructive Devices (June 2018).

Competitors

Currently allografts (human derived grafts) represent more than 90% of all unit sales in this market[16]. Despite the lower cost of xenografts (animal derived grafts), there is a continued preference for allografts due to the current preferences of surgeons, perceived complication rates and a lack of robust clinical evidence supporting xenograft use. Allergan's allograft product Alloderm is well established and maintains a dominant position in this market.

Aroa and its partner TelaBio have also developed and launched a reinforced biologic, Ovitex PRS, specifically engineered for the requirements of breast reconstruction which is also priced to encourage more widespread adoption. This product was launched in mid-2019 and early experience and clinical adoption is encouraging.

2.6.2.3 Trauma, Limb Salvage and Tumour Surgery

Clinical Problem

In trauma, limb salvage and tumour surgery, surgeons are required to use reconstructive materials to repair skin deficits, prepare wounds for split-thickness skin grafting, reinforce tissue flaps, and cover exposed orthopaedic hardware to guide new tissue formation.

The most common materials used in this type of plastic and reconstructive surgery are biologic matrices due to their ability to define shape and position, improve tissue quality and reinforce existing soft tissue[17]. Biologic matrices improve the rate of healing (through earlier closure), graft survival and quality (less contracture and scarring), resist infection and modulate inflammation (pain and scarring).

There is a growing body of clinical literature validating the use of biologic matrices in trauma, limb salvage and tumour surgery.

16. DRG. (2018). Breast Implants and Reconstruction Devices, Medtech 360 Market Analysis: US 2018. Ontario, Canada: Millennium Research Group, Inc.
17. Brown, B. N. and Badylak, S. F. (2014). Extracellular matrix as an inductive scaffold for functional tissue reconstruction. Transl. Res., 163(4), 268-285.

Market Size

Plastic, orthopaedic and podiatric surgeons undertake a wide range of reconstructive soft tissue procedures where reconstructive materials are used. The major reconstructive procedures are presented in Table 4.

Table 4: Major Reconstructive Procedures Performed by Plastic Surgeons

Reconstructive Procedures	2018	Relevant procedures	Addressable procedures
Tumour Removal	4,462,519	5%	223,126
Laceration repair other than facial[1]	253,447	15%	38,017
Maxillofacial Surgery[1]	204,521	20%	40,904
Hand surgery[1]	138,345	20%	27,669
Scar revision[1]	182,250	20%	36,450
Other reconstructive procedures[1]	253,639	15%	38,046
Limb Salvage[2]	125,000	50%	62,500

Source: (1 American Society of Plastic surgery 2018, 2 Integra Investor Day presentation).

Based on the data available, the Company estimates that the US total addressable market for these procedures is in excess of US$200 million.

Competitors

The major competitor in this market is Integra Life Sciences. Mimedx also has a strong presence in this market. Both companies also participate in the complex wound and skin substitute market.

2.7 Demographic Tailwinds

The number of patients with complex wounds and soft tissue injuries is increasing due to a number of reasons including: (i) ageing populations; (ii) growing incidence of diabetes; and (iii) increased rates of obesity. This is creating increasing demand for products which improve healing.

2.7.1 Ageing populations

Among older people, there is a higher incidence of diabetes, dementia, extreme obesity, cardiovascular disease and renal disease, with wounds and soft tissue injuries also being more prevalent.

For example, patients with advanced dementia have a significantly higher risk of developing pressure ulcers, with around 40% of advanced dementia patients developing pressure ulcers before death.[18] Similarly, abdominal wall hernias are increasingly more common as the patient becomes older.

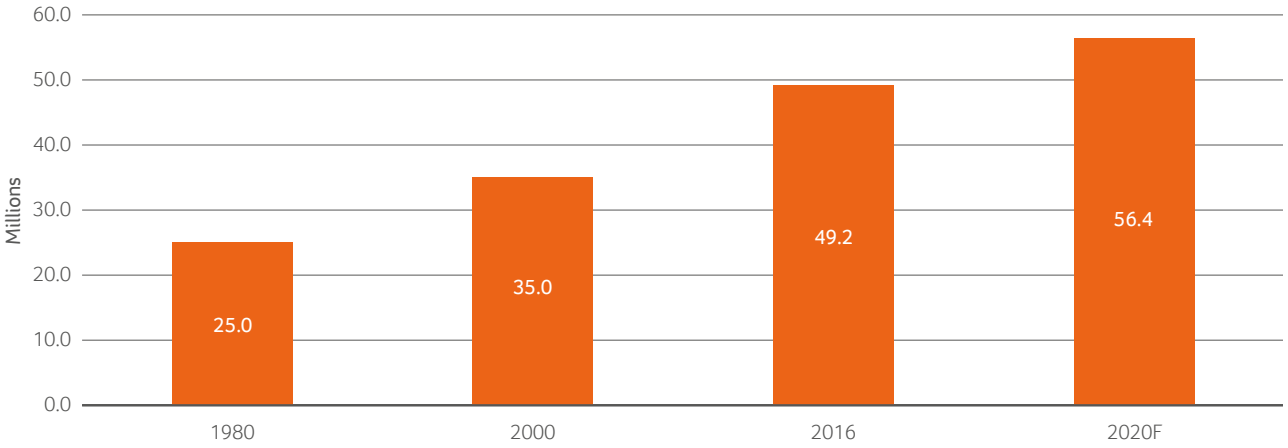
In 2016, the US population aged 65 and over reached 49.2 million (15.2% of the population) an increase from 35 million in 2000, and is forecast to reach 56.4 million in 2020.[19] The population with dementia (Alzheimer's and vascular dementia) is 5.7 million and is forecast to reach 13.8 million by 2050[20].

18. Mitchell, S. L. et al. (2009). The Clinical Course of Advanced Dementia, N Engl J Med, 361(16), 1533.

19. Administration for Community Living. (2018). 2017 Profile of Older Americans.

20. American Speech-Language-Hearing Association (ASHA). Dementia. Retrieved from https://www.asha.org/PRPSpecificTopic.aspx?folderid=8589935289&section=Incidence_and_Prevalence#Trends

Figure 9: 65 and Over Population, US, 1980 to 2020



Source: Administration for Community Living, 2017 Profile of Older Americans.

Consequently, the increase in the ageing population is driving increased demand for soft tissue regeneration solutions.

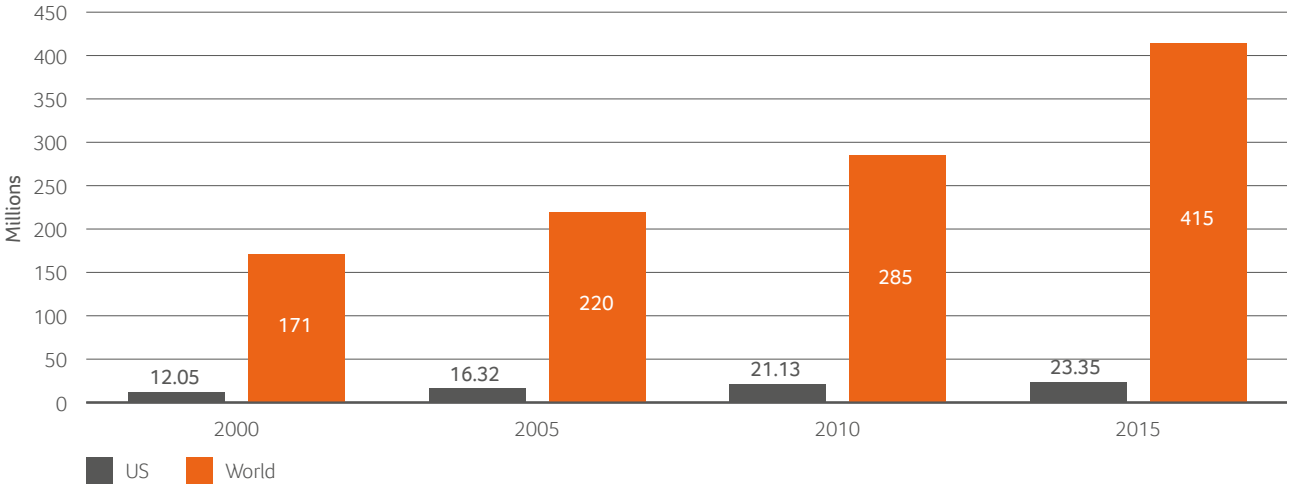
2.7.2 Growing Incidence of Diabetes

Complex wounds often occur alongside diabetes, with diabetics having a 15-25% chance of developing a chronic wound at some point,[21] and a 2% annual incidence amongst diabetics.[22] Diabetic foot ulcers are the most common form of chronic wound amongst diabetics, where the development of peripheral neuropathy (loss of sensation) impairs the ability to sense pressure or pain, which together with poor blood circulation and impaired healing may lead to the development of ulcers.

Diabetes also predisposes patients to poor healing after surgical interventions such as abdominal wall repair.

In the US, an estimated 34.2 million people (10.5% of the population) had diabetes in 2018, of which 7.3 million people were undiagnosed[23]. 14.3 million of these are over 65, with a 26.8% prevalence in the over 65 population.[24] Between 2000 and 2015 the diagnosed diabetic population more than doubled as illustrated in Figure 10 below. Globally, over the same period, the diabetic population has increased by 143%.[25]

Figure 10: Number of People with Diagnosed Diabetes, Global and US, 2000 to 2015



Sources: International Diabetes Federation; American Diabetes Association.

21. Gianino, E. et al. (2018). Smart Wound Dressings for Diabetic Chronic Wounds. Bioengineering (Basel), 5(3), 51.
22. Boulton, A. et al. (2018). Diagnosis and Management of Diabetic Foot Conditions, American Diabetes Association, 1.
23. American Diabetes Association. (2020). Statistics About Diabetes. Retrieved from https://www.diabetes.org/resources/statistics/statistics-about-diabetes
24. American Diabetes Association. (2020).
25. International Diabetes Federation; American Diabetes Association.

2.7.3 Increased rates of Obesity

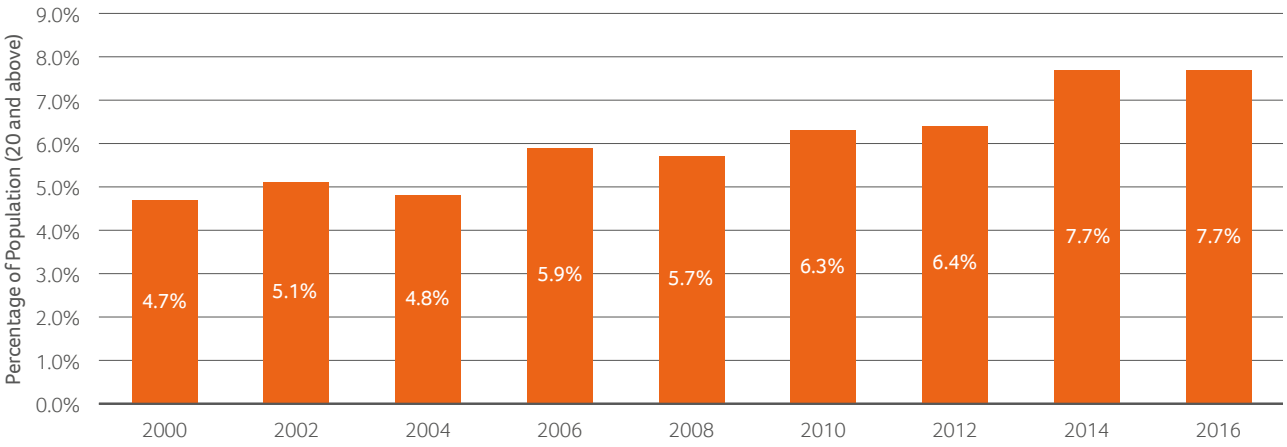
Rising prevalence of obesity, particularly extreme or morbid obesity, is another factor driving growing demand for soft tissue regeneration solutions.

For example, obesity contributes to immobility and consequent pressure on skin surfaces. One study identified that extremely obese patients in intensive care units (ICUs) were 3.7 times more likely to have a pressure ulcer than obese patients outside the ICU setting, who are 1.9 times more likely to have a pressure ulcer than normal weight patients.[26] Similarly, amongst nursing home residents research indicates that the prevalence of pressure ulcers is 18.9% higher for residents with moderate or severe obesity than for non-obese residents, with the prevalence of obesity amongst newly-admitted residents increasing from 16.9% to 25.8% over the decade to 2009.[27]

Being very overweight increases the pressure in an individual's abdomen and this increases the risk of incisional and umbilical hernias. Hernia recurrence is also more likely in obese patients.

Between 2000 and 2016, the prevalence of extreme obesity in the US population aged 20 and over has increased from 4.7% to 7.7%.[28]

Figure 11: Prevalence of Extreme Obesity, US, 2000 to 2016



2.8 Reimbursement

Reimbursement provides the basis for hospitals and health care providers to receive payment for medical products. The primary customers for Aroa products are hospitals, ambulatory surgery centres and outpatient wound centres. They seek reimbursement from third-party payors, such as government agencies or private health insurers, for the procedures performed using Aroa's products.

In hernia and soft tissue reconstruction a fixed procedure payment system known as a Medicare Severity Diagnosis Related Groups, or MS-DRG, provides a lump sum payment rate that varies based on the degree of complications and comorbidities. In addition, surgeons receive payment for their services depending on the coding associated with the procedure. The MS-DRG-based reimbursement system encourages hospitals to become more efficient in treating patients and assess the value of products due to its fixed-per-patient reimbursement nature.

Advanced active wound care products are reimbursed within the professional service fees for a procedure. Cell and tissue products (skin substitutes) are an exception. Each product has its own code, coverage and payment. Hospitals and physicians receive separate payments for the procedure and products.

With rising healthcare costs, third-party payors are adopting increasingly sophisticated methods to control healthcare costs when making coverage and payment decisions. Products demonstrating efficacy, safety and affordability are increasingly in demand.

26. Hyun, S. et al. (2014) Body Mass Index and Pressure Ulcers: Improved Predictability of Pressure Ulcers in Intensive Care Patients. Am J Crit Care., 23(6), 494–501.

27. Cai, S. et al. (2013) Obesity and Pressure Ulcers Among Nursing Home Residents. Med Care., 51(6), 478-86.

28. National Center for Health Statistics. (2018). Prevalence of Overweight, Obesity, and Severe Obesity Among Adults Aged 20 and Over: United States, 1960–1962 Through 2015–2016. Retrieved from https://www.cdc.gov/nchs/data/hestat/obesity_adult_15_16/obesity_adult_15_16.htm

2.9 Medical Device Regulation

Aroa's products and operations are required to comply with the medical device regulations and international standards applicable to the markets in which the Company operates.

Aroa's current principal market is the United States where its products are regulated by the FDA and are subject to the Federal Food, Drug, and Cosmetic Act. Aroa's products must receive 510(k) clearance from the FDA for commercialisation. The 510(k) process requires the manufacturer to demonstrate data-based 'substantial equivalence' to another device that is already legally marketed in the United States. The FDA aims to grant 510(k) clearance within 90 business days of being accepted for review, but the entire review process may exceed 100 days, and could take longer if technical questions arise.

To market medical devices in the European Union, the current Medical Device Directive requires that products be evaluated and certified by a Notified Body in order to issue CE mark certification. The CE certification means a company's medical devices must conform to the applicable "essential requirements" set forth in the Directive and the company's operations conform to the international ISO 13485:2016 medical device quality system standard which allows for the product to be CE marked.

In addition to the US, the Company has regulatory approval to distribute and sell its products in a further 37 countries globally, including in the European Union and the United Kingdom.

Section 3 |

Company overview

3 | Company overview

3.1 Introduction

Aroa is a soft tissue regeneration company focused on improving the rate and quality of healing in complex wounds and soft tissue reconstruction.

Aroa participates in the wound care and surgical reconstruction markets. The Company estimates in the US alone there is a total addressable market for Aroa's existing products in excess of US$1.5 billion. The Company's products currently for sale in the key US market target chronic wounds and soft tissue reconstruction including, hernia, breast reconstruction and trauma/limb salvage/ tumour surgery. To date, Aroa's products have been used in over 4 million procedures globally.

Most of Aroa's current commercial activity and sales are within the United States and this operation is supported from Aroa's San Diego office. International sales outside the United States have recently been initiated through local country level distributors.

Aroa has developed Endoform®, a proprietary tissue regeneration technology platform, from over 10 years of research and development. Endoform® can temporarily replace damaged tissue by acting as a scaffold to grow new tissue, and is used where tissue has been lost or damaged by disease or injury. The patient's own cells grow into the Endoform® product, re-establish a blood supply, and then form new tissue. Over time, the implanted Endoform® is completely replaced by new patient tissue. The company has extended their technology platform to also incorporate synthetic polymer reinforcement, antimicrobials, and other actives into their products.

Aroa believes that its products based on the Endoform® technology platform offer superior healing performance in complex wounds, soft tissue reconstruction and, when combined with synthetic fibres, reduce complications and reoccurrence rates in hernia[29,30].

All products are based on Aroa's Endoform® platform and are specifically engineered for each use case.

Aroa has a portfolio of five commercial products currently selling in the United States market:

- **Endoform® Natural and Endoform® Antimicrobial** – a tissue matrix for treating chronic wounds (e.g. diabetic foot ulcers and venous leg ulcers) particularly during the inflammatory phase of healing;
- **Myriad** – a biological graft for dermal and implantable soft tissue reconstruction and repair;
- **Ovitex** – a reinforced bioscaffold for abdominal wall reconstruction/Hernia; and
- **Ovitex PRS** – a reinforced bioscaffold for plastics and reconstructive surgery (licensed to TelaBio solely for breast reconstruction).

The product pipeline includes:

- **Symphony** – a biological graft augmented with hyaluronic acid for treating patients with severely impaired healing during the proliferative phase of healing (for example for treatment of diabetic foot ulcers and venous leg ulcers). Based on current development timelines, this product is expected to be commercialised in 2021.
- A single use disposable negative pressure pump connecting to an Endoform® interface for acute surgical and chronic wounds. Based on current development timelines, this product is expected to be commercialised in 2023.

The Company intends to focus its resources on expanding its commercial operations in the United States in order to grow sales in the short and medium term. Aroa has three sales and distribution channels in the United States:

- a joint venture sales team for wound care ("Appulse");
- a licensing arrangement to sell hernia and soft tissue reconstruction products (with US company Tela Bio Inc.); and
- a direct surgical sales team (employed by Aroa).

Aroa's strategy has been to advance the rate at which it can commercialise products and maximise operating leverage.

Outside of the United States, Aroa now has regulatory clearances for its products in 37 countries, including CE Mark certification in Europe for Endoform® Natural and Ovitex, and a pipeline of further approvals pending. The Company is beginning to pursue international sales outside the United States through distribution agreements with local distributors in the relevant jurisdictions. Aroa believes there is a significant global growth opportunity for its products.

29. Bohn, G. A. (2019). Endoform: A Simple Tool to Assess Wound Proteases. Wound Management and Prevention, 65(3), 18-20.
30. Overbeck, N. et al. (2020). In-vivo evaluation of a reinforced ovine biologic: a comparative study to available hernia mesh repair materials. Hernia.

Company history

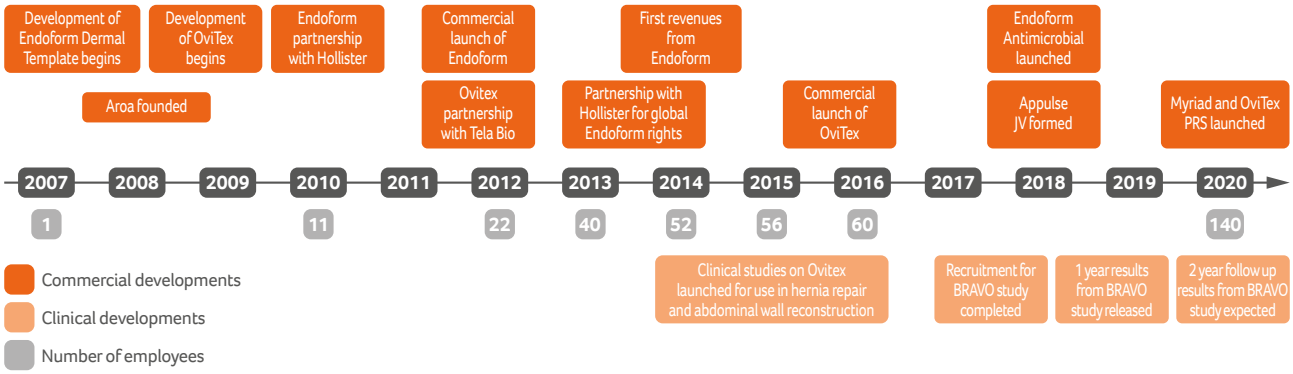
Aroa Biosurgery commenced operations in 2008 in Wellington, New Zealand based on the regenerative properties of ruminant forestomach ECM technology initially investigated and developed by Dr Brian Ward, the founder and current CEO and Managing Director of Aroa. The company, initially called Mesynthes, contracted scientists from Industrial Research Limited to begin early research and development and then transitioned to employing its own internal development team. In early 2014, Aroa relocated and expanded into a new purpose-built facility in Auckland, New Zealand.

Aroa's first product, Endoform® Natural, for chronic non-healing wounds, was launched in the United States through a distribution partnership with Hollister Inc. (USA) in 2013 after obtaining U.S. Food & Drug Administration (**FDA**) clearance and reimbursement from the Centre for Medicare and Medicaid Services.

OviTex, a reinforced bioscaffold based on Aroa's proprietary Endoform® technology but developed in collaboration with Tela Bio Inc. (USA), was Aroa's first commercial surgical product. OviTex was cleared by the FDA in May 2013 and launched in July 2016 for use in ventral hernia repair and abdominal wall reconstruction.

In 2018, Aroa Biosurgery re-acquired its global distribution rights for its wound care products from Hollister Inc., and formed the Appulse joint venture with a US-based company, Hydrofera LLC, to retain the sales team and continue to sell Endoform® to Aroa's existing customers in the United States. Endoform® Antimicrobial received 510(k) clearance from the FDA in November 2017 and was launched in June 2018. Figure 12 below presents a timeline of Aroa's history:

Figure 12: Aroa Biosurgery History and Milestones



3.2 Aroa's Endoform® platform technology

Endoform® is a proprietary extracellular matrix (ECM) biomaterial containing a rich and complex mix of important biological molecules, including structural (collagens I, III, IV & elastin) and adhesive proteins (fibronectin and laminin), glycosaminoglycans (heparin sulphate and hyaluronic acid) and growth factors (FGF2 & TGFß). Figure 13 illustrates the structure and composition of Endoform®.

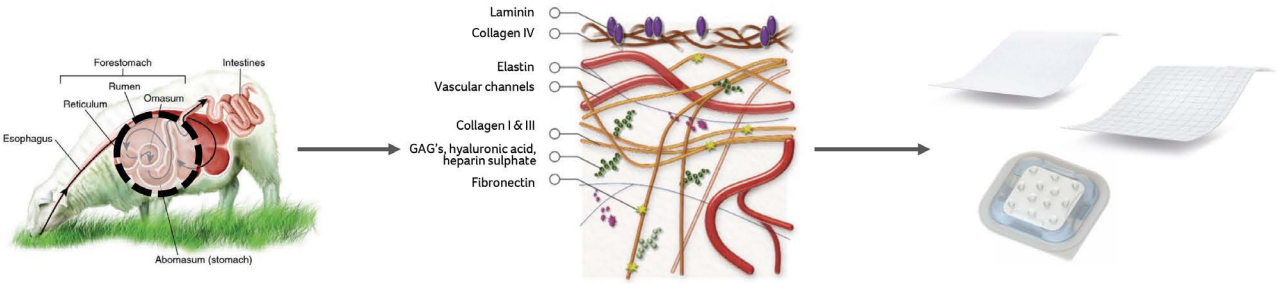
Figure 13: Endoform®'s Structure and Composition

Cells and the surrounding ECM constantly interact to modulate tissue physiology. ECM components play important roles in regulating tissue growth and maintenance, and in orchestrating the process of tissue regeneration. The delicate micro-architecture influences the way cells attach, migrate, grow and differentiate. Structural proteins such as collagens and elastin support cells as well as binding and releasing growth factors, cytokines, peptide fragments, proteoglycans and glycosaminoglycans. Collagen and elastin also act as substrates for matrix metalloproteinases (MMP's) and elastase.

Importantly, as a cell-free native ECM, Endoform® retains authentic structure, signals and substrates of natural tissue, providing a supportive environment to guide the growth of cells and new tissue. In a range of preclinical studies Endoform® demonstrates quantitatively superior vascularisation, rapid cell infiltration and improved modulation of matrix metalloproteinase activity compared with current market leaders. All these factors are essential for successful wound healing.

Endoform® is derived from ovine (sheep) forestomach and includes a basement membrane layer and propria-submucosa (supportive connective tissue). Its unique structure results in a dense contoured matrix on one side and an open porous matrix on the other. By careful control of the manufacturing process, the propria-submucosa's innate biological structure and composition is retained in the final product. Further, the recognized 'prion-free' status of New Zealand's livestock, the absence of viruses that cause significant human disease in New Zealand's sheep, and validated tissue purification and sterilisation processes mitigate the risk of disease transmission to patients.

Figure 14: Endoform®'s Source, Structure, and Selected Product

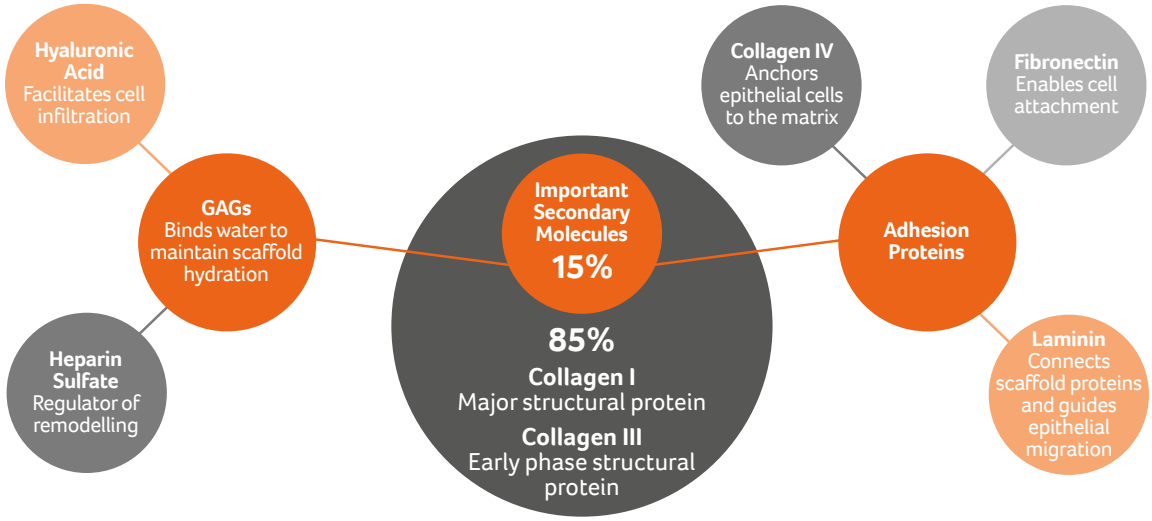


Source	Endoform Technology (Structural and Biological Building Source Block)	Products
• Extraordinary thick porous ECM with basement membrane and an unusually dense network of vascular channels • Constantly renewing and growing	• Endoform (purified Ovine Forestomach Matrix) provides unique ECM with a native porous structure, vascular channels, signals and substrates to help to short-cut healing (basement membrane components, ECM structure, 148 secondary molecules known to be important in healing). Clinically this translates to ready-to-use structure and biological features which direct regenerative healing.	• All products with Endoform provide a short-cut to growing new tissue and an associated blood supply. Each product is engineered for the challenges of a specific use case.

When applied or implanted clinically, Endoform® immediately provides a structural scaffold. It allows the attachment, migration and growth of cells. In time, it is completely replaced by patient tissue to provide new functional tissue. It is well tolerated and does not elicit a significant immune response. It is conforming, robust, and has high tensile strength.

Endoform® is comprised of over 80% collagen with a significant proportion of secondary ECM associated molecules known to be important in healing. This includes 148 structural and adhesion proteins, and glycosaminoglycans (GAGs). Endoform® ECM dynamically interacts with a patient's cells during all phases of healing to support tissue growth.

Figure 15: Composition of Endoform®



The structure of Endoform® allows it to form a building block that can serve as the underlying architecture for a wide range of medical devices. Aroa's proprietary fabrication technology provides flexibility to develop medical devices based on the underlying Endoform® 'platform' to suit a wide range of tissue regeneration applications. Aroa has utilised this flexibility to extend the core Endoform® technology platform including developing products that interweave synthetic polymer fibres (Ovitex) and those with added antimicrobials (Endoform® Antimicrobial), and actives (Hyaluronic Acid). These additional developments allow the underlying Endoform® platform to be applied to different use cases.

3.3 The competitive advantage of the Endoform® technology platform

The Endoform® technology platform affects tissue regeneration and healing in the same way and through the same general mechanisms in all products. The competitive advantage of Aroa's products are firstly, based on the advantages of the Endoform® technology platform, and secondly, based on design features of each product which consider the specific requirements for each particular use case.

The Endoform® technology platform's competitive advantage is based on the inherent regenerative properties of ovine forestomach tissue, the proprietary manufacturing process and a pricing strategy that makes products affordable and accessible.

Unique tissue – Ovine Forestomach Matrix

- A rapidly growing and regenerating organ during normal development;
- Immature tissue source with naturally high levels of secondary ECM molecules;
- Native intact porous ECM which enables rapid cell infiltration and proliferation;
- Basement membrane layer to support epithelial attachment;
- Unusually dense network of blood vessels which are retained as vascular channels;
- Excellent strength and handling characteristics;
- Favourable "M2" immune response which directs regenerative healing, enabling dynamic reciprocity and a constructive remodelling; and
- Continually being remodelled and replaced over time.

Proprietary Manufacturing Process

- Gentle process that retains the innate biology of the ECM while removing components which can lead to an inappropriate immune response;
- Avoids structural damage to the ECM and protein denaturation which affects function and immune response;
- Retains the high levels of native secondary molecules; and
- Deliberately designed (e.g. modular design) to allow large scale, high-volume and low-cost production.

Pricing Strategy

- Aroa's products are typically 20%-60% less expensive than competing biological products and in many cases only a small premium over synthetic products.

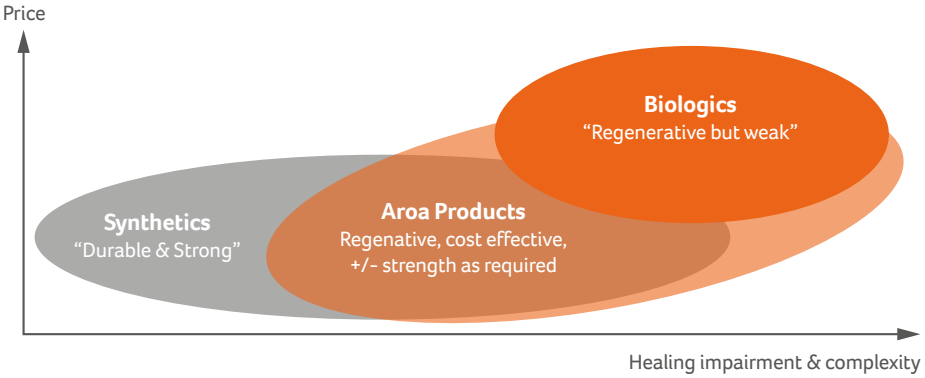
In summary, Aroa believes its Endoform® technology platform offers superior regenerative healing performance at a significantly lower price.

3.4 Aroa's disruptive value

Currently, the regenerative use of ECM is restricted because of its high cost. ECM technology tends to be used in more complex cases or where patients' healing is impaired. A wider group of patients could benefit from this technology but cost constraints limit access. Instead, health care providers and surgeons use less expensive products that have poorer outcomes.

For example, in complex wounds, health care providers will persist with inexpensive traditional synthetic wound dressings that are unable to address the underlying pathophysiology for impaired healing. And, in hernia repair, surgeons will use synthetic mesh to surgically repair soft tissues accepting the known risk of healing failure and further complications.

Figure 16: Endoform® Offers Disruptive Value

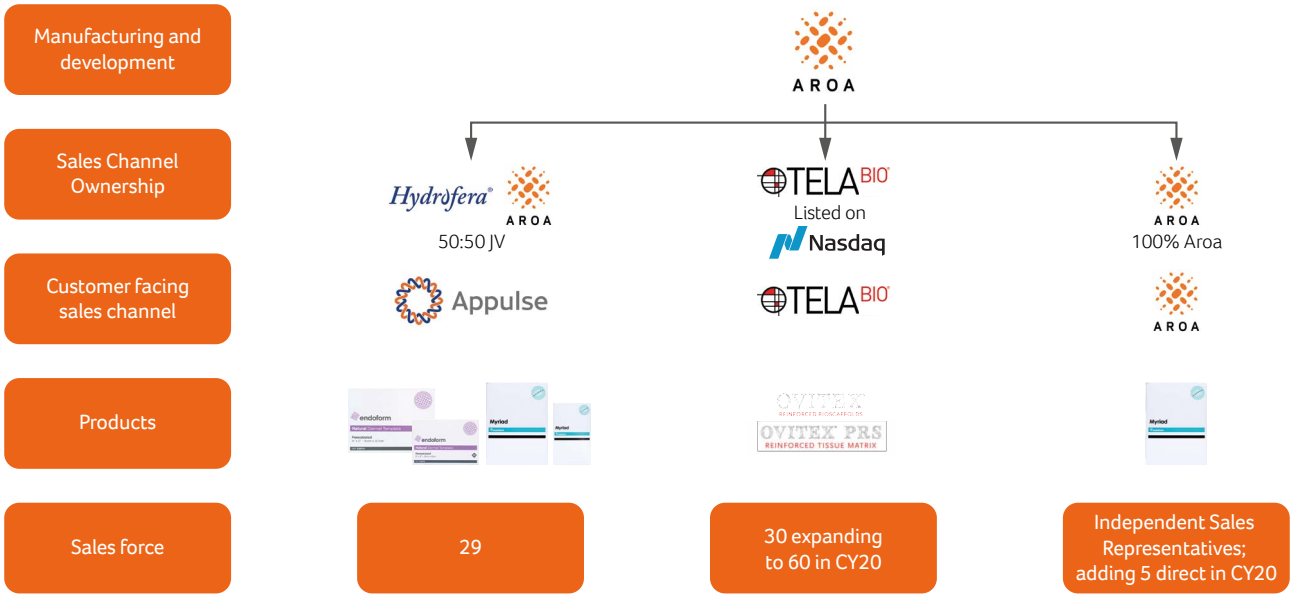


Aroa's Endoform® technology platform offers a leading ECM that is affordable and accessible to a wider group of patients. For less complex conditions, this allows more patients to have earlier access to advanced treatments which may lead to earlier healing and fewer complications.

3.5 Business Model

Aroa operates as a technology and product developer, manufacturer, and sells and distributes its products in the United States through Appulse, a joint venture with Hydrofera LLC, TELA Bio Inc., a US company listed on NASDAQ, and its own Aroa direct and independent sales.

Figure 17: Aroa's Sales Channels



TelaBio relationship

Aroa developed its core Endoform® proprietary technology which it licenses to TelaBio for abdominal wall reconstruction/Hernia and plastics and reconstructive surgery (licensed to TelaBio solely for breast reconstruction). Through the relationship Aroa is responsible for process development, product realisation, regulatory submissions and manufacture. TelaBio is a co-development partner for reinforced bioscaffolds and has responsibility for commercialisation in the United States and Europe and for clinical development.

Aroa receives 27% of net product sales generated by TelaBio. The initial term of the agreement is until the date of the last patent for a licensed product, being currently April 19, 2031, with an option for a further ten-year extension period. See Section 10.1 for further details of the contract governing the commercial relationship with TelaBio.

TelaBio employs approximately 44 staff in the United States. This includes a sales team with account managers operating in 22 territories supported by business managers and clinical development specialists. TelaBio has 200 active hospital accounts and expects to expand their commercial organisation to 60 employees in 2020 to cover the top 500 hospitals for soft tissue reconstruction. TelaBio was recently awarded the HealthTrust Group Purchasing Organisation contract. TelaBio listed on the US NASDAQ in 2019.

Appulse

Appulse is a joint venture sales team shared between Aroa and Hydrofera LLC responsible for the sale of Endoform®, Myriad and Hydrofera Blue products in the United States. Warehousing, distribution, billing, and contracting are managed separately by each company.

To support this business Aroa has contracts with several Group Purchasing Organisations and major healthcare distributors in the United States. This ensures that Aroa's products are accessible to hospitals and readily available nationally.

The Appulse sales team is comprised of 29 employees including account managers, sales leadership and clinical educators. They operate in 23 sales territories spread across the United States and are active in over 600 hospital accounts. The Appulse leadership reports to Aroa's Vice President, Commercial based in the United States. The Appulse organisation is supported from Aroa's San Diego office.

The Appulse sales team predominantly call on outpatient wound centres associated with hospital facilities. They promote Aroa's products to nurses, physicians and surgeons. Aroa believes that the sales team is well placed to sell Aroa's Symphony product in wound centres once it is ready for expected commercialisation in 2021.

The wound centre relationships link the Appulse sales team to specialist inpatient wound nurses and surgeons that are actively involved in the treating of complex wounds and soft tissue reconstruction. Appulse intends to expand its inpatient sales activity to promote the Myriad and Endoform® products.

Aroa Direct Sales

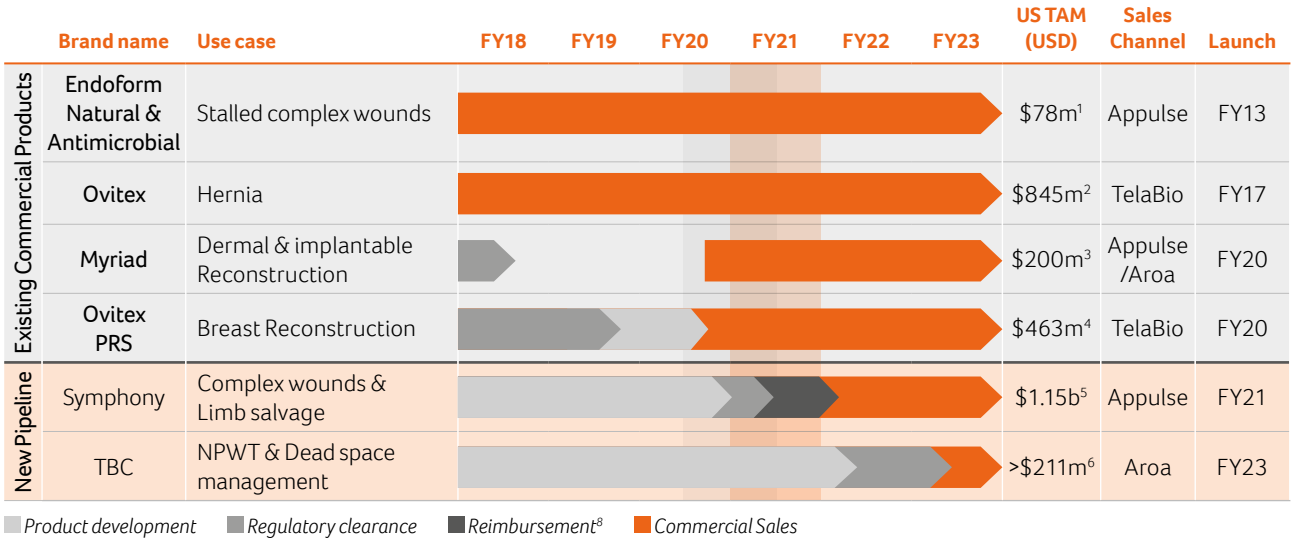
Aroa believes that a focused surgical direct sales team calling on the operating room is required to accelerate the growth of Myriad sales. To build this team, Aroa expects to employ up to 5 direct account managers and secure 15 to 20 Independent Sales Representatives by the end of 2020. Some of the proceeds from the Offer will be used for this purpose. In the medium term, Aroa intends to target high volume hospitals in the major metropolitan areas where Group Purchasing Organisations and Integrated Delivery Networks access is already established.

This team will be located throughout the US and will be supported from Aroa's San Diego office. It will report to Aroa's Vice President, Commercial. Aroa expects that its single use negative pressure wound system will also be sold by this team once it is ready for expected commercialisation in 2023.

3.6 Product Portfolio

Aroa sells products in two broad categories: complex wounds and soft tissue reconstruction. The product portfolio is presented in Figure 18.

Figure 18: Commercial Products and Product Pipeline



Sources: 1,5,6 SmartTRAK BiomedGPS data 2020, 2. DRG Millennium Research data, Hernia Repair Devices, 2020, 3. Aroa management estimates, 4. DRG Millennium Research, Breast Implants & Reconstructive devices, 2018.

Note: Symphony requires a new reimbursement code, whereas all other products fall under existing reimbursement codes.

Aroa's complex wound products support wound healing by reducing chronic inflammation, providing an effective scaffold for new tissue development and encouraging faster tissue development.

Aroa's first product in the chronic wound market was Endoform® Natural (Dermal Template), which was followed with Endoform® Antimicrobial in 2018. Symphony is an augmented biological graft which targets a significantly larger opportunity. Product development for Symphony is complete and is currently being reviewed by the US FDA for 510(k) clearance.

These complex wound products are sold through the Appulse joint venture.

Aroa also has products targeted towards soft tissue reconstruction, including Myriad and Ovitex.

Aroa officially launched Myriad at the beginning of 2020. This is a biological graft for soft tissue reconstruction. It is also sold by Appulse and Aroa's direct surgical sales organisation.

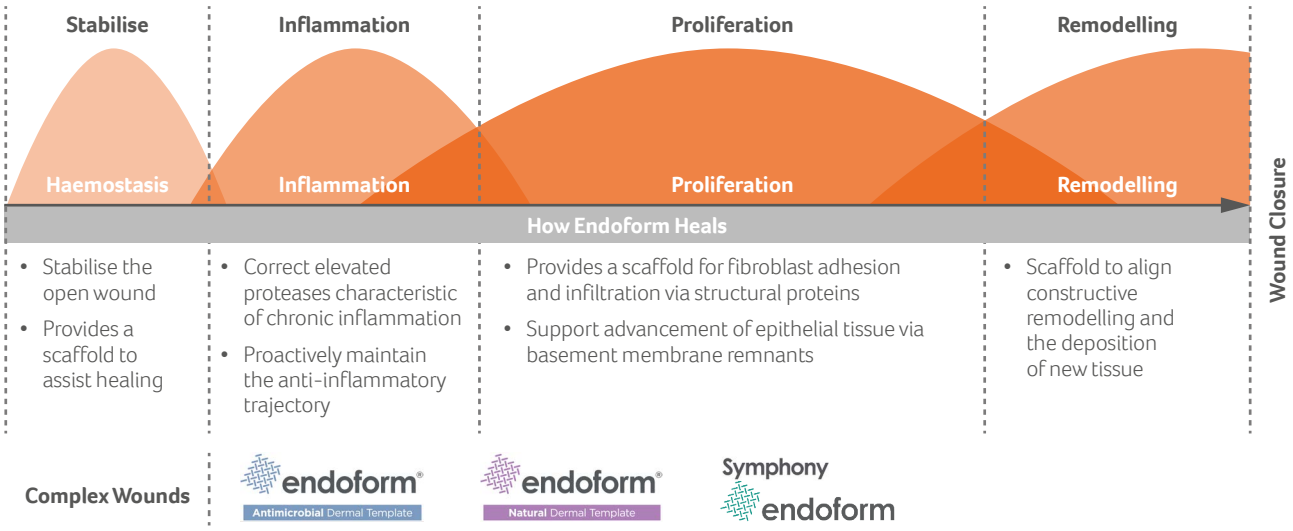
Ovitex is a reinforced bioscaffold sold by TelaBio for hernia repair. It was launched in 2016. Ovitex PRS has subsequently been developed for breast reconstruction and was launched in 2019.

Aroa additionally has a well-advanced development programme which integrates a single use disposable negative pressure wound therapy pump with an Endoform® wound interface to treat a wide range of different wounds. Based on current development timelines, it is expected that the first product from this development program will be commercialised in 2023.

Complex Wound Products

Aroa has designed its product portfolio to address known constraints to wound healing. Figure 19 shows the phases of healing and the stages at which each product is used.

Figure 19: Phases of Healing and Aroa Product Use



Endoform® Natural and Endoform® Antimicrobial are applied one to three times a week during the inflammatory phase of healing to modulate MMP's (destructive enzymes) and kick start healing. In many cases, these two products can continue to be used through the proliferative phase all the way to wound closure.

In some patients with severely impaired healing, they are unable to progress through the proliferative phase due to the absence of a suitable scaffold, poor blood supply and missing signals. Symphony has been designed to encourage rapid cell access to support new tissue formation, improve blood vessel growth, and support epithelial closure.

3.6.1 Endoform® Natural and Endoform® Antimicrobial product

Endoform Natural (Dermal Template) and Endoform® Antimicrobial (Dermal Template) are used for the management of acute and chronic wounds and together they have been used in over 4 million procedures.

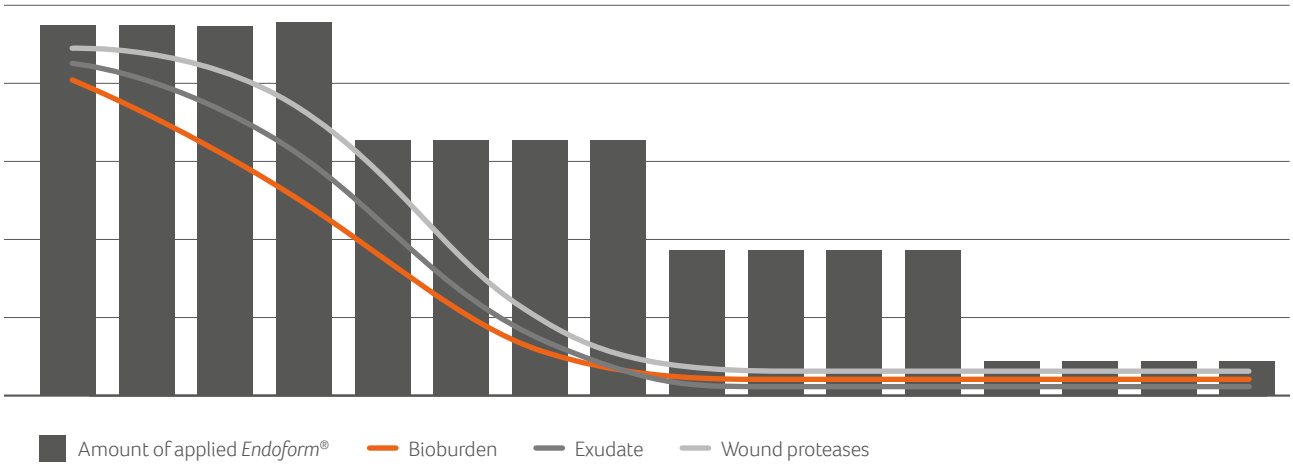
Stalled chronic wounds are typically trapped in the inflammatory phase of healing. This is characterised by elevated wound proteases (destructive enzymes) and high levels of bioburden (bacteria and fungi). When left unchecked, elevated proteases lead to tissue destruction rather than tissue healing. To advance healing, wound protease levels need to be corrected. During the inflammatory phase, Endoform® Natural and Endoform® Antimicrobial are applied frequently to provide a sacrificial substrate that can be degraded to lower wound proteases.

Figure 20: Endoform® Natural

Figure 21: Endoform® Antimicrobial

To illustrate how Endoform® Natural and Endoform® Antimicrobial are used by health care providers, Figure 22 shows the relationship between the amount of Endoform® applied, the level of wound proteases, bioburden (bacteria and fungi) and exudate (body fluid) during the period that the wound is in the inflammatory phase. Treatment typically starts with Endoform® Antimicrobial for at least two weeks when the bioburden is high and then transitions to Endoform® Natural.

Figure 22: The Relationship between Endoform and Wound Pathology

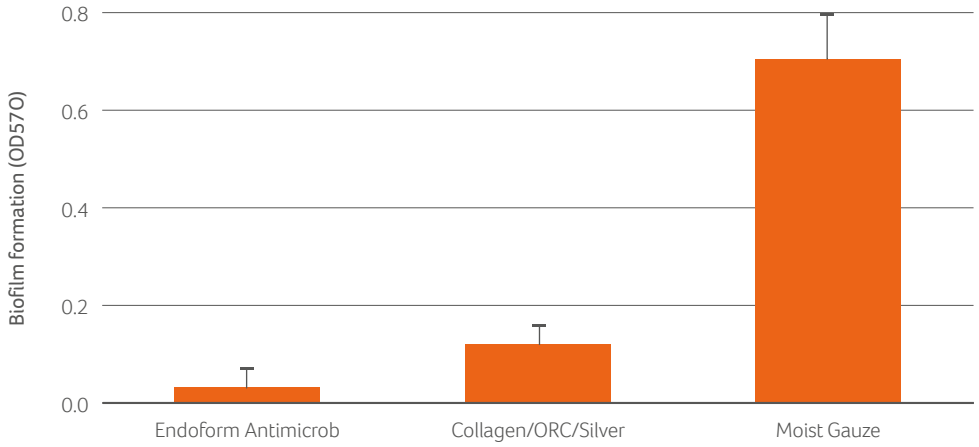


Additional Endoform® is applied early in treatment, and over time, this is tapered off as the wound enters the proliferative phase. The presence of Endoform® Natural or Endoform® Antimicrobial in the wound bed helps to indicate the level of wound proteases and allows health care providers to increase or decrease their treatment accordingly.

As the wound advances to the proliferative phase Endoform® Natural and Endoform® Antimicrobial provide a ready-made scaffold above the wound bed which cells can quickly migrate through and build new tissue. It short-cuts the healing process because there is no waiting time for the cells to build their own scaffold. It also overcomes the limitations of insufficient or abnormal scaffold production. The porous structure allows easy access for cells and they begin to lay down new tissue. Additionally, the secondary molecules provide important signals which are known to be important in healing. At each reapplication more scaffold is provided above the healing wound which allows tissue to grow upwards through consecutive layers to close the wound.

Endoform® Antimicrobial provides all the benefits of the Endoform® Natural as well as providing sustained broad-spectrum antimicrobial activity for up to 7 days. Endoform® Antimicrobial has also been shown to be effective against a wide range of important pathogens and prevents the formation of biofilm.

Figure 23: Endoform® Antimicrobial Prevents Biofilm Formation



An *in vitro* model of polymicrobial biofilm prevention following 24 h exposure of the test sample

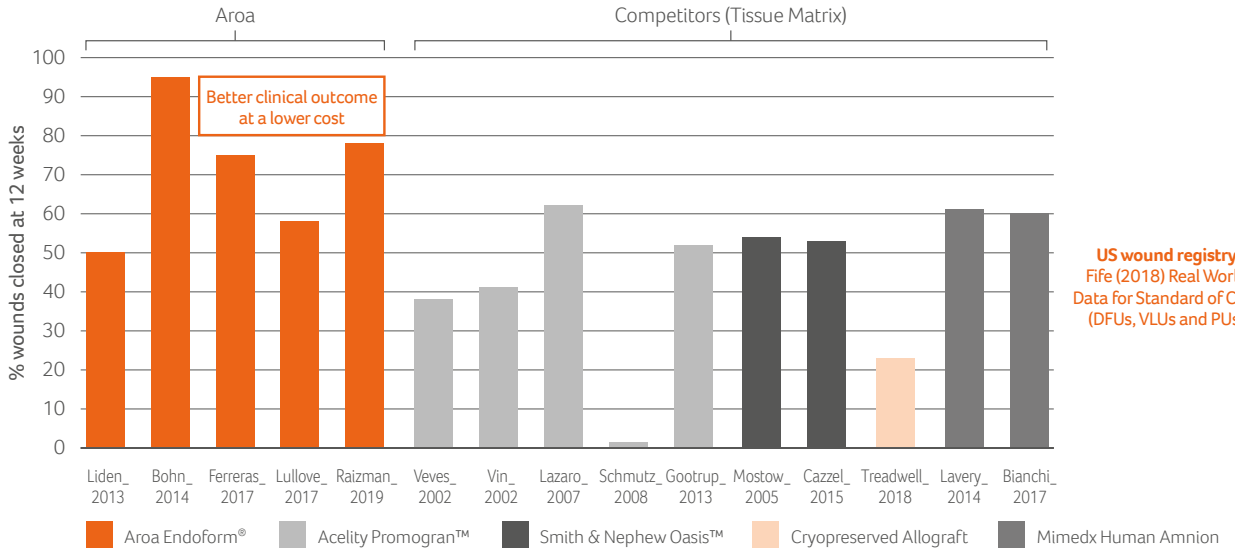
Endoform® Antimicrobial is typically used in early stage of treatment when bioburden levels are high, and biofilm protects bacteria and fungi from antimicrobial agents.

Bioburden and Biofilm are known to exacerbate the inflammatory response and interferes with wound healing. If they are not managed effectively, the wound may progress to infection. Using Endoform® Antimicrobial in conjunction with debridement, antimicrobial and biofilm therapies provides an important tool to reduce bioburden, prevent the formation of biofilm and lower the barriers to wound healing.

Importantly, Endoform® Antimicrobial is non-cytoxic unlike many other silver-based wound dressings. The ionic silver is bound to the matrix and released slowly rather than being dumped quickly into the wound. This means the cells (fibroblasts) which build new tissue are not harmed.

In comparison to leading biologics, Endoform® demonstrates increased wound closure rates in 12 weeks in complex wounds. See Figure 24.

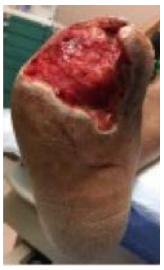
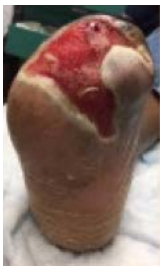
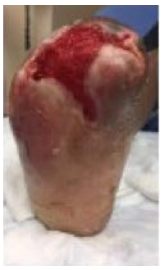
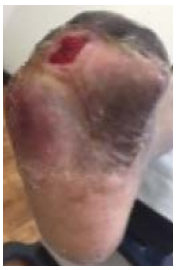
Figure 24: Clinically effective wound products



US wound registry
Fife (2018) Real World Data for Standard of Care (DFUs, VLUs and PUs)

3 | Company overview (continued)

Endoform® Natural & Endoform® Antimicrobial Product Summary

Name	**Endoform® Natural & Endoform® Antimicrobial**
Key use cases	• Stalled chronic wounds including diabetic ulcers and venous foot ulcers
Pictures of wounds	   
Typical use	• Used to 'kick-start' the recovery process of a stalled wound and advance beyond the inflammatory phase. • Applied by nurse or doctor 1-3 times per week
Stage of development	• Commercial sales
Launch (actual/ anticipated)	• 2013 Endoform® Natural • 2018 Endoform® Antimicrobial
Regulatory approvals/stage	• FDA cleared
Reimbursement	• Collagen Dressing codes (A6021, A6022, A6033, A6034)
No. of products	• 19 SKUs from 1 x 1cm to 15.24 x 21.59 cm
Sales channel	• Direct through Appulse
Key touch point at hospital	• Outpatient Wound Centre
Estimated market size	• United States: US$78 million • Rest of world: US$101 million • Total Global: US$179 million
Current market share	• The collagen market is 50% Plain and 50% Antimicrobial. • Aroa has 22% of the Plain Collagen Market and 2% of the Antimicrobial Market in the United States.
Selected competing products	• Promogran/Promogran

Clinical evidence	• Ferreras, D. T., S. Craig and R. Malcomb (2017). "Use of an Ovine Collagen Dressing with Intact Extracellular Matrix to Improve Wound Closure Times and Reduce Expenditures in a US Military Veteran Hospital Outpatient Wound Center." Surg Technol Int 30: 61-69. • Lullove, E. J. (2017). "Use of Ovine-based Collagen Extracellular Matrix and Gentian Violet/ Methylene Blue Antibacterial Foam Dressings to Help Improve Clinical Outcomes in Lower Extremity Wounds: A Retrospective Cohort Study." Wounds 29(4): 107-114. • Bohn, G. A. and K. Gass (2014). "Leg ulcer treatment outcomes with new ovine collagen extracellular matrix dressing: a retrospective case series." Adv Skin Wound Care 27(10): 448-454. • Liden, B. A. and B. C. May (2013). "Clinical outcomes following the use of ovine forestomach matrix (Endoform® dermal template) to treat chronic wounds." Adv Skin Wound Care 26(4):164-7.

3.6.2 Symphony product

Aroa's Symphony product is expected to be cleared by the FDA in 2020, with product launch expected in 2021.

Symphony is designed to support healing during the proliferative phase to reduce the time to closure, particularly in patients where their healing is severely impaired or compromised by other diseases.

For example, diabetic foot ulcers and venous leg ulcers can be particularly difficult to heal. In diabetes, blood flow, ECM synthesis and immunity are poor, there is reduced cell proliferation, and patients have poor sensation as a result of nerve degeneration. In venous leg ulcers, patients' circulation is compromised. For many of these patients their healing is further compromised by aging, smoking and obesity.

Symphony combines Endoform® and hyaluronic acid and is engineered into a highly perforated multi-layered device with a high volume and surface area which is rapidly accessible to cells. It takes advantage of Endoform®'s scaffold, secondary molecules and vascular channels to support new tissue formation and blood vessel regrowth.

Hyaluronic acid is known to promote blood vessel formation, stimulate cell migration, enhance collagen III production, and reduce scarring. The hyaluronic acid also gels after rehydration and helps to maintain a moist healing environment.

Symphony will be used on those patients with severely impaired healing. It will be applied as a graft one to four weekly and surgically fixed to margins.

As a cell and tissue based product (skin substitute) it requires a unique reimbursement code, and this is expected to be in place in 2021.

Figure 25: The Symphony Product

Symphony Product Summary

Name	Symphony
Description	• A multi-layered high volume and surface area device incorporating Endoform® and Hyaluronic Acid
Key use cases	• Diabetic foot ulcers, venous leg ulcers and other complex wounds in patients with severely impaired healing
Typical use	• Applied after the wound has entered the proliferative phase to rapidly build new tissue and achieve closure. Surgically applied by a doctor every one to four weeks.
Stage of development	• Completed. Pending regulatory clearance and reimbursement coding for commercialisation
Launch (actual/ anticipated)	• 2021
Regulatory approvals/stage	• Undergoing regulatory review. FDA clearance is expected in 2020
Reimbursement	• Requires Q code, coverage and payment
No. of products	• 4 SKUs from 2.5 x 2.5cm to 10 x 20 cm
Sales channel	• Appulse
Key touch point at hospital	• Outpatient wound centre
Estimated market size	• United States: US$1.15 billion • Rest of world: US$50 million • Total Global: US$1.2 billion
Current market share	• Not available
Selected competing products	• EpiFix (Mimedx), Oasis & Grafix (Smith+Nephew), Integra (Integra Life Sciences), Puraply (Organogenesis), Cytal (Acell).
Clinical evidence	• Initial evidence based on previous clinical experience with Endoform®, Ovitex and Myriad. Symphony US Regulatory clearance to be established before post-market studies.

3.6.3 Myriad product

Myriad is designed for dermal soft tissue reconstruction of complex wounds (following surgical dehiscence and infection), tissue resections (after excisions of tumours or skin lesions) and injuries from trauma. It can also be implanted to repair or reinforce soft tissues when dermal or internal tissues are injured or removed.

Myriad is a highly perforated thick multi-layered Endoform® graft that is engineered to have a high volume and surface area with interstitial spaces that are easily and rapidly accessible to cells. Similar to Symphony, it takes advantage of Endoform®'s bioscaffold, secondary molecules and vascular channels to support new tissue growth. However, unlike Symphony it does not include Hyaluronic Acid, because healing in these patients is typically not severely impaired.

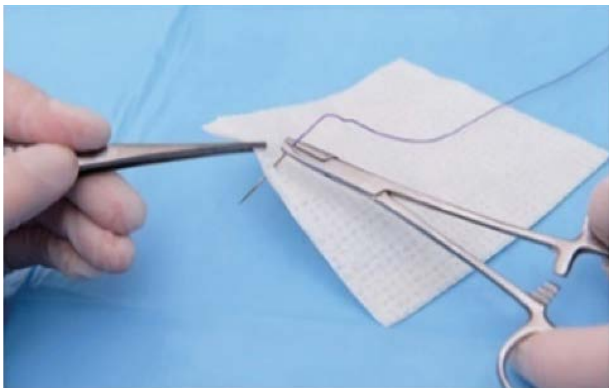
Myriad grafts rapidly vascularise and build new tissue, which may lead to faster healing, recovery and hospital discharge. It is designed to be versatile and suitable for a wide range of use cases and is strong, soft, drapable, and conforming. It rehydrates quickly, and is easy to handle, cut, suture or staple, and is therefore simple to customise for a wide range of anatomical sites and individual situations.

Additionally, Myriad is priced significantly lower than alternatives. It is typically 20-60% less expensive than traditional biologic matrices.

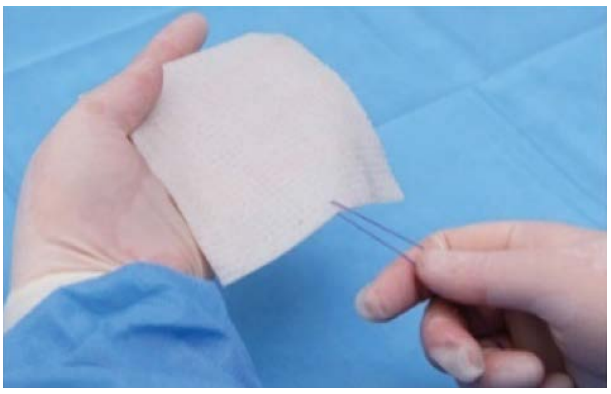
Figure 26: The Ease of Use of the Myriad Product for Surgeons

Handles well

Simple to suture

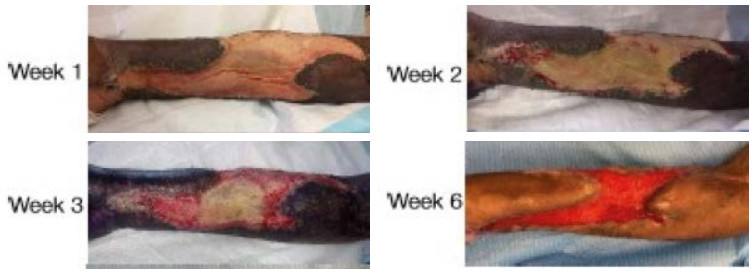


Resists suture pull-out



3 | Company overview (continued)

Myriad Product Summary

Name	Myriad
Key use cases	• Surgical reconstruction following trauma, dehiscence, surgical flaps and necrotising fasciitis • Limb salvage • Tumour or extensive excisions
Pictures of wounds	
Typical use	• Surgical use
Stage of development	• Commercial sales
Launch (actual/ anticipated)	• Sales began in 2020 (official launch)
Regulatory approvals/Stage	• FDA 510(k) clearance
Reimbursement	• DRG code
No. of products	• 6 SKUs from 5 x 5cm to 10 x 20 cm into two thicknesses
Sales channel	• Appulse, Aroa Direct (including Independent Sales Representatives)
Key touch point at hospital	• Inpatient operating room
Estimated Market Size	• United States: US$200 million • Rest of world: US$150 million • Total Global: US$350 million
Current Market Share	• Not available – product launched in 2020
Selected competing products	• Integra (Integra Life Sciences), Epifix (Mimedx), Cytal (ACell)
Clinical Evidence	• Chaffin, A. E. and G. Bohn (2019). Clinical Evaluation of an Extracellular Matrix Surgical Graft for Reconstructive Surgery over Exposed Bone or Tendon. Symposium for Advanced Wound Care – Fall, Las Vegas, NV. • Ferreras, D. T. and R. L. Crump (2019). Use of a High-Density ECM for the Management of Deep Diabetic Foot Ulcers: A Case Series. Symposium for Advanced Wound Care – Fall, Las Vegas, NV. • Chaffin, A. E., A. M. Aballay, G. A. Bohn, P. M. Glat, M. N. Desvigne and B. C. H. May (2019). Multi-Centre Clinical Evaluation of a Cell Conductive Extracellular Matrix Surgical Mesh in Plastics and Reconstructive Surgery – A Case Series. 41st Annual Boswick Burn & Wound Symposium, Wailea Beach, Maui, HI.

3.6.4 Abdominal Wall and Breast Reconstruction products

Aroa entered into a license agreement with TelaBio in 2013 under which it was agreed the parties would work together to co-develop products for hernia and breast reconstruction. TelaBio assumed responsibility for commercialisation and clinical development in the United States and Europe. Aroa and TelaBio have a revenue sharing arrangement.

Aroa maintained rights to commercialise outside of these markets and has sole responsibility for manufacture. Both companies worked to co-develop reinforced bioscaffolds.

Aroa's Endoform® technology platform underpins the competitive advantage of these products. It allows patients to benefit from regenerative healing, rapid tissue integration, revascularisation, and an appropriate immune response. Synthetic polymer fibres are interwoven between layers of Endoform® to provide persistent strength over the course of healing. The synthetic polymer is either permanent (polypropylene), or resorbable, Polyglycolic Acid (PGA).

Table 5 highlights the known properties of synthetic mesh and biologic matrices. The lower table highlights Endoform®'s intrinsic properties and the improved strength of reinforced bioscaffolds.

Table 5: Properties of Synthetic and Biologic Matrices

Biologics and Synthetics have different properties and use cases

Product Category	Regeneration	Inflammation	Cost	Strength	Infection Resistance	Infection Resilience	Use Case	Unique selling point
Permanent Synthetics	Low[1]	High[2]	Low[1]	High[3-5]	Low[6]	High[7]	**Hernia**[8]	**Cost & strength**[9-11]
Absorbable Synthetics	Low[1,12]	High[2]	Moderate[1]	Moderate - High[3]	Low[13]	High[1]	**Hernia**[10]	**Cost & strength, absorbed**[14]
Existing Biologics	Moderate to High[15,16]	Low to Moderate[17,18]	High[3,19]	Low-Moderate[3,19]	Moderate 20,21 22	Low-Moderate[23]	**Soft tissue reconstruction & Hernia** 3,13,24,25	**Regenerative healing, less scarring**[26-29]

Endoform Competitive Advantage

Aroa – all Endoform Products A,B,C,D,E	High[30-32]	Low[33,34]	Moderate[35]	Moderate[36]	Moderate[37]	Moderate[31,38]	**Complex wounds & soft tissue reconstructions** 30,31,39-42	Improved rate & quality of regenerative healing[35-43] & similar costs to absorbable synthetics
Aroa – Reinforced Bioscaffolds D,E	High[44,45]	Low[45]	Moderate	High[36]	Moderate[45]	Moderate[45]	**Hernia**[45,46]	Benefits of Endoform with higher strength[45] Similar cost to absorbable synthetics

positive attribute[6] *neutral attribute*[6] *negative attribute*[6]

Products: A. Endoform Dermal Template (Natural/Antimicrobial), B. Myriad, C. Symphony, D. Ovitex, E. Ovitex PRS.

* *Aroa Management compilation from peer reviewed publications (see Section 14 for references).*

Importantly, the synthetic polymer content in reinforced bioscaffolds is low (<5%) and approximately 75% less than the polymer content of the most widely used implanted permanent synthetic meshes to reduce the foreign body inflammatory response.

The addition of synthetic polymers in Ovitex overcomes previous strength limitations of biological matrices and is expected to lead to lower rates of reoccurrence compared to existing biologic matrices.

Aroa believes that the principal benefits of these reinforced bioscaffold are:

- reduced foreign body inflammatory response;
- enhanced remodelling of soft tissue and rate of healing;
- ability to tolerate contaminated wound environment;
- favourable biomechanical properties with durable results;
- enhanced surgeon handling and satisfaction; and
- lower cost of care.

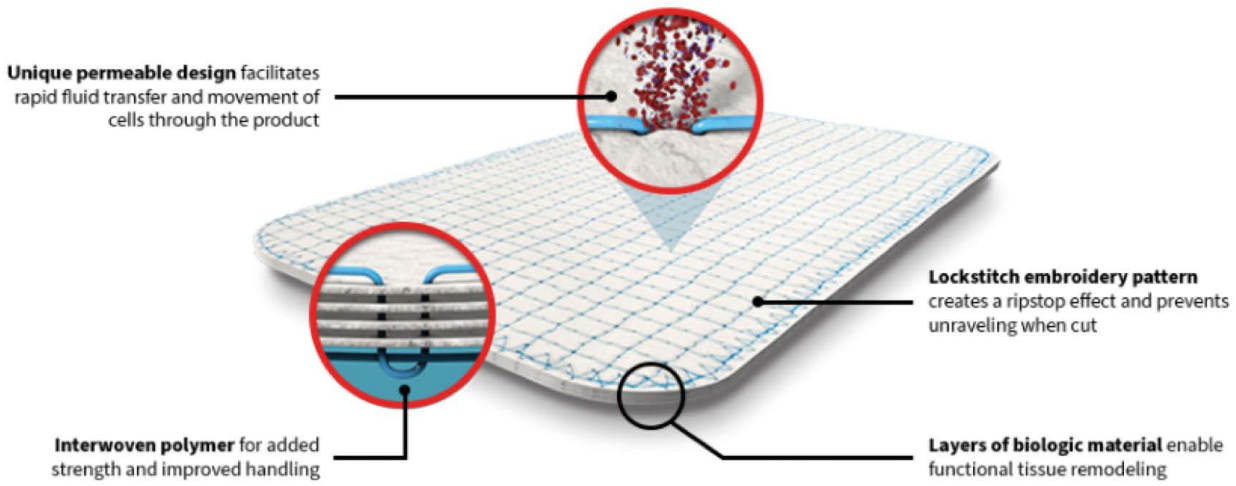
The reinforced bioscaffold technology has been used to build two product families. Ovitex for Hernia repair/abdominal wall reconstruction and Ovitex PRS for plastic reconstructive surgery (such as breast reconstruction). They feature differences in the type of polymer and patterns of reinforcement to ensure that they are specifically designed for their intended use. Each family has a range of configurations and sizes and is designed to be suitable for use in a wide range of surgical techniques. They are priced between 20%-40% below current market leaders allowing significant cost savings.

3.6.5 Ovitex products for Hernia Repair

OviTex addresses unmet needs in hernia repair and abdominal wall reconstruction. The design of the OviTex offers several key benefits including:

- **Supports positive surgical outcomes:** the lockstitch embroidery pattern prevents rips and unravelling when cut;
- **Durability:** interwoven polymer design results in additional strength on the implant, supporting durability;
- **Layered biologic material:** layers enable functional tissue remodelling, and speeds healing. Additionally, the biologic material used acts to reduce the body's inflammatory response to the device;
- **Aids fluid transfer:** permeable design allows rapid fluid transfer and cell movement through the product, resulting in improved durability and healing outcomes; and
- **Lower upfront cost:** the OviTex product offers meaningful cost savings over leading and competitive products over a range of clinical uses. On average, TelaBio reports cost savings over the leading biologic matrices and resorbable synthetic mesh products of 20% to 40%.

Figure 27: Design Features of Ovitex



Clinical evidence

There have been multiple points of clinical evidence to support the efficacy of the Ovitex product. These studies include:

- A reviewer of 25 patients who underwent a hiatal hernia procedure with Ovitex over the period August 2016 through May 2017. Average follow up time was 14 months and 0% hernia recurrence rate; and
- Publication in International Journal of Surgery – 31 consecutive patients who underwent hernia repair using OviTex. Following average follow up period of 12.6 months, no reported recurrences or complications.

BRAVO study

TelaBio is sponsoring a study on the clinical outcomes of 91 patients with simple and complex ventral hernias repaired with OviTex 1S with permanent polymer. This study has been termed the BRAVO study. The study recently completed enrolment of 91 adult patients who underwent open, laparoscopic or robotic-assisted ventral hernia repair at seven centres in the United States between April 2017 and June 2019. The study was designed to test the hypothesis that the strong preclinical biologic performance and predictable biomechanics of its OviTex reinforced tissue matrices would translate into better clinical performance than that of biologic or synthetic devices for hernia repair.

For the first 57 patients who have undergone surgery and completed the one-year follow-up visit and evaluation, only one patient had a recurrence. And for the first 20 patients who have undergone surgery and completed the two-year follow-up visit and evaluation, there were no recurrences. Ovitex outperformed recurrence rates (in some cases, significantly) of other Hernia treatment materials that have been tested. The two year follow-up evaluation for the first 50 patients who have undergone surgery will be available in Q4 2020.

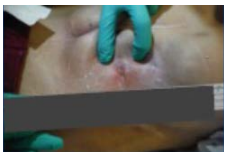
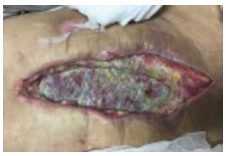
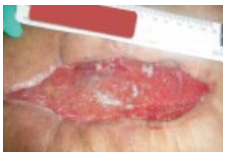
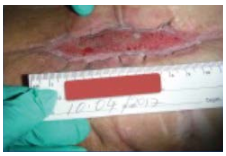
Table 6: Summary of Bravo Study Outcomes vs Competing Products

Product Name	Category	Hernia recurrence rate[1]	Number of hernia recurrence[1]	Number of patients who completed follow up	Follow up period Months
Ovitex (Aroa)	Reinforced Tissue Matrix	2%[2]	1	57	12
Ovitex (Aroa)	Reinforced Tissue Matrix	0%[2]	0	20	24
Phasix (CR Bard)	Resorbable Synthetic Mesh	5%	5	95	12
Phasix (CR Bard)	Resorbable Synthetic Mesh	12%	11	95	18
Phasix (CR Bard)	Resorbable Synthetic Mesh	23%	19	82	36
Strattice (Lifecell)	Biologic Matrix	22%	15	69	12
Strattice (Lifecell)	Biologic Matrix	33%	33	67	24

1. *The level of recurrence at 90 days, 12 & 24 months are key metrics and have major cost implications for surgeons, hospitals, payors and patients.*
2. *Hernia recurrence rate based on number of hernia recurrences reported in patients who completed follow up and patients who reported recurrent hernia before the specified follow up period. Other clinical literature and conference presentations were based on all patients treated including those who did not complete follow up.*

3 | Company overview (continued)

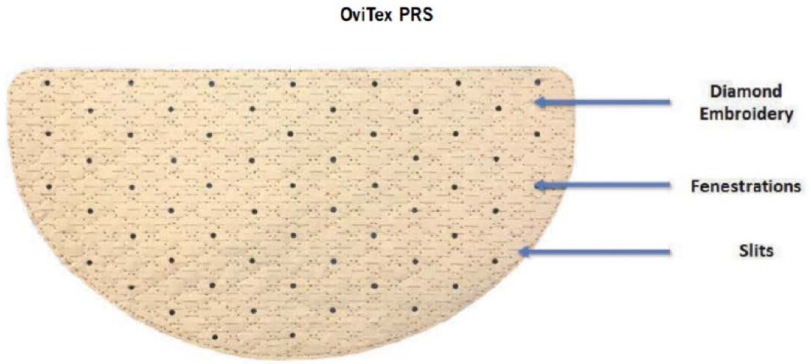
Ovitex Product Summary

Name	**Ovitex**
Key use cases	Hernia repair
Pictures of wounds	 Pre-operative  SSI at one week post-op  4 week post-op  8 week post-op
Typical use	• Abdominal wall Reconstruction (hernia)
Stage of development	• Commercial sales
Launch (actual/ anticipated)	• Launched in 2016
Regulatory approvals/stage	• FDA 510(k) clearance
Reimbursement	• DRG code
No. of products	• 53 SKUs from 4 x 8cm to 25 x 40 cm. Includes Ovitex core, 1S, 2S, LPR (laparoscopic and robot assisted surgery)
Sales channel	• TelaBio (USA and Europe)
Key touch point at hospital	• Plastic and General Surgery
Estimated market size	• United States: US$845 million • Rest of world: US$415 million • Total Global: US$1.26 billion
Current market share	• <2%
Selected competing products	• Permanent synthetic products include Bard Ventralight, Phasix, Medtronic ProGrip, Medtronic Parietex. Biologic mesh competitors include LifeCell's Strattice
Clinical evidence	• DeNoto, G. (2019). Reinforced Biologic Reduces Risk of Recurrence in Ventral Hernia (VH) Patients: One-Year Data from the BRAVO Ventral Hernia Study. Abdominal Wall Reconstruction (AWR) Conference, Washington, DC. • Parker, M. J., M. Barrio, M. G. House, J. Socas, L. Reed, A. Nakeeb and E. P. Ceppa (2019). Reinforced BioScaffold Mesh Lowers Recurrent Hernia Rate in High-Risk Ventral Hernia Repair With Surgical Site Occurrences. Americas Hernia Society (AHS) Annual Meeting 2019, Las Vegas, NV. • DeNoto, G. (2018). Early outcomes of the first 24 subjects in the BRAVO Ventral Hernia Study. Abdominal Wall Reconstruction (AWR) Conference, Washington, DC. • Sawyer, M. A. J. (2018). "New Ovine Polymer-Reinforced Bioscaffold in Hiatal Hernia Repair." JSLS 22(4). • BRAVO study.

Ovitex PRS for Plastics and Reconstructive Surgery (licensed to TelaBio solely for Breast Reconstruction)

Ovitex PRS addresses unmet need in plastic and reconstructive surgery for breast reconstruction. The design is a thin format with holes and fenestrations to facilitate fluid transfer, and a diamond patterned reinforcement to create a directional bias to its stretch. It is available with either permanent (polypropylenes) or resorbable (Polyglycolide) suture.

Figure 28: Design Features of Ovitex PRS



Ovitex PRS Product Summary

Name	**Ovitex PRS**
Key use cases	• Plastics and Reconstruction (such as breast reconstruction)
Typical use	• Surgical implantable use
Stage of development	• Commercial sales
Launch (actual/ anticipated)	• Launched in 2019
Regulatory approvals/stage	• FDA 510(k) clearance for plastics and reconstructive surgery • TelaBio intends to engage with FDA to obtain an Investigational Device Exemption specifically for an indication in breast reconstruction surgery.
Reimbursement	• DRG code
No. of products	• Offered in a range of sizes
Sales channel	• TelaBio
Key touch point at hospital	• Plastic Surgery
Estimated market size	• United States: US$463 million • Rest of world: US$116 million • Total Global: US$579 million
Current market share	• <1%
Selected competing products	• Alloderm (ABBVie (Lifecell)
Clinical evidence	• Clinical studies initiated but it is too early in the product's life for any study to have been published

3.7 Product Pipeline

Symphony has completed product development and is currently being reviewed by the US FDA for 510(k) clearance. The Company expects to obtain regulatory clearance in 2020 and thereafter the product is expected to be formally launched in 2021.

Aroa has a well-advanced development programme which integrates a single use disposable negative pressure wound therapy pump with Endoform® wound interfaces to treat a wide range of different wounds. It is expected that the first product from this development program will be commercialised in late 2023.

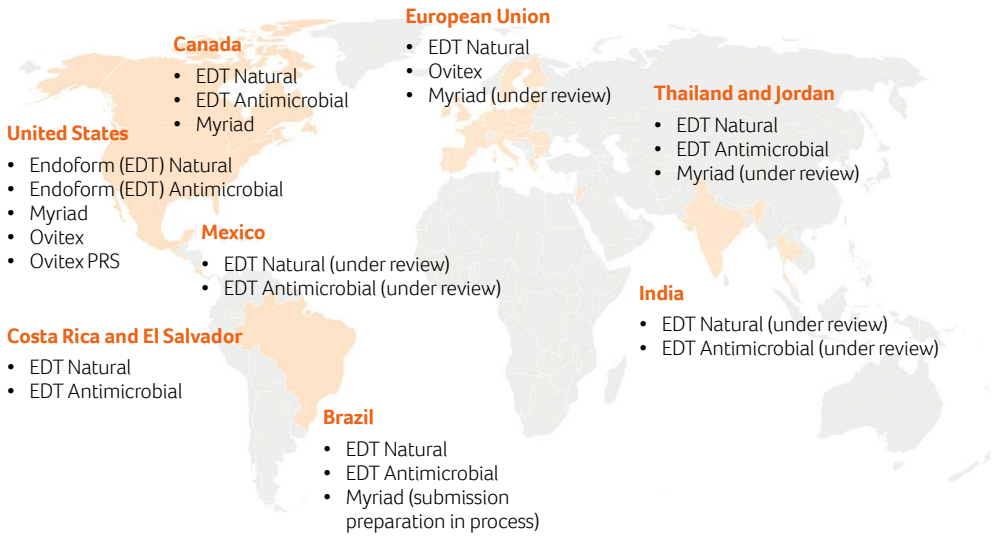
3.8 Growth Strategy

Aroa has a targeted strategy to increase utilisation of its products in the United States and in its other markets globally. This includes:

- **expanding Aroa's US commercial operations to support growth of Endoform®, Myriad and Symphony.** Aroa sells these products through the Appulse joint venture and a direct sales organisation in the US, which includes independent sales representatives. Aroa will continue to add new sales representatives and support staff in each of these channels to increase sales coverage and visit frequency, in both existing hospitals and across new customer opportunities. Part of the proceeds of the Offer will be used for this purpose;
- **promoting awareness of Aroa's products to drive use.** Aroa's sales team calls directly on health care providers to inform them about each product's value proposition and promote their products. Aroa has an ongoing focus on publishing studies in peer reviewed journals to ensure that the clinical data behind its products is well regarded, and to build awareness of its products. Aroa advertises in leading clinical journals and has implemented a wide range of clinical education activities, including presenting and exhibiting at national and regional conferences, seminars, webinars and in-servicing accounts, to increase awareness of its products;
- **increase access to group purchasing organisations (GPOs) and integrated delivery networks (IDNs).** Aroa will continue to pursue contracts with several large GPOs and IDNs and believes that the addition of multiple contracts with national GPOs and high-volume IDNs will materially increase its access to customers. Further, these contracts will allow the business to broaden awareness of its products and help to drive utilisation within a larger number of hospitals and healthcare systems;
- **continue to build upon clinical evidence of the effectiveness and safety of its products.** Aroa is committed to evidence-based medicine and investing in clinical data to support the use of its products with a view to increasing sales. Aroa has an ongoing programme of clinical research and will continue to submit these studies to the rigor and scrutiny of peer reviewed journals;
- **enter new international markets:** Aroa intends to continue to enter into distribution arrangements with new partners in international markets to further increase global sales. It has recently employed a Director of Business Development to manage and pursue these arrangements. Aroa's untapped opportunity outside of the US is set out in Figure 29;
- **intention to continue to advance the existing product portfolio.** Aroa plans to continue to expand its product portfolio within the market segments that it operates and launch near term line extensions for current products; and
- **intention to launch new products.** Aroa intends to launch new products in the medium-term based on extensions to the use of its proprietary Endoform® platform technology. Aroa currently has an active development programme focused on single use negative pressure wound therapy with Endoform® interfaces.

Figure 29: Global Opportunity

- Outside the United States, Aroa intends to sell through partnerships with local distributors. Agreements are in place with 15 local distributors
- Aroa has received regulatory clearances for its products in over 37 countries globally
- Ongoing pipeline of regulatory clearances (under review) in more countries



3.9 Manufacturing

Aroa operates an established manufacturing facility in Auckland, New Zealand. Manufacturing has been located at this site for six years and Aroa employs over 45 trained and skilled staff to run this operation.

Figure 30: Aroa's Auckland Facility

In-house manufacturing facility – Auckland, New Zealand

Manufacturing Facility

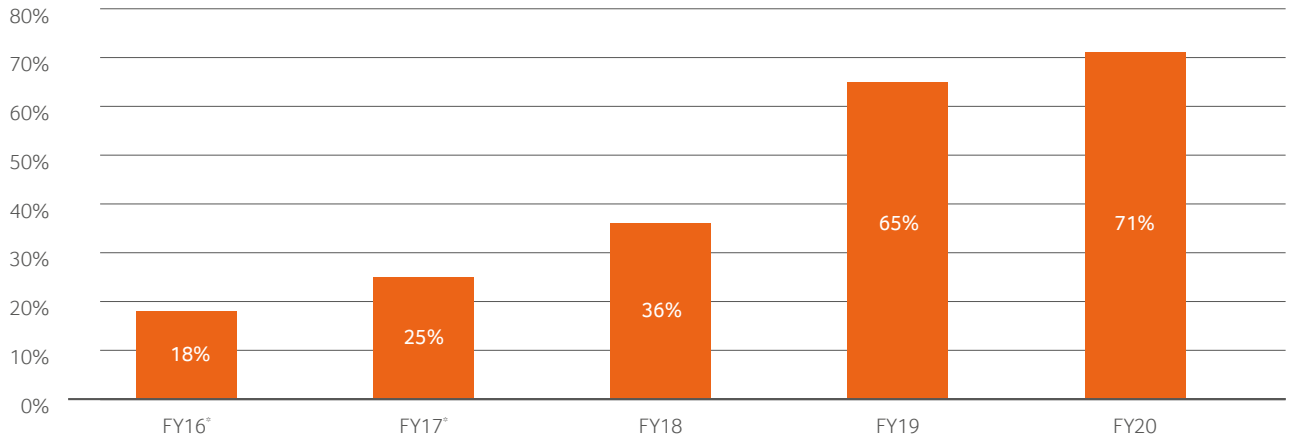
Aroa has a unique commercial scale proprietary manufacturing process that is designed to retain the innate biology of the ECM while removing components which can lead to an inappropriate immune response. Manufacturing is optimised to avoid structural damage to the ECM and protein denaturation, retain the high levels of native secondary molecules and enable high-volume low-cost production. The process is well established and is now at a scale where increased demand can be satisfied by replicating the process with relative ease due to Aroa's unique modular manufacturing design. Aroa expects to use part of the proceeds of the Offer to invest A$3-4 million in the expansion of the production facility during 2021 to achieve a three-fold increase in capacity to meet growing demand for its products.

The Company currently sources tissue from two New Zealand meat processors. These processors have enough capacity to meet the Company's medium-term requirements. The Company has identified at least 10 alternative meat processors that could be capable of supplying tissue. Given this, Aroa does not expect tissue supply to be a constraint to increasing production.

Aroa is subject to medical device regulations for all the major markets that it serves. The Company has been certified to ISO 13485:2016, the international standard for medical device quality systems since 2015 and is audited annually by DEKRA. In 2018 the Company was also accredited by DEKRA under the Medical Device Single Audit Program (**MDSAP**) which covers the medical device regulations for the United States, Canada, Australia, and Brazil. Prior to MDSAP certification, Aroa underwent a routine annual inspection by the US-FDA.

Aroa's manufacturing processes continue to improve and with increasing scale, automation and changes in the product mix, the Company expects to see continuing improvement in gross margin. The historic gross margin is indicated in Figure 31.

Figure 31: Gross margin as a percentage of Product Revenue

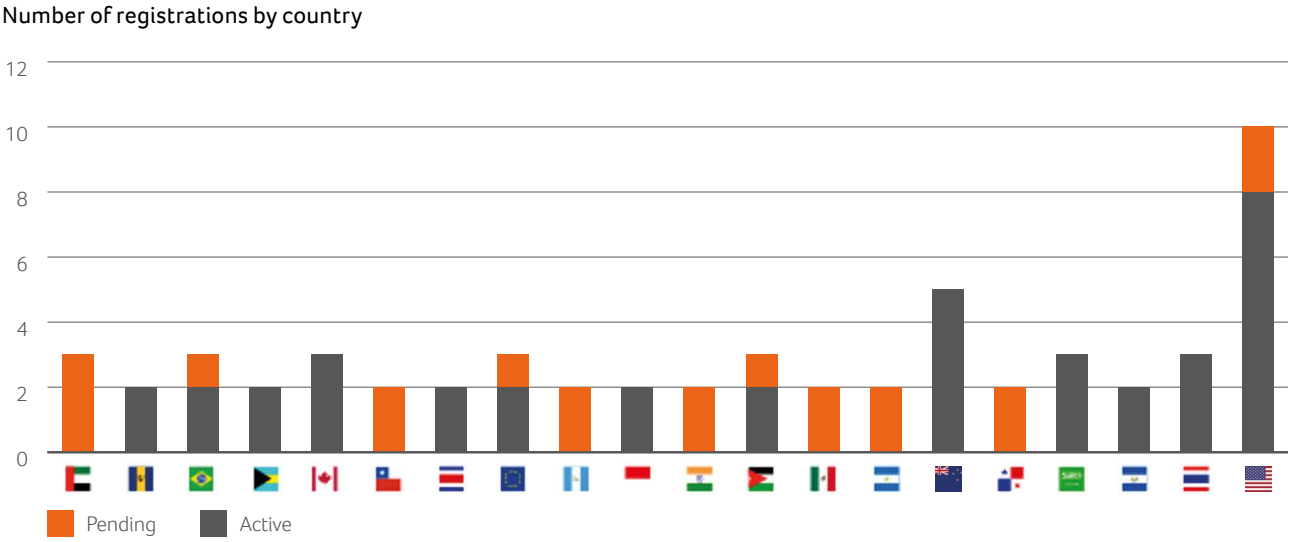


* *FY16 and FY17 gross margin is based on the statutory historical results.*

3.10 Regulatory approvals

Aroa has received regulatory clearances for its products in over 37 countries globally, including FDA clearance in the United States, and CE certification clearance in Europe. Figure 29 shows market authorisation approvals by country, and the status of the product registration.

Figure 32: Global Regulatory Clearances



3.11 Intellectual Property

Aroa has protected its intellectual property through a combination of patents, trade secrets, proprietary know-how and through assignments and confidentiality agreements with the founder, employees, partners, consultants and other parties.

The following patent families are owned and controlled by Aroa. They are currently relevant to Aroa's business and commercial product pipeline.

Family		US Status	Expiry Dates
Tissue Scaffold	Tissue scaffold prepared from the forestomach of ruminant. The forestomach tissue is decellularised and is known as extracellular matrix or "ECM". The ECM can support regeneration and growth of cells and blood vessels, and can be used for wound repair, tissue support and regeneration. This patent family relates to the Endoform® technology platform used in tissue regeneration applications.	Granted (two patents)	30 July 2029 19 April 2031
Laminated Tissue Graft Product	Tissue graft product that has layers of ECM or a polymeric material laminated together by an innovative interlocking means.	Granted (2nd application pending)	26 January 2036 18 December 2035 (estimated)
Collagen-Based Device Having Antifungal Properties	A product for wound healing or tissue repair that comprises collagen and a tetracycline anti-fungal agent.	Pending	6 April 2037 (estimated)
Fluid Drainage and Delivery Device	A device for implanting at the site of a surgical or traumatic wound for the drainage of fluid.	Pending	3 October 2038 (estimated)
Negative Pressure Wound Dressing	A wound dressing for applying negative pressure to a wound.	Pending	7 May 2040 (estimated)
Bioactive Agents and Methods Related Thereto	Peptides released from ECM with potential therapeutic benefits and a method for identifying potentially therapeutic bioactive molecules from ECM.	Pending	June 2040 (estimated)

For further details and confirmation of Aroa's patent families and trademarks refer to the Intellectual Property Report set out in Section 9.

Aroa also jointly owns with TelaBio, technology developed for the reinforced bioscaffolds which includes the following patent families:

Family 1 – Surgical Attachment Device

Family 2 – Corner-lock Stitch Patterns

Family 3 – Compliance Control Stitching in Substrate Materials

Family 4 – Hernia Repair Grafts Having Anti-Adhesion Barriers

Family 5 – Surgical Repair Graft

Family 6 – Reinforced Orthopaedic Devices and Methods

See Section 10.1 for further details on Aroa's rights relating to joint technology arising through its commercial arrangement with TelaBio.

Section 4 |

Financial information

4 | Financial information

4.1 Introduction

The financial information contained in Section 4 includes historical financial information for Aroa for the financial years ended 31 March 2018 (**FY18**), 31 March 2019 (**FY19**) and 31 March 2020 (**FY20**).

This Section 4 contains a summary of Aroa's:

- pro forma historical financial information, comprising the:
  - » pro forma historical consolidated statements of profit or loss for FY18, FY19, and FY20 (**Pro Forma Historical Results**);
  - » pro forma historical consolidated statements of cash flow information for FY18, FY19 and FY20 (**Pro Forma Historical Cash Flows**); and
  - » pro forma historical consolidated statement of financial position as at 31 March 2020 (**Pro Forma Historical Statement of Financial Position**).

(together, the **Pro Forma Historical Financial Information**).

- statutory historical financial information, comprising the:
  - » statutory historical consolidated statements of profit or loss for FY18, FY19 and FY20 (**Statutory Historical Results**);
  - » statutory historical consolidated statements of cash flow information for FY18, FY19 and FY20 (**Statutory Historical Cash Flows**); and
  - » statutory historical consolidated statement of financial position as at 31 March 2020 (**Statutory Historical Statement of Financial Position**).

(together, the **Statutory Historical Financial Information**).

The Pro Forma Historical Financial Information and Statutory Historical Information are together referred to as the "**Financial Information**".

Also summarised in this Section 4 are:

- the basis of preparation and presentation of the Financial Information, including information regarding certain non-IFRS measures (refer Section 4.2);
- the pro forma adjustments to the Statutory Historical Financial Information and reconciliations to the Pro Forma Historical Financial Information (refer Sections 4.3, 4.4 and 4.5);
- summary of key pro forma operating metrics (refer Section 4.3.2);
- details of Aroa's indebtedness and capitalisation (refer Section 4.5.2);
- information regarding Aroa's liquidity and capital resources (refer Section 4.5.3);
- Management discussion and analysis of the Pro Forma Historical Financial Information (refer Section 4.6);
- details of the proposed dividend policy (refer Section 4.7).

Information provided in this Section 4 should be read in conjunction the risk factors outlined in Section 5, and the other information provided in this Prospectus.

4.2 Basis of preparation and presentation of the Financial Information

4.2.1 Overview

The Directors are responsible for the preparation and presentation of the Financial Information.

The Financial Information included in this Prospectus is intended to present potential investors with information to assist them in understanding the underlying historical financial performance, cash flow and financial position of Aroa.

The Statutory Historical Financial Information of Aroa for FY18, FY19 and FY20 has been audited by BDO Auckland in accordance with International Standards on Auditing (New Zealand) (**ISAs (NZ)**).

The Financial Information has been prepared and presented in accordance with the measurement and recognition principles under New Zealand equivalents to International Financial Reporting Standards – Reduced Disclosure Regime (**NZ IFRS RDR**) and presented in accordance with the recognition and measurement principles of the Australian Accounting Standards (**AAS**), which are both consistent with the International Financial Reporting Standards (**IFRS**) and interpretations issued by the International Accounting Standards Board.

The Pro Forma Historical Financial Information has been prepared in accordance with the recognition and measurement principles of AAS and includes certain adjustments which have been prepared in a manner consistent with AAS, that reflect (a) the exclusion of certain transactions that occurred in the relevant periods and (b) the impact of certain transactions as if they had occurred on or before 31 March 2020.

Aroa operates on a financial year ended 31 March. All amounts disclosed in this Section 4 are presented in New Zealand Dollars and, unless otherwise noted, are rounded to the nearest $1,000. Rounding in the Financial Information may result in some discrepancies between the sum of components and the totals outlined within the tables and percentage calculations.

The Financial Information is presented in an abbreviated form insofar as it does not include all the presentation and disclosures, statements or comparative information as required by the AAS, IFRS and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act. The Company's key accounting policies have been consistently applied throughout the financial periods presented and are set out in Section 13 of this Prospectus.

The Historical Financial Information has been reviewed and reported on by BDO Corporate Finance (East Coast) Pty Ltd (**BDO**) as set out in the Independent Limited Assurance Report on Historical Financial Information set out in Section 8. Investors should note the scope and limitations of the Independent Limited Assurance Report (refer to Section 8).

4.2.2 Preparation of the Historical Financial Information

The Statutory Historical Financial Information has been extracted from the audited general purpose consolidated financial statements of Aroa for FY18, FY19 and FY20.

The Pro Forma Historical Financial Information has been prepared for the purpose of inclusion in this Prospectus. The Pro Forma Historical Results and Pro Forma Historical Statement of Cash Flows have been derived from the Statutory Historical Financial Information, with pro forma adjustments being made to eliminate certain non-recurring items, and adjustments to reflect Aroa's operating and capital structure following the Offer, including standalone public company expenses.

The Pro Forma Historical Statement of Financial Position as at 31 March 2020 is based on the audited Statutory Historical Statement of Financial Position of Aroa at that date adjusted to reflect the impact of the Offer and other material transactions post 31 March 2020 (refer to Section 4.5.1).

Refer to Section 4.3.3 for a reconciliation between Statutory Historical Results and Pro Forma Historical Results, to Section 4.4.2 for a reconciliation between the Statutory Historical Statement of Cash Flows and the Pro Forma Historical Statement of Cash Flows and to Section 4.5.1 for a reconciliation between the Statutory Historical Statement of Financial Position and the Pro Forma Historical Statement of Financial Position.

Investors should note that past results are not a guarantee of future performance.

4.2.3 Forecast Financial Information

The Directors have considered the requirements of ASIC Regulatory Guide 170 Prospective Financial Information (**RG170**) to determine if prospective financial information should be included in this Prospectus. The Directors have determined that, as at the date of this Prospectus, Aroa does not have a reasonable basis to reliably forecast future earnings and accordingly forecast financial information is not included within this Prospectus.

The ongoing impact of the Coronavirus pandemic (**COVID-19**) on the Company's operations is not currently fully ascertainable and may not be known for a period of time. The Company has experienced a reduction in direct and indirect sales of its products due to elective surgeries being cancelled and outpatient clinics being closed as a result of COVID-19, but the full general economic impact of COVID-19 is not yet known, with economists predicting a global economic slowdown. To counteract the sales and revenue slowdown, the Company reduced its expenditure including re-scheduling non-essential items and reducing overheads. The Company's manufacturing, development and distribution continued uninterrupted.

Although treatment and procedures were postponed in the short term, the Company is starting to see elective surgery re-opening in the US and globally, and a gradual transition back to normal operating levels, which may include additional demand due to clearing the backlog of procedures. While the Company sees no reason why the number of elective surgeries and outpatient procedures will not in the future return to pre-COVID-19 levels, any general economic slowdown could potentially impact suppliers and customers. Any economic slowdown is likely to have an impact on the Company's financial performance and depending on the depth and length of the slowdown, the impact could be material. For these reasons, there is uncertainty in relation to the impact of COVID-19 on Aroa's financial performance through to 31 March 2021, resulting in a level of unpredictability in the quantum and recognition of future results.

4.2.4 Changes in Accounting Standards

The significant accounting policies applied consistently in the preparation of the Financial Information are set out in Section 13. Aroa adopted NZ IFRS 9 Financial Instruments and NZ IFRS 15 Revenue from Contracts with Customers from 1 April 2018, and NZ IFRS 16 Leases from 1 April 2019.

The adoption of NZ IFRS 9 and NZ IFRS 15 did not materially impact Aroa's financial performance or cash flows, and accordingly no pro forma adjustments have been retrospectively applied to reflect these standards. The retrospective application of NZ IFRS 16 has been reflected in relation to the Pro Forma Historical Financial Information, as discussed further below.

4.2.4.1 IFRS 16 Leases

Aroa has adopted NZ IFRS 16 from 1 April 2019. This standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of greater than 12 months, unless the underlying asset is of low value. This affects how Aroa accounts for operating leases. Under the previous standard, Aroa accounted for operating leases as rent expense on a straight-line basis over the lease term. Lease incentives received were initially recorded in trade payables and other liabilities in the statement of financial position and subsequently recorded on a straight-line basis over the lease term through rent expense in the income statement.

NZ IFRS 16 instead requires these leases to be accounted for as a right-of-use asset, net of lease incentives, in non-current assets and the relevant lease obligation measured at the present value of the liability in the statement of financial position. The right-of-use asset is then amortised over its useful life with the expense included in depreciation and amortisation expense in the income statement. Interest expense on lease liabilities is recognised in the income statement as a portion of each lease payment made.

The timing of expense recognition changes as a greater amount of interest expense is recognised in the earlier periods of the lease liability.

Furthermore, a portion of the rent area is planned to be sub-let to a third party. Under the previous standard, the sublease income would have been recognised in the income statement as other income. NZ IFRS 16 requires the sublease to be accounted for as a receivable and presented as a net investment in lease in the statement of financial position. Interest income on this asset is recognised in the income statement as a portion of each lease payment received from the sub-lessee.

NZ IFRS 16 has no effect on Aroa's overall cash flows. Under the previous standard, rent payments and receipts were included in operating cash flows. NZ IFRS 16 instead requires that lease payments or receipts be classified and presented between the interest portion of the payment or receipt, included in interest paid or received, and the principal portion of the payment or receipt, included in financing cash flow.

NZ IFRS 16 has been applied to the preparation of the Pro Forma Historical Financial Information on a consistent basis as if this standard applied from 1 April 2017.

4.2.5 Explanation of certain non-IFRS financial measures

Aroa uses certain measures to report on its business that are not recognised under New Zealand Generally Accepted Accounting Practices (**NZ GAAP**), nor under AAS or IFRS. These measures are collectively referred in Section 4.2.5, and under Regulatory Guide 230 'Disclosing non-IFRS financial information' published by ASIC, as "non-IFRS financial measures". The principal non-IFRS financial measures that are referred to in this Prospectus are as follows:

- **EBIT** is earnings before interest and tax.
- **EBITDA** is earnings before interest, tax, depreciation and amortisation. Management use EBITDA to evaluate the operating performance of the business without the non-cash impact of depreciation, amortisation and before interest and taxation. Aroa also calculates EBITDA margin, which is EBITDA expressed as a percentage of total revenue. EBITDA can be useful to help understand the cash generation potential of the business. EBITDA and EBITDA margin should not be considered as an alternative to measures of cash flow under IFRS and investors should not consider EBITDA in isolation from, or as a substitute for, an analysis of the results of Aroa operations.
- **Gross profit** represents total revenue, including product revenue and other revenue, less cost of sales.
- **Product gross profit** represents product revenue less cost of sales.
- **Product gross margin %** represents product gross profit as a percentage of product revenue.
- **Capital expenditure** is a combination of investment into property, plant and equipment, and software.

Certain financial data included in Section 4 is also non-IFRS financial information.

Although the Directors believe that these measures provide useful information about the financial performance of Aroa, they should be considered as supplements to the statement of profit and loss measures that have been presented in accordance with NZ GAAP and IFRS and not as a replacement for them. Because these non-IFRS financial measures are not based on NZ GAAP or IFRS, they do not have standard definitions, and the way Aroa calculated these measures may differ from similarly titled measures used by other companies. Investors should therefore not place undue reliance on these non-IFRS financial measures.

4.3 Consolidated Pro Forma Historical Results

4.3.1 Overview

Table 7 below sets out the Pro Forma Historical Results for FY18, FY19 and FY20.

Table 7: Pro Forma Historical Results for FY18, FY19 and FY20

		Pro Forma Historical		
NZ$'000s	Notes	FY18	FY19	FY20
Product revenue		8,434	18,771	21,924
Other revenue	1	1,538	4,473	3,152
Total revenue		**9,972**	**23,244**	**25,076**
Cost of sales	2	(5,418)	(6,563)	(6,334)
Gross profit		**4,555**	**16,682**	**18,742**
Other income	3	749	888	1,137
Selling and administrative expenses	4	(5,428)	(13,328)	(17,388)
Research and development	5	(3,353)	(4,643)	(5,042)
EBIT		**(3,478)**	**(401)**	**(2,551)**
Depreciation and amortisation	6	1,157	2,490	2,774
EBITDA		**(2,321)**	**2,088**	**224**
Net finance (expense)/income	7	(95)	(4,089)	(3,337)
Loss before income tax		**(3,573)**	**(4,490)**	**(5,888)**
Income tax credit/(expense)	8	–	38	(274)
Net (loss)/profit after tax		**(3,573)**	**(4,452)**	**(6,162)**

Notes:

1. ***Other revenue*** *reflects royalties (e.g. license fees, milestone payments) and project fees received from Aroa's sales, marketing and distribution partners.*
2. ***Cost of sales*** *reflects the direct and indirect cost of manufacturing products sold.*
3. ***Other income*** *reflects research and development grant income and sundry income.*
4. ***Selling and administrative expenses*** *includes expenses relating to the general management of the Company, including personnel related expenses, administrative expenses and estimated public company costs. Also included are the sales and marketing expenses of the Company, including clinical development and distribution expenses. FY19 and FY20 include amortisation costs of NZ$1.2 million per annum, related to the intangible assets recognised pursuant to the acquisition of the Endoform business from Hollister and termination of the Marketing and Distribution Agreement.*
5. ***Research and development expenses*** *includes all research and development expenses relating to pipeline products from feasibility to process validation. No research and development expense are capitalised.*
6. ***Depreciation and amortisation*** *is included within cost of sales, selling and administrative expenses and research and development, but is added back for the purposes calculating EBITDA.*
7. ***Net finance (expense)/income*** *reflects the net interest expense and net foreign currency gains/losses, including the net foreign currency gains/(losses) associated with the deferred consideration payable to Hollister.*
8. ***Income tax credit/(expense)*** *reflects withholding taxes on royalties (e.g. license fees, milestone payments) and the income tax credits/(expenses) received/paid by Aroa.*

4.3.2 Key pro forma operating metrics

Table 8 below sets out a summary of Aroa's key pro forma historical operating metrics for FY18, FY19 and FY20 derived from the Pro Forma Historical Results.

Table 8: Key pro forma historical operating metrics for FY18, FY19 and FY20

	Notes	FY18	FY19	FY20
Key operating metrics				
Product revenue growth (%)	1	11%	123%	17%
Product gross margin (%)	2	36%	65%	71%
Sales and marketing as a percentage of product revenue (%)	3	1%	30%	42%
Research and development as a percentage of product revenue (%)	4	40%	25%	23%
Capital expenditure ($million)	5	1.6	1.6	1.7

Notes:

1. ***Product revenue growth*** *is calculated as the year on year (**YoY**) movement in revenue divided by the prior year revenue, expressed as a percentage.*
2. ***Product gross margin*** *is calculated by deducting cost of sales from product revenue, and dividing the result by product revenue, expressed as a percentage.*
3. ***Sales and marketing expense as a percentage of product revenue*** *is the actual sales and marketing expense for Aroa divided by product revenue, expressed as a percentage.*
4. ***Research and development as a percentage of product revenue*** *is the actual research and development expense divided by product revenue, expressed as a percentage.*
5. ***Capital expenditure*** *is the actual purchase of plant, property and equipment, expressed in NZ$ millions.*

4.3.3 Pro forma adjustments to the Statutory Historical Results

Table 9 below sets out the pro forma adjustments that have been made to Aroa's Statutory Historical Results to remove the impact of non-recurring items and reflect the operating and capital structure that will be in place following Completion as if it were in place as at 1 April 2017. These adjustments are summarised below.

Table 9: Pro forma adjustments to the Statutory Historical Results

NZ$'000s	Notes	FY18	FY19	FY20
Statutory net (loss)/profit after tax		**(1,276)**	**960**	**(5,958)**
Hollister Endoform business acquisition:	1			
Repurchase of inventory		(300)	333	18
Gain on settlement of marketing & distribution agreement		–	(176)	–
Transaction costs		–	54	–
Income tax credit		–	(3,969)	–
Impact of NZ IFRS 16 – Leases	2	(141)	(106)	(53)
Financial liabilities at fair value through profit or loss	3	–	–	1,006
R & D income tax credit	4	(308)	–	(476)
Offer costs	5	–	–	850
Incremental listed company expenses	6	(1,548)	(1,548)	(1,548)
Pro forma net (loss)/profit after tax		**(3,573)**	**(4,452)**	**(6,162)**

Notes:

1. ***Hollister Endoform business acquisition*** *adjustments are transactions specific to the acquisition of Hollister's Endoform business and termination of the Marketing and Distribution Agreement with Hollister (refer Section 10.3), namely:*
   a. ***Re-purchase of inventory*** *reflects an adjustment made for the sale of inventory to Hollister in FY18 that was subsequently re-purchased in FY19. Cost of sales in FY19 and FY20 have been adjusted to reflect the actual manufacturing costs of that product.*
   b. ***Gain on settlement of marketing & distribution agreement*** *reflects the gain realised on the Marketing and Distribution Agreement that was terminated on 1 April 2018.*
   c. ***Transaction costs*** *reflect the one-off costs incurred on the wound care business acquisition.*
   d. ***Income tax credit*** *reflects the recognition of deferred tax assets to offset the deferred tax liability realised on the acquisition of Hollister's Endoform business.*

   Due to the nature of the Hollister Endoform business acquisition involving the termination of the Marketing and Distribution Agreement and no historical financial information being available, Management is not in a position to make any adjustments for the period prior to the termination of the Marketing and Distribution Agreement and commencement of the sales, marketing and distribution business on 1 June 2018. The commercial terms of the agreement between Aroa and Hollister are outlined in Section 10.3.
2. ***Impact of NZ IFRS 16.*** *Aroa adopted NZ IFRS 16 from 1 April 2019. The adjustment retrospectively applies NZ IFRS 16 as if it had been adopted on 1 April 2017.*
3. ***Financial liabilities at fair value through profit or loss*** *reflects the fair value adjustment of pre-Offer shares issued in FY20, which are classified as a financial liability as opposed to equity in accordance with NZ IAS 32 and NZ IFRS 13. Due to the one-off nature of this transaction and the fact that this instrument converts to share capital on Completion, the impact of the fair value adjustment has been removed.*

   The adjustment reflects the change in fair value of the financial liability at fair value through profit or loss ("the financial liability at FVTPL") between the pre-Offer shares issuance date and 31 March 2020. A further loss of approximately NZ$7.0 million, against the pre-Offer shares issued in FY20 and additional pre-Offer shares issued in FY21, is likely to be recognised for the period between 1 April 2020 and Completion. The full impact of the change in fair value on the financial liability at FVTPL is reflected in the Pro Forma Historical Financial Position (refer to Section 4.5.1).
4. ***R & D income tax credit*** *reflects the exclusion of one-off research and development tax credit received in FY18 and FY20.*
5. ***Offer costs*** *are excluded as they are considered non-recurring. Aroa incurred NZ$0.9 million in Offer costs in FY20 including legal and accounting due diligence fees, tax advice and associated consultancy and advisory services.*
6. ***Incremental listed company expenses*** *reflect the additional costs associated with being a listed company. These costs include listing fees, share registry costs, professional fees, directors' and officers' insurance premiums, investor relations costs, increases in directors' fees, increases in key management remuneration, annual general meeting costs, annual report costs and other listed company costs. Share options will be issued to Directors and key management on Completion that will have an associated share based payment expense. However, due to the vesting conditions of the Options, Aroa is not able to accurately estimate an appropriate historical expense and therefore has excluded such costs from the incremental listed company expenses adjustment.*

4.3.4 Consolidated Statutory Historical Results

Table 10 below sets out the Statutory Historical Results for FY18, FY19 and FY20.

Table 10: Statutory Historical Results for FY18, FY19 and FY20

		Statutory Historical		
NZ$'000s	Notes	FY18	FY19	FY20
Product revenue		8,922	18,841	21,924
Other revenue	1	1,538	4,473	3,152
Total revenue		**10,460**	**23,314**	**25,076**
Cost of sales	2	(5,630)	(7,002)	(6,339)
Gross profit		**4,830**	**16,312**	**18,737**
Other income	3	749	1,064	1,137
Selling and administrative expenses	4	(3,897)	(11,857)	(16,669)
Research and development	5	(3,353)	(4,643)	(5,042)
Other gains/(losses) – net	9	–	–	(1,006)
EBIT		**(1,671)**	**876**	**(2,843)**
Depreciation and amortisation	6	734	2,060	2,741
EBITDA		**(937)**	**2,936**	**(102)**
Net finance income/(expense)	7	87	(3,923)	(3,317)
Loss before income tax		**(1,584)**	**(3,047)**	**(6,160)**
Income tax credit	8	308	4,007	202
Net (loss)/profit after tax		**(1,276)**	**960**	**(5,958)**

Notes:

1 through 8 refer to notes under Table 7.

9. ***Other gains/(losses)*** *refer to note 3 under Table 9.*

4.4 Consolidated Pro Forma Historical Statements of Cash Flows

4.4.1 Overview

Table 11 below sets out the Pro Forma Historical Statements of Cash Flows for FY18, FY19 and FY20.

Table 11: Pro Forma Historical Statements of Cash Flows for FY18, FY19 and FY20

		Pro Forma Historical		
NZ$'000s	Notes	FY18	FY19	FY20
Cash flows from operating activities				
Cash receipts from sales revenue		8,417	15,608	22,373
Cash receipts from licence fees, project fees, and grant income		1,524	5,418	3,865
Cash paid to suppliers and employees		(13,764)	(21,897)	(25,352)
Interest received		170	3	3
Dividends received		1	1	1
Interest paid	1	(69)	(188)	(182)
Income tax received/(paid)		164	(88)	(161)
Net cash (outflow)/inflow from operating activities		**(3,557)**	**(1,143)**	**547**
Cash flows from investing activities				
Purchase of property, plant and equipment		(1,567)	(1,559)	(1,691)
Investment/divestment in term deposits		7,000	–	–
Purchase of intangible assets	2	(113)	(79)	(179)
Net cash inflow/(outflow) from investing activities		**5,320**	**(1,638)**	**(1,870)**
Cash flows from financing activities				
Proceeds from issue of shares	3	48	8,865	296
Proceeds from financial liabilities at FVTPL	4	–	–	5,821
Proceeds from borrowings	5	1,608	344	1,775
Repayment of borrowings/deferred consideration	6	(1,212)	(5,074)	(7,730)
Lease liability payments	7	(464)	(489)	(546)
Net cash (outflow)/inflow from financing activities		**(20)**	**3,646**	**(384)**
Net increase/(decrease) in cash and cash equivalents		**1,743**	**865**	**(1,707)**
Effect of exchange rate fluctuations on cash and cash equivalents	8	80	156	(13)
Cash and cash equivalents at beginning of financial year		1,070	2,893	3,914
Cash and cash equivalents at end of financial year		**2,893**	**3,914**	**2,194**

Notes:

1. ***Interest paid*** *reflects the interest portion of repayments made on Aroa's respective borrowings and interest paid on working capital facilities.*
2. ***Purchase of intangible assets*** *reflects the payments of capitalised patent expenditure.*
3. ***Proceeds from issue of Shares*** *reflects the proceeds from share offers (net of capitalised offer costs), exercise of options, exercise of warrants and the payment of unpaid shares. Proceeds from the issue of Shares that fall within the definition of a financial liability are disclosed in a separate line (refer to note 4).*
4. ***Proceeds from financial liabilities at fair value through profit or loss*** *reflects the proceeds from a pre-Offer share issue that fall within the accounting standards definition of a financial liability measured at fair value through profit or loss (refer to note 3 under table 9).*
5. ***Proceeds from borrowings*** *reflects drawdowns on the Company's equipment finance facility and insurance premium funding.*
6. ***Repayment of borrowings/deferred consideration*** *reflects the principal repayment of the Company's deferred consideration payable to Hollister, equipment finance facility and insurance premium facility.*
7. ***Lease liability payments*** *reflects both the interest and principal portion of the lease liability and is reflected within cash flows from financing activities in accordance with NZ IFRS 16.*
8. ***Effect of exchange rate fluctuations on cash and cash equivalents*** *reflects the foreign exchange gains/(losses) realised on cash receipts and payments.*

4.4.2 Pro forma adjustments to the Statutory Historical Statements of Cash Flows

Table 12 below sets out the pro forma adjustments that have been made to Aroa's Statutory Historical Statements of Cash Flows to remove the impact of non-recurring items and reflect the operating and financing structure that will be in place following Completion as if it was in place as at 1 April 2017. These adjustments are summarised below.

Table 12: Pro forma adjustments to the Statutory Historical Statements of Cash Flows

NZ$'000s	Notes	FY18	FY19	FY20
Statutory increase/(decrease) in cash and cash equivalents		**2,728**	**423**	**(594)**
Hollister Endoform business acquisition:	1			
Re-purchase of inventory		(126)	177	–
Purchase of Endoform business		689	2,121	–
R & D income tax credit	2	–	(308)	–
Impact of NZ IFRS 16 – Leases	3	–	–	–
Offer costs	4	–	–	435
Incremental listed company expenses	5	(1,548)	(1,548)	(1,548)
Pro Forma increase/(decrease) in cash and cash equivalents		**1,743**	**865**	**(1,707)**

Notes:

1. ***Hollister Endoform business acquisition*** *adjustments are reflective of transactions specific to the termination of the Distribution Agreement with Hollister (refer Section 10.3), namely:*
   a. ***Re-purchase of inventory*** *reflects the cash impact on the adjustment made for the sale of inventory to Hollister in FY18, that was subsequently re-purchased in FY19.*
   b. ***Purchase of Endoform business*** *reflects the upfront payments made for the purchase of the Endoform business including transaction costs.*

   Due to the nature of the Hollister Endoform business acquisition involving the termination of the Marketing and Distribution Agreement and no historical financial information being available, Management is not in a position to make any adjustments for the period prior to the termination of the Marketing and Distribution Agreement and commencement of the sales, marketing and distribution business on 1 June 2018. The commercial terms of the agreement between Aroa and Hollister are outlined in Section 10.3.
2. ***R &D income tax credit*** *reflects the exclusion of one off research and development tax credits related to FY18 and FY20, with cash received in subsequent years.*
3. ***Impact of NZ IFRS 16 – Leases.*** *Aroa adopted NZ IFRS 16 from 1 April 2019. The adjustment retrospectively applies NZ IFRS 16 had it been adopted on 1 April 2017. Although there is no impact to total net cash flow, lease payments have been reclassified from 'cash flows from operations' to 'cash flows from financing' in accordance with NZ IFRS 16.*
4. ***Offer costs*** *are excluded as they are considered non-recurring. Aroa incurred NZ$0.9 million in Offer costs in FY20, of which NZ$0.4 million was paid, including legal and accounting due diligence fees, tax advice and other associated consultancy and advisory services.*
5. ***Incremental listed company expenses*** *reflect the cash impact of the incremental costs associated with being a listed company. These costs include listing fees, share registry costs, professional fees, directors' and officers' insurance premiums, investor relations costs, increases in directors' fees, increases in key management remuneration, annual general meeting costs, annual report costs and other listed company costs.*

4.4.3 Consolidated Statutory Historical Statements of Cash Flows

Table 13 below sets out the Statutory Historical Statements of Cash Flows for FY18, FY19 and FY20

Table 13: Statutory Historical Statements of Cash Flows for FY18, FY19 and FY20

		Statutory Historical		
NZ$'000s	Notes	FY18	FY19	FY20
Cash flows from operating activities				
Cash receipts from sales revenue		8,543	16,039	22,373
Cash receipts from licence fees, project fees, and grant income		1,524	5,418	3,865
Cash paid to suppliers and employees		(13,369)	(21,500)	(24,239)
Interest received		170	3	3
Dividends received		1	1	1
Interest paid	1	(69)	(188)	(182)
Income tax received/(paid)		164	220	(161)
Net cash (outflow)/inflow from operating activities		**(3,036)**	**(7)**	**1,660**
Cash flows from investing activities				
Purchase of property, plant and equipment		(1,567)	(1,559)	(1,691)
Investment/divestment in term deposits		7,000	–	–
Purchase of intangible assets	2	(113)	(79)	(179)
Payment for acquisition of wound care business		–	(2,067)	–
Net cash inflow/(outflow) from investing activities		**5,320**	**(3,705)**	**(1,870)**
Cash flows from financing activities				
Proceeds from issue of shares	3	48	8,865	296
Proceeds from financial liabilities at FVTPL	4	–	–	5,821
Proceeds from borrowings	5	1,608	344	1,775
Repayment of borrowings/deferred consideration	6	(1,212)	(5,074)	(7,730)
Lease liability payments	7	–	–	(546)
Net cash inflow/(outflow) from financing activities		**444**	**4,135**	**(384)**
Net increase/(decrease) in cash and cash equivalents		**2,728**	**423**	**(594)**
Effect of exchange rate fluctuations on cash and cash equivalents	8	80	156	(13)
Cash and cash equivalents at beginning of financial year		1,070	3,878	4,457
Cash and cash equivalents at end of financial year		**3,878**	**4,457**	**3,850**

Notes: *refer to notes under Table 11.*

4.5 Consolidated Statutory and Pro Forma Historical Statement of Financial Position

4.5.1 Overview

Table 14 below sets out the pro forma adjustments that have been made to the audited Statutory Historical Statement of Financial Position for Aroa at 31 March 2020 in order to prepare the Pro Forma Statement of Financial Position for Aroa to take into account the effect of, amongst other things, the Offer proceeds, transaction expenses, repayment of debt and proceeds from shares issued prior to the Offer. These adjustments reflect the impact of the changes in capital structure that will take place as part of the Offer, as if they had occurred or were in place as at 31 March 2020.

Table 14: Statutory Historical Statement of Financial Position and Pro Forma Historical Statement of Financial Position as at 31 March 2020

NZ$'000s	Statutory 31 March 2020	Impact of the Offer	Debt repayment	Pre-Offer share issue	Warrants and share options exercised	Settlement of unpaid shares	Pro Forma 31 March 2020
Notes		**1**	**2**	**3**	**4**	**5**	
Assets							
Cash and cash equivalents	3,850	28,548	(11,708)	19,075	2,385	394	42,544
Derivative assets	1,188	–	–	–	–	–	1,188
Trade and other receivables	7,516	–	–	–	–	–	7,516
Inventories	4,005	–	–	–	–	–	4,005
Tax receivable	451	–	–	–	–	–	451
Financial assets at fair value through other comprehensive income	969	–	–	–	–	–	969
Total current assets	**17,979**	**28,548**	**(11,708)**	**19,075**	**2,385**	**394**	**56,673**
Property, plant and equipment	6,559	–	–	–	–	–	6,559
Right of use assets	2,175	–	–	–	–	–	2,175
Other receivable	193	–	–	–	–	–	193
Intangible assets	19,057	–	–	–	–	–	19,057
Total non-current assets	**27,984**	**–**	**–**	**–**	**–**	**–**	**27,984**
Total assets	**45,963**	**28,548**	**(11,708)**	**19,075**	**2,385**	**394**	**84,657**
Liabilities							
Trade and other payables	4,310	(415)	–	–	–	–	3,895
Derivative liabilities	386	–	–	–	–	–	386
Employee benefits	949	–	–	–	–	–	949
Interest-bearing loans and borrowings	22,523	–	(21,682)	–	–	–	841
Lease liabilities	215	–	–	–	–	–	215
Financial liabilities at fair value through profit or loss	6,827	–	–	(6,827)	–	–	–
Total current liabilities	**35,210**	**(415)**	**(21,682)**	**(6,827)**	**–**	**–**	**6,286**
Provisions	158	–	–	–	–	–	158
Interest-bearing loans and borrowings	1,119	–	10,750	–	–	–	11,869
Lease liabilities	1,870	–	–	–	–	–	1,870
Total non-current liabilities	**3,147**	**–**	**10,750**	**–**	**–**	**–**	**13,897**
Total liabilities	**38,357**	**(415)**	**(10,933)**	**(6,827)**	**–**	**–**	**20,182**
Net assets	**7,606**	**28,963**	**(775)**	**25,902**	**2,385**	**394**	**64,474**
Equity							
Share capital	29,353	30,336	–	33,695	2,783	553	96,720
Share based payment reserve	951	–	–	–	(372)	(165)	414
Equity investment reserve	969	–	–	–	–	–	969
Foreign currency translation reserve	(134)	–	–	–	–	–	(134)
Accumulated losses	(23,533)	(1,373)	(775)	(7,794)	(26)	6	(33,495)
Total equity	**7,606**	**28,963**	**(775)**	**25,902**	**2,385**	**394**	**64,474**

Notes:

1. ***Impact of the offer*** *reflects the Offer proceeds and the costs of the Offer. Aroa expects to receive gross proceeds of NZ$31.9 million from the Offer (assuming a NZD to AUD exchange rate of 0.94). Total Offer costs are estimated to be NZ$3.8 million, including lead manager fees, legal fees, accountant and audit fees, ASX listing fees and road show expenses. In accordance with NZ IFRS RDR, NZ$1.6 million of Offer costs will be recognised against share capital, with the remaining NZ$2.2 million recorded within operating expenses (NZ$0.9 million was expensed in FY20, leaving NZ$1.4 million to be expensed up to the Offer date). Joint Lead Mangers' fees are expected to be NZ$1.8 million, of which NZ$0.4 million, being 50% of the fees for the secondary issuance, payable by Aroa with the remaining fees payable by the selling shareholders, is included within the amount to be expensed.*
2. ***Debt repayment*** *reflects the repayment of 50% of the deferred consideration and associated accrued interest outstanding as at 31 May 2020 to Hollister and the reclassification of the balance from current liabilities to non-current liabilities (refer to Section 10.3).*
3. ***Pre-Offer share issues*** *reflects the conversion of pre-Offer shares issues completed in February and May 2020, from financial liabilities at fair value through profit and loss, to share capital (refer to Note 3 under Table 9). On conversion the financial liabilities will be revalued to fair value with an expected fair value loss of NZ$7.0 million to be recognised. NZ$0.8 million of transaction costs related to the May 2020 issue of the pre-Offer shares will also be expensed in accordance with NZ IFRS RDR.*
4. ***Warrants and share options exercised*** *reflects the issue of shares on the assumption that all outstanding warrants are exercised and all fully vested share options outstanding to Directors, key management and employees are exercised prior to the completion of the Offer. The exercise of share options includes a share-based payments reserve of NZ$0.4 million expensed prior to 31 March 2020.*
5. ***Settlement of unpaid shares*** *reflects cash payments received prior to the Offer in relation to unpaid shares under a historical Employee Share Plan. An amount of NZ$0.4 million is has been paid up in cash by Directors and certain employees who have unpaid shares. In addition to the cash settlements for unpaid shares under the Aroa Employee Incentive Share Plan, loans of up to NZ$0.8 million have been offered to employees to pay up their unpaid shares. Due to current accounting requirements, these loans are not recorded as receivables. Further details of the loans are set out in Section 11.7.1 of this Prospectus.*

4.5.2 Indebtedness and Capitalisation

Table 15 sets out the indebtedness of Aroa as at 31 March 2020 on a statutory and pro forma basis, adjusted for the pro forma effect of the Offer as if the transactions had occurred on 31 March 2020.

Table 15: Statutory and pro forma historical indebtedness and capitalisation as at 31 March 2020

NZ$'000s	Statutory 31 March 2020	Pro Forma 31 March 2020
Cash and cash equivalents	3,850	42,544
Interest-bearing loans and borrowings	(23,642)	(12,709)
Total (indebtedness)/net cash	**(19,792)**	**29,834**
Share capital	29,353	96,720
Share based payment reserve	951	414
Equity investment reserve	969	969
Foreign currency translation reserve	(134)	(134)
Accumulated losses	(23,533)	(33,495)
Total equity	**7,606**	**64,474**
Total capitalisation and indebtedness	**(12,186)**	**94,308**

4.5.3 Liquidity and capital resources

Following Completion of the Offer, Aroa's principal sources of funds are expected to be cash flow generated from operations and available cash on the statement of financial position.

4.5.4 Contractual obligations and commitments

On completion of the Offer, Aroa is contractually obligated to settle the deferred consideration outstanding to Hollister no later than 31 March 2022 (refer to Section 10.3).

4.5.5 Off balance sheet items

As at 31 March 2020 the Company had tax losses of NZ$14.1 million and NZ$7.2 million in deferred expenditure relating to research and development allowed under Section DB34 of the Income Tax Act 2007. These tax losses will remain on completion of the Offer and remain available for future use.

Aroa has no material contingent liabilities or off-balance sheet arrangements.

4.6 Management discussion and analysis of the Pro Forma Historical Financial Information

4.6.1 Overview

This Section 4.6 discusses the details of the key metrics relating to Aroa's pro forma historical financial performance and cash flows between FY18 to FY20 and the main factors affecting Aroa's operational and financial performance over that period.

The discussion is intended to provide a summary only and does not detail all factors that have affected Aroa's historical operating and financial performance and cash flows, or everything that could have an impact on its operational and financial performance and cash flows in the future.

Unless otherwise stated, all metrics and financial information presented in this Section 4.6 and the related commentary are on a pro forma adjusted basis.

The information in this Section 4.6 should also be read in conjunction with the risks in Section 5 and other information contained within the Prospectus.

4.6.1.1 Revenue

Aroa historically has derived its revenue from product sales, royalty fees (e.g. license fees, milestone payments), and project fees. Product sales are the primary source of revenue.

Aroa historically has derived its product sales from two product lines:

- Endoform
- Ovitex

Sales of Endoform commenced in 2013 under a Marketing and Distribution Agreement with Hollister. In 2018, Aroa acquired Hollister's Endoform business which included the termination of the Marketing and Distribution Agreement with Hollister, and formed the Appulse joint operation with Hydrofera LLC to retain the sales team and continue to sell Endoform to its customers in the United States from 1 June 2018.

In 2019, Aroa commenced sales of Endoform outside of the United States through sales and distribution partners.

Sales of Ovitex commenced in 2016 under the Licence, Product Development and Supply Umbrella Agreement with TelaBio. Sales of Ovitex are on a revenue share basis equal to 27% of TelaBio's net sales. The revenue share is paid in two components, being the transfer price on shipment of product with a subsequent "true up" on the sale of the product by TelaBio (See Section 10.1).

During FY20, Aroa launched a new product Myriad. Sales of Myriad commenced at the end of 2019 and products are sold directly to the customer.

Aroa has historically derived its other revenue from royalty fees (e.g. license fees, milestone payments) from its agreements with Hollister and TelaBio.

4.6.1.2 Gross profit

Aroa's gross profit is derived from revenue less cost of sales. Aroa primarily relies on product gross profit, which is derived from product revenue less cost of sales.

Aroa's cost of sales comprises the direct costs of manufacture and indirect costs of manufacturing.

Direct costs comprise all raw materials used within the manufacture of product, sterilisation costs and direct production labour.

Indirect costs comprise manufacturing facility and equipment running and maintenance costs, warehousing, manufacturing management, manufacturing support personnel and other costs directly attributable to the manufacture of product.

The primary driver of product gross margin is volume of sales and product sales mix.

4.6.1.3 Other income

Aroa's other income is primarily derived from grant income and sundry income.

Aroa receives grant income under an agreement with Callaghan Innovation. Under this agreement Aroa can claim up to 20% of research and development expenditure that is expensed in accordance with NZ IAS 38 and is not subject to any third-party funding.

4.6.1.4 Operating expenses

Aroa's main expense categories are selling and administrative expense, and research and development expenses. Selling and administrative expenses comprise sales and marketing expenses, general administration expenses, and quality and regulatory expenses.

Sales and marketing expenses include Aroa's share of the costs of the joint operation sales team "Appulse" as well as the direct sales team and marketing expenses, and clinical development and distribution expenses.

General administrative costs include corporate overhead costs, including labour, office and IT related costs. Also included are directors' fees, share based payments expense, incremental public company costs and amortisation expense.

Quality, regulatory and compliance costs include costs not directly attributable to manufacturing or research and development activities.

Research and development costs include the costs of labour, materials, third party services and overheads, directly attributable to research and development activities.

Other gains/(losses) – net are gains/(losses) realised from changes in the fair value of financial liabilities.

4.6.2 Management discussion and analysis of the Pro Forma Historical Results

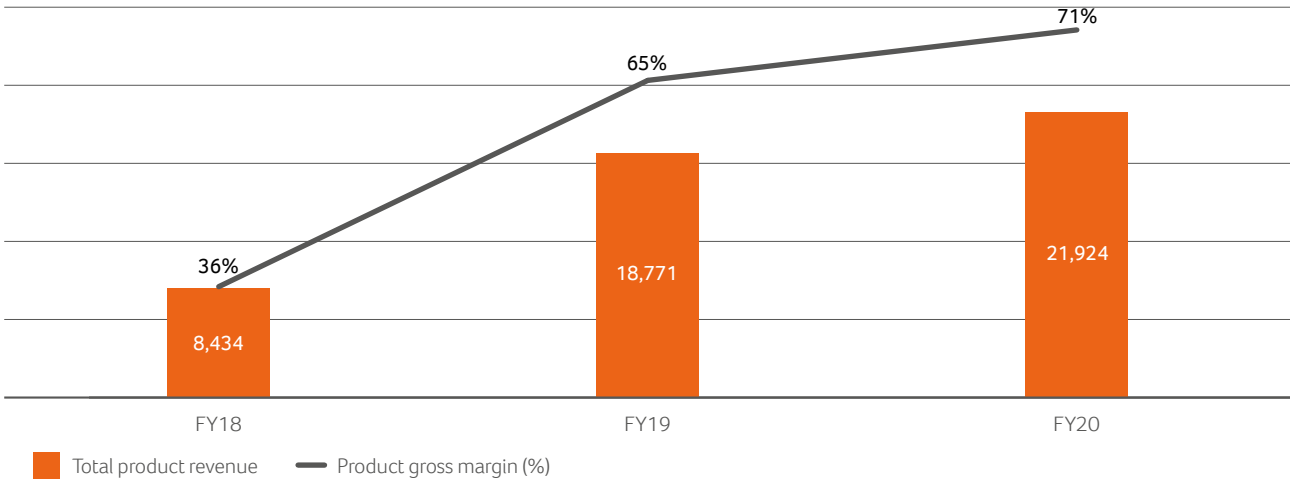
Table 16: Pro Forma Historical Results FY18, FY19 and FY20

		Pro Forma Historical				
NZ$'000s	Notes	FY18	FY19	FY20	FY19 vs. FY18 (%)	FY20 vs. FY19 (%)
Product revenue		8,434	18,771	21,924	123%	17%
Other revenue	1	1,538	4,473	3,152	191%	(30%)
Total revenue		**9,972**	**23,244**	**25,076**	**133%**	**8%**
Cost of sales	2	(5,418)	(6,563)	(6,334)	21%	(3%)
Gross profit		**4,555**	**16,682**	**18,742**	**266%**	**12%**
Other income	3	749	888	1,137	19%	28%
Selling and administrative expenses	4	(5,428)	(13,328)	(17,388)	146%	30%
Research and development	5	(3,353)	(4,643)	(5,042)	38%	9%
EBIT		**(3,478)**	**(401)**	**(2,551)**	**(88%)**	**535%**
Depreciation and amortisation	6	1,157	2,490	2,774	115%	11%
EBITDA		**(2,321)**	**2,088**	**224**	**(190%)**	**(89%)**
Net finance (expense)/income	7	(95)	(4,089)	(3,337)	4197%	(18%)
Loss before income tax		**(3,573)**	**(4,490)**	**(5,888)**	**26%**	**31%**
Income tax credit/(expense)	8	–	38	(274)	*NM*	(816%)
Net (loss)/profit after tax		**(3,573)**	**(4,452)**	**(6,162)**	**25%**	**38%**

Notes: *Refer to notes under Table 7.*

Product Revenue

Figure 28: Product Revenue and Product Gross Margin



During FY18, Aroa's product revenue was derived from two US based partners, Hollister and TelaBio. Hollister was responsible for the marketing and distribution of the Endoform products and TelaBio for the marketing and distribution of the Ovitex products.

In FY18, the selling price for each of the Endoform products was at a fixed US dollar amount agreed to between Aroa and Hollister, which equated to a cost of approximately 30% of Hollister's average selling price.

On 1 April 2018, Aroa acquired Hollister's Endoform business which included the termination of the Marketing and Distribution Agreement with Hollister, and formed the Appulse joint operation with Hydrofera LLC to retain the sales team and continue to sell Endoform directly in the United States from 1 June 2018.

Total product revenue of NZ$8.4 million in FY18 increased to NZ$18.8 million in FY19, reflecting an increase of NZ$10.3 million and 123% growth. The primary drivers for the increase in product revenue were:

- Aroa taking over the sales, marketing and distribution of Endoform products from Hollister.
- Growth in Ovitex sales resulting from TelaBio's growth in sales to customers and the building of TelaBio's supply channel with both existing products and new product line extensions.

Product revenue of NZ$18.8 million in FY19 increased to NZ$21.9 million in FY20, reflecting an increase of NZ$3.2 million and 17% growth. The primary drivers for the increase in product revenue were:

- increase in product revenue from Appulse and direct sales (Endoform and Myriad™) as a result of fully transitioning the Endoform business from Hollister over the course of FY19;
- the launch of Endoform with new global distribution partners; and
- small contribution of revenue from the launch of Myriad in the second half of FY20.

Product revenue from the Ovitex was relatively flat as a result of building TelaBio's supply channel in FY19. Despite the relatively flat product sales revenue between FY19 and FY20, TelaBio's sales of Ovitex increased 86.7% from CY18 to CY19.

Other Revenue

FY18 other revenue of NZ$1.5 million increased to NZ$4.5 million in FY19, reflecting an increase in royalty fees (e.g. license fees, milestone payments) of NZ$2.5 million and project fees of NZ$0.5 million.

FY19 other revenue of NZ$4.5 million decreased to NZ$3.2 million in FY20, reflecting a decrease in royalty fees.

Gross Profit

Product gross margin on product revenue is a key measure of operational performance. Table 17 removes the impact of other revenue, to provide the product gross profit.

Table 17: Pro forma historical product gross margin for FY18, FY19 and FY20

NZ$'000s	FY18	FY19	FY20	FY19 vs. FY18 (%)	FY20 vs. FY19 (%)
Product revenue	8,434	18,771	21,924	123%	17%
Cost of sales	(5,418)	(6,563)	(6,334)	21%	(3%)
Product gross profit	**3,017**	**12,209**	**15,590**	**305%**	**28%**
Product gross margin (%)	**36%**	**65%**	**71%**	**29%**	**6%**

Product gross margin increased from 36% in FY18 to 65% in FY19, following the acquisition of Hollister's Endoform business. This acquisition resulted in the increase of Endoform products sales through Appulse. Product gross margin continued to increase from 65% in FY19 to 71% in FY20, primarily driven by the transition to Aroa taking over the sales of Endoform in FY19 from Hollister.

Other Income

Other income, which primarily represents grant income and sundry income, increased by NZ$0.1 million between FY18 and FY19, and NZ$0.2 million between FY19 and FY20, reflecting increased grant income in line with the increase in research and development.

Operating expenses

Table 18: Pro forma historical expenses for FY18, FY19 and FY20

NZ$'000s	FY18	FY19	FY20	FY19 vs. FY18 (%)	FY20 vs. FY19 (%)
Selling and administrative expenses	(5,428)	(13,328)	(17,388)	146%	30%
Research and development	(3,353)	(4,643)	(5,042)	38%	9%
Total operating expenses	**(8,781)**	**(17,971)**	**(22,430)**	**105%**	**25%**

Selling and administrative expenses

Selling and administration expenses increased from NZ$5.4 million in FY18 to NZ$13.3 million in FY19, reflecting an increase of NZ$7.9 million. The primary driver for this increase was the establishment of the sales, marketing and distribution function for the wound care business, undertaken by Hollister through to 1 June 2018. Sales and marketing expenses, being a component of selling and administration expenses, increased from NZ$0.1 million in FY18 to NZ$5.5 million in FY19, reflecting an increase of NZ$5.4 million.

Also included in the increase from FY18 to FY19 was the commencement of an amortisation expense of NZ$1.2 million in FY19, reflecting amortisation on the intangible assets recognised within the consideration paid for the termination of the marketing and distribution agreement with Hollister.

Selling and administration expenses increased from NZ$13.3 million in FY19 to NZ$17.4 million in FY20, reflecting an increase of NZ$4.1 million. The primary driver of this increase was the increase in sales and marketing expenses of NZ$3.7 million, of which, NZ$0.8 million reflects 12 months of expenditure in FY20 compared to the 10 months of expenditure in FY19, as a result of the sales, marketing and distribution function for the wound care business being established from 1 June 2018. The balance reflects the increase in sales head count over the course of FY20.

Research and development expenses

Research and development increased from NZ$3.4 million in FY18 to NZ$4.6 million in FY19, reflecting an increase of NZ$1.3 million. The primary driver for the increase was the development of new Ovitex products of NZ$0.8 million.

Research and development increased from NZ$4.6 million in FY19 to NZ$5.0 million in FY20, reflecting an increase of NZ$0.4 million. The primary driver for the increase was the acceleration of new product development projects.

Depreciation and Amortisation

Depreciation is included as an expense within cost of sales, selling and administrative expenses and research and development.

Amortisation is included as an expense within selling and administrative expenses.

Depreciation and amortisation increased from NZ$1.2 million in FY18 to NZ$2.5 million in FY19, representing an increase of NZ$1.3 million. The primary driver of this increase was NZ$1.2 million in amortisation of the intangible assets generated from the acquisition of the Hollister's Endoform business on 1 April 2018.

Depreciation and amortisation increased from NZ$2.5 million in FY19 to NZ$2.8 million in FY20, reflecting an increase of NZ$0.3 million. The primary driver for the increase was the ongoing investment into property, plant and equipment and certain property, plant and equipment made available for use in FY20.

EBITDA

A positive EBITDA of NZ$2.1 million was realised in FY19, reflecting an increase NZ$4.4 million from FY18. The primary driver for this was the increase in total revenue for the period resulting from the acquisition of Hollister's Endoform business.

EBITDA of NZ$2.1 million in FY19 decreased to NZ$0.2 million in FY20, reflecting a decrease of NZ$1.9 million. The primary driver for this was the increase in selling and administrative expenses resulting from the increase in head count and the full 12 months of sales and marketing expenses in FY20 compared to the 10 months of sales and marketing expenses in FY19.

4.6.3 Management discussion and analysis of the Pro Forma Historical Cash Flows

Table 19: Pro Forma Historical Cash Flows for FY18, FY19 and FY20

		Pro Forma Historical				
NZ$'000s	Notes	FY18	FY19	FY20	% change	% change
Cash flows from operating activities						
Cash receipts from sales revenue		8,417	15,608	22,373	85%	43%
Cash receipts from licence fees, project fees, and grant income		1,524	5,418	3,865	256%	(29%)
Cash paid to suppliers and employees		(13,764)	(21,897)	(25,352)	59%	16%
Interest received		170	3	3	(98%)	–
Dividends received		1	1	1	–	–
Interest paid	1	(69)	(188)	(182)	172%	(3%)
Income tax received/(paid)		164	(88)	(161)	(154%)	83%
Net cash (outflow)/inflow from operating activities		**(3,557)**	**(1,143)**	**547**	**(68%)**	**(148%)**
Cash flows from investing activities						
Purchase of property, plant and equipment		(1,567)	(1,559)	(1,691)	(1%)	8%
Investment/divestment in term deposits		7,000	–	–	(100%)	NM
Purchase of intangible assets	2	(113)	(79)	(179)	(30%)	127%
Net cash inflow/(outflow) from investing activities		**5,320**	**(1,638)**	**(1,870)**	**(131%)**	**14%**
Cash flows from financing activities						
Proceeds from issue of shares	3	48	8,865	296	18369%	(97%)
Proceeds from financial liabilities at FVTPL	4	–	–	5,821	NM	NM
Proceeds from borrowings	5	1,608	344	1,775	(79%)	416%
Repayment of borrowings/deferred consideration	6	(1,212)	(5,074)	(7,730)	319%	52%
Lease liability payments	7	(464)	(489)	(546)	5%	12%
Net cash (outflow)/inflow from financing activities		**(20)**	**3,646**	**(384)**	**(18331%)**	**(111%)**
Net increase/(decrease) in cash and cash equivalents		**1,743**	**865**	**(1,707)**	**(50%)**	**(297%)**
Effect of exchange rate fluctuations on cash and cash equivalents	8	80	156	(13)	95%	(108%)
Cash and cash equivalents at beginning of financial year		1,070	2,893	3,914	170%	35%
Cash and cash equivalents at end of financial year		**2,893**	**3,914**	**2,194**	**35%**	**(44%)**

Notes: *refer to notes under Table 11.*

Cash flow from operating activities

Net cash flow from operating activities increased by NZ$2.4 million between FY18 and FY19. The primary driver for this was the increase in EBITDA of NZ$4.4 million between FY18 and FY19, offset by an increase in working capital. The primary driver for the increase in working capital was the increase in inventory and accounts receivables attributable to the transition from selling product to Hollister in FY18, to selling direct to the customer in FY19.

Net cash flow from operating activities increased by NZ$1.7 million between FY19 and FY20. The primary driver for this was the decrease in the net impact of changes in working capital in FY19 and FY20.

Cash flow from financing activities

Proceeds from issue of shares in FY19 reflects the issue of shares in a Series C investment round of NZ$8.7 million, with the balance in FY19 reflecting the issues of shares under the employee share plans.

Proceeds from issue of shares in FY20 reflects the issue of shares in a Series C-2 investment round of NZ$5.8 million, with the balance in FY20 reflecting the issues of shares under the employee share plans.

4.7 Dividend policy

The payment of a dividend by Aroa, if any, is at the discretion of the Directors and will be a function of a number of factors (many of which are outside the control of the Directors), including the general business environment, the operating results, cash flows and the financial condition of Aroa, future funding requirements, capital management initiatives, taxation considerations (including the level of franking credits available), any contractual, legal or regulatory restrictions on the payment of dividends by Aroa, and any other factors the Directors may consider relevant. The Directors do not provide any assurance of the future level of dividends paid by the Company. The existing policy of the Company is to reinvest all cash flow into the business in order to maximise growth. Accordingly, Aroa does not expect to pay dividends in the near future following listing on the ASX.

Section 5 |

Key risks

5 | Key risks

Introduction

There are a number of risk factors associated with the Company and a number of general risk factors associated with an investment in the Shares. These risks may individually or in combination materially and adversely affect the future operating and financial performance of the Company and, accordingly, the value of Shares. Many of these risks are outside the control and influence of the Directors and Management. There can be no guarantee that the Company will achieve its stated objectives or that any of the forward looking statements or projections will eventuate.

This Section 5 describes potential risks associated with Aroa's business and an investment in the Shares. It does not list every risk that may be associated with Aroa and the occurrence or consequences of some of the risks described in this Section 5 are partially or completely outside the control of Aroa and its Directors and Management. The risks have been separated into business risk factors specific to an investment in Aroa, risk factors specific to the industry in which Aroa operates and general risk factors associated with an investment in Aroa.

All investors need to be aware that this is not an exhaustive list of risks associated with an investment in the Company and this information needs to be considered in conjunction with all the other information disclosed in the Prospectus. The selection of risks has been based on an assessment of a combination of the probability of the risk occurring and the impact of the risk if it did occur. The assessment is based on the knowledge of the Directors and Management as at the Prospectus Date. The risks may change or other risks may emerge after that date.

Before applying for Shares, you should be satisfied that you have a sufficient understanding of the risks involved in making an investment in Aroa and whether it is a suitable investment, having regard to your investment objectives, financial circumstances and taxation position. It is recommended that you seek professional guidance from your financial adviser, stockbroker, lawyer, accountant or other independent professional adviser before deciding whether to invest.

5.1 Risks specific to an investment in Aroa

5.1.1 Reliance on partners

5.1.1.1 TelaBio

A large portion of Aroa's revenues is reliant on its US sales and distribution partner, TelaBio. TelaBio is a US corporation listed on NASDAQ, whose business focuses on the sale, distribution and marketing of the Ovitex product range. Aroa depends on the ability of TelaBio to build the requisite sales, marketing and distribution capabilities to successfully promote, market and sell the Ovitex range of products, expand the Ovitex product range and gain market share in the licensed territories to help grow Aroa's revenues derived from the Ovitex products. Being independently listed on NASDAQ, TelaBio's interests to grow revenue are aligned with those of Aroa in this regard. However, a slowdown, decrease in demand or failure to grow demand from TelaBio, including as a consequence of COVID-19, could adversely impact Aroa's operating and financial performance.

5.1.1.2 Hydrofera

Aroa's US-based "Appulse" sales and marketing personnel is shared with Hydrofera under an unincorporated joint venture structure created by contract. The contract may only be terminated by a party on six months' notice to the other party or in certain other limited circumstances, including material breach of contract. If the contract is terminated, Aroa may not be able to retain or employ all of the Appulse sales force. On the termination of the contract, both Aroa and Hydrofera will be entitled to offer employment to all Appulse personnel and allow such Appulse personnel to choose whom (if any) of the parties they will continue to be employed by. The loss of some of the Appulse sales and marketing personnel will be an interruption to Aroa's business and could have an adverse impact on Aroa's operating and financial performance while Aroa builds up a suitable sales force again. It is also costly to hire and train sales and marketing personnel with industry experience and technical knowledge of medical devices and related products who have established relationships with Aroa's target customers. The competition for talented individuals experienced in selling and marketing medical device products in the US is intense. Aroa's operating results are directly dependent upon the sales and marketing efforts of the sales forces retained by Aroa. Failure to hire or retain adequate sales and marketing personnel who are skilled and qualified would prevent Aroa from expanding its business and generating revenue growth.

5.1.2 Product acceptance

Aroa's growth and the commercial success of Aroa's products and future products is reliant on the acceptance of Aroa's products by healthcare professionals, including surgeons and wound care specialists.

While Aroa has had success in the past with healthcare professionals accepting Aroa's products for use, the degree of market acceptance and continued adoption of Aroa's products will depend on a number of factors, including:

- the potential and perceived advantages of Aroa'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.
- Aroa's products performing to expected standards and quality.
- Aroa's ability to successfully market the products by providing clinical and economic data that show the safety, clinical efficacy, cost effectiveness and patient benefits from Aroa's products.

The acceptance of Aroa's existing products may slow and planned future products may gain acceptance slower than planned or may not gain broad market acceptance by healthcare professionals which, should this arise, would impact Aroa's operating and financial performance.

5.1.3 Competition

Aroa competes against many existing and potential competitors with significantly more resources than Aroa, and with greater access to more markets. Aroa's competitors may be able to increase market share through aggressive marketing campaigns, product improvements, acquisitions or price discounting which is likely to affect Aroa's market share and margins.

Aroa is consistently researching and developing potential new products to bring to market. However, the medical device industry is characterised by rapid and significant change including in technology, industry standards, opportunities or customer requirements. Aroa's competitors may develop or market devices and products that are more effective than Aroa's products which could render Aroa's products obsolete or non-competitive. Additionally, new clinical or surgical procedures, medications and other therapies could be developed that replace or reduce the importance of Aroa's products.

The market for medical devices is subject to rapidly changing industry standards, changing regulations, frequent new product introductions and changing customer needs, requirements and preferences.

Aroa's ability to respond quickly to medical and other changes through the development and introduction of new products is important for Aroa to stay competitive. This can be capital intensive and time consuming. Product development involves a high degree of risk, and there are no guarantees that new product development efforts will result in any clinically or commercially successful products.

Difficulties or delays in research, development or production of new products or failure to gain market acceptance of new products and technologies is likely to reduce future revenues and adversely affect Aroa's competitive position.

5.1.4 Product pipeline and development of new product

Aroa's commercial success is dependent on the continued advancement of existing products and the research and development of new products utilising Aroa's ECM technology platform. Developing new products is expensive and time consuming.

The success of new products depends on several factors, including Aroa's ability to:

- properly identify and predict clinician and patient needs and preferences;
- innovate and develop new technologies and products in a timely manner;
- manufacture and supply new products that meet quality requirements cost effectively and in a timely manner;
- demonstrate, if required, the safety and efficacy of new products with data from preclinical studies and clinical trials;
- obtain the necessary regulatory clearances or approvals;
- receive adequate coverage and reimbursement for Aroa's new products from third party payors or insurance providers; and
- develop an effective and dedicated sales and marketing team to market and sell the new products (or if the products are licensed to TelaBio, then TelaBio's ability to develop this team).

The success of Aroa's product pipeline will depend on, among other things, the factors outlined above. Some of these products may be delayed as a result of regulatory approvals or further research and development may show that some of these products are not clinically or commercially viable. Aroa cannot guarantee that any products under development will result in the launch of a commercially viable product. If any of these events were to occur, then Aroa's ability to achieve its revenue growth objectives through expanding its product offering is likely to be impaired.

5.1.5 Intellectual Property

The value of Aroa's products depends in part on its success in obtaining and maintaining issued patents, trademarks and other intellectual property rights and protecting the Company's proprietary technology. If Aroa's intellectual property and proprietary technology is not adequately protected, competitors may be able to use the technologies or the goodwill Aroa has acquired in the marketplace and erode or negate any competitive advantage Aroa may have, which could harm Aroa financially.

Although an issued patent is presumed valid and enforceable, its issuance is not conclusive as to its validity or its enforceability and it may not provide Aroa with adequate proprietary protection or competitive advantages against competitors with similar products. The granting of a patent does not guarantee that competitors will not develop competing intellectual property that misappropriates, circumvents or works around the patent. Aroa's competitors may have applied for or obtained, or may in the future apply for and obtain, patents that will prevent, limit or otherwise interfere with Aroa's ability to make, use and sell its products.

Aroa does not believe that it is currently infringing any third party's intellectual property rights. Aroa may be subjected to infringement claims or litigation arising out of patents and pending applications for additional proceedings initiated by third parties, the US Patent and Trademark Office, the European Patent Office or other intellectual property regulators to re-examine or oppose Aroa's patents. The defence and prosecution of intellectual property rights lawsuits, proceedings, and related legal and administrative proceedings are costly and time-consuming to pursue, and their outcome is uncertain. If Aroa infringes the rights of third parties, Aroa could be prevented from selling its products and be forced to defend litigation proceedings and pay damages. Further, there is always a risk of third parties claiming involvement in, or ownership of, Aroa's intellectual property. Any disputes could adversely affect the financial performance and reputation of Aroa. In addition, under a number of commercial contracts, Aroa indemnifies the other party to the contract, against any claims for an infringement of third-party intellectual property. A successful infringement claim could have substantial financial and reputational implications for Aroa.

In addition to its patent activities, Aroa also relies on protecting its trade secrets especially with regard to its manufacturing processes. Although Aroa implements reasonable endeavours to protect its trade secrets, these measures may not always be sufficient to protect its trade secrets. Aroa may not be able to meaningfully protect its trade secrets and unpatented know-how and keep them secret. Aroa also cannot be certain that others will not independently develop similar technologies on their own, gain access to Aroa's trade secrets or have disclosed to them such technologies. This could allow competitors to commercialise products in competition with Aroa's products and erode its competitive advantage.

5.1.6 Product liability

Any defects in Aroa's products may harm Aroa and its customers' reputation and business. Aroa 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 FDA or other regulatory authorities and manufactured in facilities licensed and regulated by the FDA (such as Aroa's facility) or other regulatory authorities.

There may also be adverse events reported from the use, misuse or defect of Aroa's products which could expose Aroa to product liability claims or litigation. Aroa 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 Aroa operates has historically been subject to extensive litigation over product liability claims, especially in the US market. Product liability claims may result in substantial litigation costs, product recalls or market withdrawals, decreased sales and demand for Aroa products and damage to Aroa's reputation, regardless of merit or eventual outcome. If this were to occur it would adversely impact Aroa's operating and financial performance.

5.1.7 Manufacturing/Production risks

Aroa manufactures its products in a single location in Auckland, New Zealand and is exposed to risks of harm caused by natural or man-made disasters, or operation or human error, 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 Aroa's products and have an adverse impact on the availability of Aroa's products to customers, which would affect contractual obligations, particularly with respect to failure to supply. While Aroa maintains what it considers to be an appropriate level of stock to cover any manufacturing failures, if there was to be a manufacturing failure it is likely that Aroa's operating and financial performance would be adversely affected.

Any new, replacement or expanded manufacturing facility will need to comply with quality expectations and applicable regulatory requirements and may not be able to be established in a timely manner.

Aroa's existing manufacturing facility is currently operating at approximately 90% capacity. Subject to raising the proceeds under the Offer, Aroa expects to invest A$3-4 million in the expansion of the production facility in 2021 to achieve a three-fold increase in capacity to meet growing demand for its products.

5.1.8 Supply of Ovine Rumen

The ovine rumen used in the manufacturing of Aroa products is currently sourced from New Zealand sheep. Currently, New Zealand sheep are not known to carry any prion disease (progressive neurodegenerative disorders, including scrapie disease). However, the geographic concentration of Aroa's ovine rumen supply creates risks of disruption due to natural disasters, disease or other events. Any prion disease, other outbreaks or presence of other unintended and potentially hazardous agents would affect Aroa's products or patients that may receive them. While in those circumstances Aroa would look to foreign jurisdictions (e.g. Australia) to provide temporary replacement of ovine rumen, any disruption in the supply of ovine rumen could affect Aroa's ability to fulfill customer orders which, in turn, would have an adverse effect to Aroa's operating and financial performance.

Aroa is supplied with ovine rumen from two major meat processing companies in New Zealand. Aroa has a long-standing relationship with each supplier and traditionally Aroa has not had written agreements with either supplier. While Aroa has entered into a written supply agreement with one of the meat processing companies which secures supply subject to the terms of that agreement, Aroa does not have a written agreement with the other meat processing company. If an ovine rumen supplier was to cease supply, or to reduce supply, Aroa may experience a short term impact on operating and financial performance due to a reduction in supply of key raw material but Aroa considers this risk to be low and capable of being managed in the short term through the use of other alternative suppliers in the New Zealand market.

5.1.9 Arm's length customer contracts

Some, but not all, of Aroa's direct contracts with customers in the US allow for termination based on a specified notice period. Aroa considers such provisions to be reasonably customary commercial practice. While Aroa has established relationships with the majority of its US customers, should a customer decide to terminate its customer contract on notice, Aroa will suffer a loss of the customer revenue associated with that contract, and would need to sign up additional customers to replace that revenue. The loss of any customers would have a financial impact on Aroa for a period of time that is not currently ascertainable.

5.1.10 Regulatory approval for Ovitex PRS

OviTex PRS has FDA 510(k) approval for implantation to reinforce soft tissue where weakness exists in patients requiring soft tissue repair or reinforcement in plastic and reconstructive surgery. TelaBio is the party that holds this product clearance. In the March 2019 meeting of the General and Plastic Surgery Devices Panel of the Medical Devices Advisory Committee, the FDA stated that no surgical mesh device, including OviTex PRS, has been cleared or approved for use in breast surgery, and that to obtain such indication, the product sponsor must obtain an approved premarket approval application, or PMA. OviTex PRS products are not cleared or approved specifically for breast reconstruction surgery and thus TelaBio is prohibited from marketing them for that use. OviTex PRS or any other product developed for use in breast reconstruction surgery will need to be approved specifically for that indication. TelaBio intends to engage in discussions with the FDA regarding an Investigational Device Exemption, or IDE, protocol to study the safety and effectiveness of the OviTex PRS product for an indication in breast reconstruction surgery. Any marketing for OviTex PRS or any other product for a use in breast reconstruction surgery would be deemed off-label promotion of that product if it has been cleared for a general indication of use to reinforce or repair soft tissue and has not received a clearance or approval specifically for use in breast surgery. TelaBio has indicated that their marketing personnel and direct sales force do not promote OviTex PRS products for uses outside of the FDA-cleared indications for use, known as ''off-label uses.'' The instructions for use of Ovitex PRS in all markets specify that products are not intended for use outside of those indications cleared or approved for use. However, if the FDA determines that TelaBio's promotional or training materials constitute promotion of an off-label use, TelaBio could be subject to regulatory or enforcement actions. This action on TelaBio could impair the adoption or use of Ovitex PRS. A slowdown, decrease in demand or failure to grow demand from TelaBio could adversely impact Aroa's operating and financial performance.

5.1.11 Reliance on key personnel

There can be no assurance that Aroa will be able to retain key personnel. The departure of key personnel may adversely affect Aroa until suitable replacements are recruited.

5.1.12 Hazardous substances

Aroa's activities in manufacturing its products involve the controlled storage, use and disposal of hazardous materials. Aroa is subject to laws and regulations governing the use, generation, manufacture, storage, handling and disposal of these hazardous materials.

Although Aroa's safety procedures for handling and disposing of these materials and waste products comply with the standards prescribed by these laws and regulations, Aroa cannot eliminate the risk of accidental injury or contamination from the use, storage, handling or disposal of hazardous materials. Aroa may be required to incur substantial costs to comply with current or future environmental and safety regulations. If an accident or contamination occurred, Aroa would be likely to incur significant costs associated with civil penalties or criminal fines.

5.1.13 Country/Region specific risks

Aroa has operations in the US and has to comply with a range of different US legal and regulatory regimes. As Aroa expands the sales of its products geographically into new international jurisdictions, it is subject to the risks associated with conducting its 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 Aroa's ability to carry on certain activities or product offerings. It could also interrupt or adversely affect parts of Aroa's business and may have an adverse effect on Aroa's operating and financial performance.

5.2 Risks specific to the industry in which Aroa operates

5.2.1 Regulatory Approvals and Responsibilities

Aroa currently has FDA clearance and a CE certification for each of its existing commercialised products described in Section 3.10.

However, for each country in which Aroa wishes to distribute its products, Aroa will be required to obtain clearances and approvals by appropriate governmental authorities and regulatory bodies.

Aroa's product pipeline, new products and future products will also require regulatory approval in all countries including FDA clearance and CE certification.

Aroa cannot accurately predict the product approval timelines, cost or other requirements that may be imposed by regulators (e.g. clinical trials or other requirements proving effectiveness of its new products). Any delay in the receipt of regulatory clearance may result in a delay to the intended launch date of certain new products. The delay will also affect Aroa's ability to achieve its growth objectives by geographic expansion of sales into new markets. There is no guarantee that Aroa will receive all necessary regulatory approvals. The success of earlier approvals may not necessarily be predictive of the success of subsequent product approval applications. All of these outcomes could materially affect Aroa's revenue growth objectives.

Regulatory authorities may change their clearance and approval policies, adopt additional regulations or revise existing regulations, or take other actions which may prevent or delay approval or clearance of Aroa's future products under development.

Aroa's failure to comply with ongoing regulatory responsibilities or requirements could jeopardise Aroa's ability to sell its products and result in enforcement action by the FDA and applicable regulatory authorities in the various countries in which Aroa sells its products. Such enforcement actions include recalls or seizures of products, fines, total or partial suspension of production; refusal to grant future clearances or approvals; withdrawals or suspensions of current approvals, resulting in prohibitions on sales of Aroa's products; and in the most serious cases, criminal penalties.

5.2.2 Reimbursement and coverage

Third-party payors, whether US or non-US, or governmental or commercial, are developing increasingly sophisticated methods of controlling rising healthcare costs, including examining the cost effectiveness of procedures, products and services, in addition to their safety and efficacy, when making coverage and payment decisions. Payors continually review new and existing technologies and can, without notice, deny or reverse coverage or alter pre-authorisation requirements for new or existing procedures, products or services.

Aroa's products rely on the availability of adequate financial coverage and reimbursement from third-party payors, including governmental payors (such as the Medicare and Medicaid programs in the US), managed care organisations and private health insurers.

In the US, there have been and continue to be a number of legislative initiatives to contain healthcare costs affecting the payment for, the availability of, and the reimbursement for healthcare products and services. Any state and federal healthcare policies and reform measures adopted in the future, could limit reimbursement for healthcare products and services and these reforms could include Aroa's products and impact Aroa's ability to seek reimbursement. This may result in additional pricing pressure which could have a material adverse effect on the industry generally, on Aroa's customers and on Aroa's financial performance.

5.3 General risks of an investment in Aroa

5.3.1 Macro-economic risks, including the impact of COVID-19

Aroa's business is exposed to changes in general global economic conditions. For example, adverse macroeconomic conditions such as economic recessions, downturns or extended periods of uncertainty or volatility, which may influence spending by the Company's customers to defer or cancel expenditure or lead to downward pricing pressure, may affect the Company's future financial performance and operating performance, the price of the Shares and the Company's ability to pay dividends should it choose to do so.

In particular, the ongoing impact of the novel COVID-19 on the Company's operations is not currently fully ascertainable and may not be known for a period of time. The Company has experienced a reduction in direct and indirect sales due to elective surgeries being cancelled and outpatient clinics being closed as a result of COVID-19, but the full general economic impact of COVID-19 is not yet known, with economists predicting a global economic slowdown. While the Company sees no reason why the number of elective surgeries and outpatient procedures will not in the future return to pre-COVID-19 levels, any general economic slowdown could potentially impact suppliers and customers. Any economic slowdown is likely to have an impact on the Company's financial performance, and depending on the depth and length of the slowdown, the impact could be material.

5.3.2 Activity levels in key industry sectors may change

Aroa's client base is spread across the healthcare sector. Any adverse developments which impact the healthcare sector, including the impact of COVID-19, could have the potential to in turn impact the demand for Aroa's products, which could adversely impact the future financial performance of the Company.

5.3.3 Market conditions

Stock market conditions may affect the value of Aroa's quoted securities regardless of Aroa's operating performance. These conditions may cause the Shares to trade at prices below the price at which the Shares are being offered under this Prospectus. There is no assurance that the price of the Shares will increase following their quotation on the ASX, even if Aroa's earnings increase. Stock market conditions are affected by many factors such as:

- general economic conditions, including interest rates, inflation rates, exchange rates, commodity and oil prices or changes to government fiscal, monetary or regulatory policies, legislation or regulation;
- introduction of tax reform or other new legislation;
- inclusion in or removal from market indices;
- change in investor sentiment toward particular market sectors and fluctuations in the domestic and international market for listed stocks;
- the demand for, and supply of, capital;
- the nature of the markets in which Aroa operates; and
- terrorism or other hostilities and outbreaks of disease, severe viruses or a pandemic (e.g. COVID-19).

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and industrial stocks in particular. Neither Aroa nor the Directors warrant the future performance of Aroa or any return on an investment in Aroa.

In light of the COVID-19 pandemic, extra care should be taken when assessing the risks associated with investment. The rapidly changing COVID-19 situation is bringing unprecedented challenges to global financial markets, and the economy as a whole. Capital markets have seen equity securities suffer from spikes in volatility and significant price decline.

5.3.4 Security holders may suffer dilution

In the future, Aroa may elect to issue Shares or engage in capital raisings, including to fund acquisitions that Aroa may decide to make. While Aroa 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 such issues and fundraisings.

5.3.5 Trading and liquidity in Shares

There is no guarantee that there will be an active market in the Shares listed on the ASX. There may be few potential buyers and sellers of Shares at any point in time which will impact upon Share liquidity. This may increase the volatility of the market price of the Shares. This may also impact upon the ability of the Shareholders to be able to sell their Shares at a price that is more or less than that paid by the Shareholder.

5.3.6 Currency movements may be unfavourable

Aroa currently conducts the majority of its business in the United States. Adverse movements in the exchange rate between the New Zealand dollar and the US dollar, or other foreign currencies in which Aroa conducts business, may cause Aroa to incur foreign currency losses. Such losses may impact and reduce Aroa's profitability, ability to pay dividends and service debt obligations.

5.3.7 Adverse taxation changes may occur

There is the potential for changes to tax laws. Any change to the current rates of taxes imposed on Aroa (including in foreign jurisdictions in which Aroa operates) is likely to affect returns to Shareholders.

An interpretation of taxation laws by the relevant tax authority that is contrary to Aroa's view of those laws may increase the amount of tax to be paid or cause changes in the carrying value of tax assets in Aroa's financial statements. In addition, any change in tax rules and tax arrangements could have an adverse effect on the level of dividend franking and Shareholder returns.

With operations in Auckland, New Zealand, Aroa is potentially exposed to changes in taxation legislation or interpretation in New Zealand.

5.3.8 New Zealand Accounting Standards may change

New Zealand Accounting Standards are set by the New Zealand Accounting Standards Board (NZASB) and are outside the control of both Aroa and its Directors. The NZASB may introduce new or refined accounting standards which may affect future measurement and recognition of key income statement and balance sheet items, including revenue and receivables.

There is also a risk that interpretation of existing New Zealand Accounting Standards may differ from those that exist at the Prospectus Date. Changes to New Zealand Accounting Standards issued by the NZASB or changes to the commonly held views on the application of those standards could materially adversely affect the financial performance and position reported in Aroa's financial statements.

5.3.9 Force majeure events may occur

Events may occur within or outside New Zealand or other jurisdictions in which Aroa operates that could impact upon a jurisdiction's economy, Aroa's operations, investor sentiment and the price of the Shares. The events include but are not limited to acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or severe viruses (e.g. COVID-19) or other natural or man-made events or occurrences that can have an adverse effect on the demand for Aroa's products and its ability to conduct business. Aroa has only a limited ability to insure against some of these risks.

Section 6

Key individuals and corporate governance

6 | Key individuals and corporate governance

6.1 Board of Directors

Aroa is headquartered in New Zealand, sells the majority of its products in the US, and will apply to be admitted to quotation on the ASX in Australia. The Board composition of Aroa reflects this global diversity. Together, the Directors bring to the Board relevant experience and skills, including industry and business knowledge, financial management and corporate governance experience.

Director & Experience

James McLean

Independent, Non-executive Director and Chair

James (Jim) McLean is the chair of the board of directors of Aroa. He is a resident of New Zealand and has been a Director of Aroa since August 2011. For 25 years he has served as either Chair, Director, or an executive of research and technology businesses for both commercial and New Zealand Government organisations. In addition to Aroa, current appointments include Chair of Prevar Limited, R J Hill Laboratories Limited and Information Tools Limited.

He was Chair of the New Zealand Institute of Plant & Food Research and Chair of its predecessor HortResearch, as well as several private businesses and start-up companies. He served on the board of the then Foundation for Research, Science, and Technology including five years as deputy Chair. Jim was an executive and director of Genesis Research & Development Corporation Limited during its early stages through public listing.

Before specialising in science and technology businesses, Jim held management positions with an international manufacturing business and spent thirteen years as a partner at chartered accountants, EY. His time at EY was focused on business strategy and included two years' secondment to EY's Washington DC office.

Jim has a BSc (Hons) in Chemistry from University of Otago and a Post Graduate Diploma in Accounting from Victoria University of Wellington.

Jim is considered by the Board to be an independent Director and is a member of the Audit and Risk Committee and Remuneration and Nomination Committee.

Following Completion, Jim will hold a relevant interest in 2,572,308 Shares and 307,200 Options in the Company.

Brian Ward

BVSc MBA

Managing Director and Chief Executive Officer

Brian is the founder and chief executive officer of Aroa. He is a resident of New Zealand and has been a director of Aroa since September 2007. He has held senior corporate roles in life sciences and health care companies over the last 25 years. He has extensive management experience in life science companies spanning clinical, technical, sales, marketing, corporate development and strategy having worked for a number of multinationals including Baxter, Beecham and SmithKline Beecham throughout the world. He has managed investments into New Zealand technology companies for the Foundation for Research Science and Technology, served as the founding CEO of NZBio, and has sat on a number of government and industry expert panels.

Brian has been responsible for leading the Company's growth from start-up through to becoming a vertically integrated medical device business with substantial US sales and a developing international presence.

He is a graduate from Massey University with a Bachelor's degree in Veterinary Science, a Member of the Royal College of Veterinary Surgeons (UK), and holds a Masters degree in Business Administration graduating with distinction.

Brian is the managing director and chief executive officer of the Company and a substantial shareholder in the Company and as such he is considered by the Board to not be an independent Director.

Following Completion, Brian will hold a relevant interest in 33,125,800 Shares and 3,132,525 Options in the Company.

6 | Key individuals and corporate governance (continued)

Director & Experience

Steven Engle

Independent, Non-executive Director

Steven Engle is a non-executive director of Aroa. He is a resident of the United States and has been a director of Aroa since April 2015. He has over 20 years of executive leadership experience with public biotech companies developing breakthrough products in metabolic, autoimmune, oncologic and infectious disease areas. He is the Chief Executive Officer of CohBar, a clinical stage biotechnology company developing mitochondria-based therapeutics to treat age-related diseases and extend healthy lifespan. Before joining CohBar, Steven served as CEO of Averigon Consulting, an advisory firm to the life science industry, supporting companies through product partnering, regulatory planning, investor relations and executive management. Previously, he was Chairman and CEO of XOMA Corporation, a leader in the development of therapeutic antibodies and antibody technologies. Prior to XOMA, Steven served as Chairman and CEO of La Jolla Pharmaceutical Company, which discovered the biology of B cell tolerance, developed the first B cell toleragen for lupus patients, and received an approvable letter from the FDA. Earlier, he served as Vice President of Marketing for Cygnus, a drug delivery systems company, where he helped to gain FDA approval and to launch Nicotrol for smoking cessation.

Steven is the non-executive Chairman of the Board of Prescient Therapeutics Ltd., an ASX listed clinical stage oncology company, and a director of the board of Author-it Software Corporation, a developer of authoring information solutions for pharmaceutical and biotechnology companies. He is a former director of industry associations, BIO, BayBio and BIOCOM, and was a member of the board of the Lupus Foundation of America.

Steven holds M.S.E.E. and B.S.E.E. degrees from the University of Texas with a focus in biomedical engineering.

Steven is considered by the Board to be an independent Director and is Chair of the Remuneration and Nomination Committee.

Following Completion, Steven will hold a relevant interest in 226,533 Shares and 879,000 Options in the Company.

Philip McCaw

Non-executive Director

Philip (Phil) McCaw is a non-executive director of Aroa. He is a resident of New Zealand and is the Founding Partner of Movac, one of New Zealand's leading Venture Capital funds. Phil led the original investment round into Aroa in 2008, has worked closely with the Company and has served on the Board since then. Phil has over 20-years experience investing into New Zealand technology companies and helping to guide their growth. Phil was an early investor in Trade Me, New Zealand's leading on-line trading community, which was sold to Fairfax in 2006. He was also an early investor into PowerByProxi, a wireless power technology spin-out from Auckland University, which was sold to Apple in 2018.

Outside of Movac, Phil remains an active angel investor and maintains a personal angel investment portfolio. He is a strong advocate for the development of the entrepreneurial and early-stage investment eco-system in New Zealand and was the past Chair of the Angel Association of New Zealand; a founding investor in the Lightning Lab technology accelerator; and a founding investor in the Kiwi Landing Pad in San Francisco.

Prior to starting Movac Phil spent 10-years with Deloitte Consulting working in New Zealand and the USA.

Phil has a Bachelor of Business Studies (Senior Scholar) from Massey University.

Due to his relationship with ongoing substantial shareholders in Aroa, Phil is considered by the Board to not be an independent Director. He is a member of the Remuneration and Nomination Committee.

Following Completion, Phil will hold a relevant interest in 16,722,425 Shares and 245,775 Options in the Company.

Director & Experience

John Pinion

Independent, Non-executive Director

John is a non-executive director of Aroa. He is a resident of the United States and has been a director of Aroa since February 2015. He has over 26 years of global experience leading biologic, small molecule pharmaceutical, gene therapy and device operations across Asia, Europe and the Americas. His expertise and leadership spans engineering, quality, manufacturing and translational sciences. He joined Ultragenyx in July 2015 and currently holds the role of EVP, Translational Sciences and Chief Quality Operations Officer. He provides leadership for Ultragenyx's translational sciences functions which includes Pharmacology and Toxicology, Research and Bioanalytical Development, as well as GxP Quality and Compliance and CMC Analytical Development and QC.

As a key member of Ultragenyx's executive leadership team reporting directly to the organization's CEO, he also contributes to ongoing business development, clinical development, commercial and strategic planning activities.

In the ten years prior to joining Ultragenyx, John has held roles of increasing responsibility at Genentech (subsequently Roche post Genentech acquisition), departing the organization as Senior Vice President and Global Head of Quality and Compliance for Pharma Technical Operations based in Basel, Switzerland.

Previous to Genentech, John spent 17 years in operational and senior leadership roles in Baxter International's Renal, Bioscience, Parenterals and Device divisions.

He holds a B.S. in Mechanical Engineering from West Virginia University.

John is considered by the Board to be an independent Director and is a member of the Audit and Risk Committee.

Following Completion, John will hold a relevant interest in 472,500 Shares and 879,000 Options in the Company.

John Diddams

Independent, Non-executive Director

John is a non-executive director of Aroa. He is a resident of Australia and joined the Board in November 2019. John has over forty years' experience as a CFO, CEO and director of both private and publicly listed companies. John has extensive knowledge and experience in the practical application of ASX Listing Rules, Australian corporations' law, international accounting standards and corporate governance principles. He heads a CPA firm providing corporate advisory services to SME and mid-cap companies and has managed the listing process, secondary capital raisings and ASX listings in a number of diverse industry sectors, including oil and gas, food and retail, telecommunications, adventure tourism, biotechnology, and the dental and medical sectors.

John holds a Bachelor of Commerce from University of NSW, is a Fellow of the Australian Society of CPAs and a Fellow of the Australian Institute of Company Directors.

John is currently a non-executive director of New Zealand based Volpara Health Technologies Limited (ASX:VHT) and Surf Lakes Holdings Limited.

John is considered by the Board to be an independent Director and is Chair of the Audit and Risk Committee.

Following Completion, John will hold a relevant interest in 827,550 Shares and 495,000 Options in the Company.

6.2 Senior Leadership Team

Senior Leadership Team & Experience

Brian Ward

BVSc MBA

Chief Executive Officer and Founder, Managing Director

As above.

James Agnew

BCom LLB

Chief Financial Officer

James joined Aroa's management team over 6 years ago. He has over 16 years' experience in business and finance. He brings extensive experience in corporate finance, investment management, M&A, strategic and operational planning, contractual management and negotiation, international taxation and compliance, including US GAAP.

Prior to this role he was the VP of Finance & Operations for MXM Mobile (a division of the Meredith Corporation) based in New York, overseeing all international subsidiaries following the acquisition of The Hyperfactory Ltd (NZ high growth technology company) where he held the role of Group Financial Controller. In his earlier career, James worked in public practice providing accounting and business advisory services to a diverse range of successful New Zealand companies.

In 2011 James was a finalist in the Young Financial Manager of the year at the Annual CFO Awards. James holds a Bachelor of Laws and Bachelor of Commerce from Auckland University.

Simone Von Fircks

Vice President – Operations

Simone joined Aroa's management team over 6 years ago. She brings extensive expertise in biological product manufacture, with more than 30 years of practice in various technical fields. She was previously a senior manager and head at Baxter Healthcare Austria (Baxter Innovations, now Takeda, Biopharmaceuticals) where she developed and managed operations, process transfer, and contributed to process development. Her proven skills as a leader of international and cross-functional teams and outstanding contribution to successful project completion has been international acknowledged in 2007 for the generation of a continuous cell line, 2010 for the development of a bio-improved human recombinant activated factor and 2011 for tech transfer, planning and construction support for commissioning of a vaccine plant in Japan with the Bioscience Research and Development Award of Baxter Healthcare. Simone is experienced in quality requirements and systems and has successfully managed inspections from authorities (e.g. FDA, PMDA, ANVISA, European Governments). She holds qualification as an auditor for products manufactured from biological source materials and supported regulatory product licensure for the US, Australian, New Zealand, Japan and EU market. Prior to this role Simone worked for biotech start-up Mologen (Germany) and was a Scientific Assistant at the University of Amsterdam (The Netherlands) and University of Oldenburg (Germany) on the basis of different programs of the European Union (Biogeochemistry of Coastal Lagoons Eutrophication), and responsible for implementation and maintenance of laboratories on research vessels in the European Marine Waters. She has degrees in Public Health and Laboratory Technology.

Dr. Barnaby May

Vice President – Technology

Barnaby joined Aroa's management team over 12 years ago. Barnaby has over 15 years' experience in medical device development and commercialisation. Prior to joining Aroa Biosurgery, Barnaby was Scientific Director for InPro Biotechnology (San Francisco, California) and Adjunct Professor, University of California San Francisco (UCSF). Barnaby has extensive research experience in the fields of regenerative medicine and medicinal chemistry, targeting diseases such as HIV, Alzheimer's, CJD and the neglected tropical diseases. Barnaby is well published with over 35 peer-reviewed publications, numerous international patents and book chapters. During his time at Aroa, Barnaby has lead product and process development and clinical activities. Dr. May has a PhD (Canterbury University, New Zealand) in Medicinal Chemistry and undertook post-doctoral research at the University of California San Francisco.

Senior Leadership Team & Experience

Brad Adams
MHA

Vice President – Commercial Operations

Brad joined Aroa in November 2019. He has over 20 years of experience in the strategic sales and marketing of medical devices within the United States medical system and in other jurisdictions. Prior to Aroa Biosurgery, he served as Vice President, Sales at ACell Inc., a Columbia, Maryland based regenerative medicine company. Brad also has more than 15 years within both the Smith+Nephew and Johnson & Johnson families of companies, much of the time spent in senior global commercial roles. Brad has a proven record of accelerating revenue growth across multiple platforms including medical device, pharmaceutical, biologic, wound/tissue repair and regenerative medicine.

Brad holds a Master of Health Administration (Medical College of Virginia), a Bachelor of Arts in Economics with distinction (Virginia Military Institute) and has undertaken professional courses at Harvard Business School and The Wharton School, University of Pennsylvania. He is a long-standing member of the American College of Healthcare Executives.

6.3 Benefits and interests

6.3.1 Executive and employee incentive arrangements

Aroa has established a number of incentive arrangements to enable the attraction, motivation and retention of Management and employees.

For Management, the remuneration packages in FY21 will consist of:

- fixed remuneration and cash based short term incentives – see Section 6.3.1.1; and
- long term incentives in the form of an employee share option plan – see Section 6.3.1.2 and 11.7.

6.3.1.1 Cash based short term incentives

Cash based short term incentives are paid in the form of bonuses for achievement of the Company's annual performance targets. This cash-based incentive is aimed at rewarding the achievement of predetermined annual financial, strategic or business performance targets. There is a minimum financial performance hurdle which must be achieved before the cash bonus is payable. The cash-based bonus is calculated as a percentage of fixed remuneration.

Cash based bonuses paid to executives is between 20%-40% of annual salary, subject to seniority of role within the Company.

In addition to short term incentive cash based bonuses, in consideration of their performance and efforts during the Listing process, certain members of management, including the CEO and the CFO, will be entitled to share in a one-off Listing cash bonus pool of up to NZ$200,000. The bonus pool will be distributed among members of management at the discretion of the Board.

6.3.1.2 Long term incentives

The Company's philosophy is that executive and employee remuneration should be aligned with Shareholder interests by providing levels of fixed remuneration and "at risk" pay sufficient to attract and retain individuals with the skills and experience required to build on and execute the Company's business strategy. The Company offers executives and employees the opportunity to participate in the Aroa Biosurgery Share Option Plan. The Option Plan aims to ensure that "at risk" remuneration is contingent on the outcomes that grow and/or protect Shareholder value by aligning the interests of executives and Shareholders.

On an annual basis the Remuneration and Nomination Committee will recommend executives and employees who should be remunerated in part by way of a grant of options in the Company under the Option Plan. The Board will determine the executives and employees who should receive Options, the number of options to be granted, and the exercise price to be applied to those Options. The Options will be granted for nil consideration. The vesting of any Options that are granted may be subject to vesting conditions. In the case of senior executives there are certain performance hurdles including, but not limited to, share price growth and new product development.

The material terms and rules of the Option Plan are summarised in Section 11.7.

6.3.2 Key Management employment terms

6.3.2.1 Brian Ward – Chief Executive Officer and Founder

Employer	Aroa Biosurgery Limited
Fixed remuneration	NZ $525,000
Cash-based short-term incentives	Cash based bonus of up to 40% of fixed remuneration based on achievement of annual financial, strategic or business performance targets.
Long term incentives	3,132,525 Options, with two-thirds subject to continued employment with the Company and share price performance and the other one-third subject to delivering a "break-out" product before 31 March 2022. Further details on the vesting of these Options and the performance hurdles are set out below.
Shares held following Completion*	33,125,800
Options	See table below

Number	Exercise Price	Vesting date	Performance hurdle	Expiry date#
1,044,175	A$0.75	31 March 2021	Nil	5 years from grant
1,044,175	A$0.75	31 March 2022*	90-day VWAP is equal to or greater than 50% above the Offer Price	5 years from grant
1,044,175	A$0.75	Upon FDA approval and market launch of "break-out" product before 31 March 2022	Development of a product that within 5 years of launch is expected (at the Board's discretion) to contribute more than 40% of Aroa's total revenue	5 years from grant

* *Vesting may be accelerated at the Board's discretion provided the performance hurdle has been met before the vesting date. The Options are subject to re-testing on 31 March 2023 for any Options that do not vest on 31 March 2022.*

\# *The Options are granted on Admission.*

Termination	3 months' notice by either party.
Restraint	12 months' non-competition and non-solicitation post-employment restraint.

* *Assumes that Brian Ward or entities controlled by him do not apply for additional Shares under the Offer. Shares following Completion take into account the sale of Existing Shares by Brian Ward as part of the Sell-down.*

6.3.2.2 James Agnew – Chief Financial Officer

Employer	Aroa Biosurgery Limited
Fixed remuneration	NZ $265,000
Cash-based short-term incentives	Cash based bonus of up to 20% of fixed remuneration based on achievement of annual financial, strategic or business performance targets
Long term incentives	654,300 Options, with two-thirds subject to continued employment with the Company and share price performance and the other one-third subject to delivering a "break-out" product before 31 March 2022. Further details on the vesting of these Options and the performance hurdles are set out below.
Shares following Completion*	2,077,392

Options

Number	Exercise Price	Vesting date	Performance hurdle	Expiry date#
218,100	A$0.75	31 March 2021	Nil	5 years from grant
218,100	A$0.75	31 March 2022*	90-day VWAP is equal to or greater than 50% above the Offer Price	5 years from grant
218,100	A$0.75	Upon FDA approval and market launch of "break-out" product before 31 March 2022	Development of a product that within 5 years of launch is expected (at the Board's discretion) to contribute more than 40% of Aroa's total revenue	5 years from grant

* *Vesting may be accelerated at the Board's discretion provided the performance hurdle has been met before the vesting date. The options are subject to re-testing on 31 March 2023 for any options that do not vest on 31 March 2022.*

\# *The Options are granted on Admission.*

Termination	2 months' notice by either party
Restraint	12 months' non-competition and non-solicitation post-employment restraint

* *Assumes that James Agnew or entities controlled by him do not apply for additional Shares under the Offer. Shares following Completion take into account the sale of Existing Shares by James Agnew as part of the Sell-down.*

6.3.3 Director interests and benefits

6.3.3.1 Non-executive Director remuneration

Under the Constitution, the Board may decide the remuneration from Aroa to which each non-executive Director is entitled for their services as a Director. However, the total amount of fees paid to all Directors (excluding the Managing Director) for their services as Directors must not exceed in aggregate in any financial year the amount fixed by Aroa in a general meeting. As at the date of this Prospectus, this amount is fixed at NZ$465,000 per annum which includes any amounts paid to Directors (excluding the Managing Director) in cash. Remuneration (if any) in the form of shares or options granted to Directors is not included in this amount. The full amount permitted to be used for cash remuneration of Directors is not currently utilised and allows the Board future flexibility with respect to the appointment of additional Directors.

For its initial year post Listing, the annual base non-executive Director cash fees agreed to be paid by Aroa are based on the anticipated workload distributions of each Director and comprise of: NZ$95,000 to the Chair, NZ$70,000 for NZ based non-executive Directors, A$70,000 for the Australian based non-executive Director and US$60,000 for US based non-executive Directors, including for any committee roles. In addition to cash fees, Directors will be entitled to receive share-based payments in the form of Options, under the Option Plan (the cost of which will be amortised over the vesting period in accordance with IFRS). The remuneration paid to Directors may vary in subsequent years and will be subject to the discretion of the Board, and subject to the limitations set out above and any requirements under the ASX Listing Rules.

6.3.3.2 Director interests in Shares and Options

The Directors' interests in Shares and Options are set out below:

Director	Position	Notes	Shares following Completion*	Number of Options following Completion	Exercise Price	Vesting date	Expiry Date#
Jim McLean	Chair		2,572,308	102,400	A$0.75	31 March 2021	5 years from grant
				102,400	A$0.75	31 March 2022	5 years from grant
				102,400	A$0.75	31 March 2023	5 years from grant
Brian Ward	CEO and Founder	1	33,125,800	1,044,175	A$0.75	31 March 2021	5 years from grant
		2		1,044,175	A$0.75	31 March 2022	5 years from grant
				1,044,175	A$0.75	Upon FDA approval and market launch of "break-out" product before 31 March 2022	5 years from grant
Steven Engle	Non-executive director		226,533	633,225	NZ$0.10	Vested	1 October 2028
				81,925	A$0.75	31 March 2021	5 years from grant
				81,925	A$0.75	31 March 2022	5 years from grant
				81,925	A$0.75	31 March 2023	5 years from grant
Phil McCaw	Non-executive director	3	16,722,425	81,925	A$0.75	31 March 2021	5 years from grant
				81,925	A$0.75	31 March 2022	5 years from grant
				81,925	A$0.75	31 March 2023	5 years from grant
John Pinion	Non-executive director		472,500	633,225	NZ$0.10	Vested	1 October 2028
				81,925	A$0.75	31 March 2021	5 years from grant
				81,925	A$0.75	31 March 2022	5 years from grant
				81,925	A$0.75	31 March 2023	5 years from grant
John Diddams	Non-executive director	4	827,550	165,000	NZ$0.11	1 December 2020	30 November 2029
				165,000	NZ$0.11	1 December 2021	30 November 2029
				165,000	NZ$0.11	1 December 2022	30 November 2029

* *Assumes that no existing Director or entity controlled by such person applies for additional Shares under the Offer. Shares following Completion take into account the sale of Existing Shares by some of the Directors as part of the Sell-down.*

\# *Options that expire 5 years from grant are granted on Admission.*

1. *Brian Ward holds his interest through Arawai No. 2 Trust of which he is one of 3 trustees and a beneficiary.*
2. *Vesting may be accelerated at the Board's discretion provided the 90-day VWAP is equal to or greater than 50% above the Offer Price. The options are subject to re-testing on 31 March 2023 for any options that do not vest on 31 March 2022.*
3. *Phil McCaw holds his interest through McSyth Capital Investment Trust of which he is one of 3 trustees and a beneficiary. Mr McCaw is also a principal of Movac, a substantial shareholder in Aroa. Funds managed by Movac hold an interest in 25,841,850 Shares. Mr McCaw sits as one member of an investment committee of 6 with respect to the Movac Funds, however Mr McCaw has withdrawn from the investment committee with respect to decisions regarding any Shares held by the Movac Funds. Accordingly, Mr McCaw does not control the voting or disposal of those Shares and does not have a relevant interest in those Shares.*
4. *The Options granted to John Diddams are held by an entity associated with Mr Diddams, Whitfield Investments Pty Ltd, and were granted under an agreement with the Company in consideration for Mr Diddams' role managing the Listing, including chairing the Due Diligence Committee established in connection with the Offer. Provided Mr Diddams remains in continuous engagement with Aroa or a substantially similar role (unless otherwise determined by the Board) at the vesting date, the Options that remain to vest will vest on the dates indicated above. The pre-IPO agreement with Mr Diddams will terminate on Admission and neither party will have any further rights or obligations under the agreement (subject to the terms of grant of the Options set out above).*

6.3.3.3 Deed of Indemnity

Under the Constitution, Aroa will indemnify its Directors or a director of a related company, for any liability or costs for which that Director may be indemnified under the Companies Act. In addition, under the Constitution, the Company may, with the prior approval of the Board, effect insurance for a Director of the Company or a related company for any liability or costs for which a company may implement insurance for a director under the Companies Act. The Board may determine the terms and conditions of any such indemnity or any such insurance.

In accordance with the terms of the Constitution, Aroa has entered into a deed of indemnity with each Director which confirms the Director's right of access to Board papers and requires Aroa to indemnify the Director for:

- any costs incurred by the Director in any proceedings that relate to liability for any act or omission by the Director as a director of the Company or as a director of a related company;
- any costs incurred by the Director in any proceedings in which judgment is given in the Director's favour or in which the Director is acquitted or which is discontinued;
- any liability of the Director to any person other than the Company or a related company for any act or omission of the Director as a director of the Company or a related company; or
- any costs incurred by the Director in defending or settling any claim or proceedings relating to such liability, other than in the last two cases any criminal liability, a liability in respect of a breach by the Director of a duty specified in Section 131 of the Companies Act owed to the Company or any related company, or any liability for which an indemnity is precluded by law.

In addition, under the deed of indemnity Aroa must, subject to the Companies Act and the Constitution, maintain an insurance policy insuring itself against liability under the deed of indemnity and insuring a Director against, amongst others, liability as a director of Aroa or a related company during the Director's directorship and for such period of time following the directorship as determined by the Board.

In certain circumstances the Company may also enter into a deed of indemnity with senior employees providing them with similar access, insurance and indemnification rights as those provided to Directors.

6.3.3.4 Other agreements with Directors or related parties

The Company's policy in respect of related party arrangements is:

- a Director with a material personal interest in a matter is required to give notice to the other Directors before such a matter is considered by the Board; and
- for the Board to consider such a matter, the Director who has a material personal interest is not present while the matter is being considered at the meeting and does not vote on the matter.

John Diddams, a non-executive director of the Company, has entered into an agreement with the Company with respect to managing the Listing and to chair the due diligence committee established in connection with the Offer, for which Mr Diddams has been granted options over Shares. Further details are set out in Section 6.3.3.2.

Other than as otherwise set out in the Prospectus, the Company does not have any existing agreements with Directors or other related parties.

6.3.3.5 Other information

Each Director is entitled to be paid for all reasonable travelling, accommodation and other expenses incurred by the Director in connection with the Director's attendance at meetings or otherwise in connection with the Company's business.

There are no retirement benefit schemes for Directors or termination gratuity on ceasing to hold office.

6.3.4 Interests of Directors, advisers and promoters

This Section 6.3 and Section 1.8 outlines the nature and extent of the interests and fees of certain persons involved in the Offer.

Other than as set out in this Prospectus:

- no amount has been paid or agreed to be paid and no benefit has been given or agreed to be given to a Director, or proposed Director to induce them to become, or to qualify as, a Director;
- none of the following persons:
  - » a Director or proposed Director;
  - » each person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of the Prospectus;
  - » a promoter of Aroa; or
  - » an underwriter to the issuer of the Shares,

  hold or held at any time during the last two years an interest in:
  - » the formation or promotion of Aroa;
  - » property acquired or proposed to be acquired by Aroa in connection with its formation or promotion or the Offer; or
  - » the Offer,

  or was paid or given or agreed to be paid or given any amount of benefit for services provided by such persons in connection with the formation or promotion of Aroa or the Offer.

6.3.5 Interests of advisers

Aroa has engaged these service providers in relation to the Offer and paid, or agreed to pay, approximately the amounts shown below:

Service provider	Role	Fees (A$)
Wilsons and Bell Potter	Joint Lead Managers	The amounts set out in Section 10.4.
BDO Corporate Finance (East Coast) Pty Ltd	Investigating Accountant	A$305,000
Mills Oakley	Australian legal adviser	A$300,000
Chapman Tripp	New Zealand legal adviser	Up to A$140,000
Catalyst Intellectual Property	IP Attorney	Up to A$12,000

Unless stated otherwise, all amounts exclude disbursements and GST and all payments have been paid or are payable in cash.

Further amounts may be paid to Aroa's service providers in accordance with their normal time-based charges.

These amounts, and certain other expenses of the Offer, will be paid by Aroa out of available cash. The total costs of the Offer (excluding GST) are estimated to be approximately NZ$3.8 million. Further information on the use of proceeds and payment of expenses of the Offer is set out in Section 7.7.

6.4 Corporate Governance

This Section 6.4 explains the main corporate governance policies and practices adopted by Aroa and comprises the Company's current corporate governance statement for the purposes of the ASX Listing Rules. Details of Aroa's key policies and practices and the charters for the Board and each of its Committees will be available at www.aroabio.com from the date of Admission.

The Board plays a key role in overseeing the policies, performance and strategies of Aroa. It is accountable to Aroa's shareholders as a whole and must act in the best interests of Aroa. The Board monitors the operational and financial position and performance of Aroa and oversees its business strategy, including approving the strategic objectives, plans and budgets of Aroa. The Board is committed to maximising performance, generating appropriate levels of Shareholder value and financial return, and sustaining the growth and success of Aroa. In conducting Aroa's business with these objectives, the Board seeks to ensure that Aroa is properly managed to protect and enhance Shareholder interests and that Aroa, its Directors, officers and personnel operate in an appropriate environment of corporate governance.

The Board has created a framework for managing Aroa including adopting relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for Aroa's business and which are designed to promote the responsible management and conduct of Aroa. The Board sets the cultural and ethical tone for the Company.

The main policies and practices adopted by Aroa are summarised below.

6.4.1 ASX Corporate Governance Principles and Recommendations

The ASX Corporate Governance Council has developed and released its Corporate Governance Principles and Recommendations, 4th Edition (**ASX Recommendations**) for ASX listed entities in order to promote investor confidence and to assist listed entities in meeting stakeholder expectations. The ASX Recommendations are not prescriptive, but guidelines, designed to produce an outcome that is effective and of high quality and integrity. However, under the ASX Listing Rules, Aroa will be required to provide a corporate governance statement in its annual report, or the URL of the page on its website where the corporate governance statement is located, disclosing the extent to which it has followed the ASX Recommendations during each reporting period. Where Aroa does not follow an ASX Recommendation, it must identify the recommendation that has not been followed and give reasons for not following it.

The Company's current departures from the ASX Recommendations are included at Section 6.4.5.8 below. The Board may adopt any current departures, or determine more departures, in the future if it considers such a position to be reasonable in the circumstances.

6.4.2 The Board's view on independence

The Board considers a Director to be independent where he or she is not a member of Management and is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement. The Board will consider the materiality of any given relationship on a case-by-case basis and has adopted materiality guidelines to assist in this regard. The Board reviews the independence of each Director in light of interests disclosed to the Board.

For the purposes of the ASX Recommendations and for all other purposes, the Board considers that each of Jim McLean, John Pinion, Steven Engle and John Diddams are free from any business or any other relationship that could materially interfere with, or reasonably be perceived to interfere with, the exercise of the Director's unfettered and independent judgement and each of them is able to fulfil the role of independent Director for the purposes of the ASX Recommendations.

Phil McCaw and Brian Ward are currently considered by the Board not to be independent. Phil McCaw remains the controller of a substantial shareholding in the Company and Brian Ward is both the Chief Executive Officer of Aroa and a substantial shareholder.

6.4.3 Board Charter

The Board has adopted a written charter to provide a framework for effective operation of the Board, which sets out:

- the Board's composition and processes, including with respect to the appointment and retirement of Directors and conflicts of interest;
- the role and responsibilities of the Chair, non-executive directors, the managing director and CEO and the Company Secretary;
- the relationship and interaction between the Board and Management; and
- the authority of the Board to establish committees of the Board and the role of those committees.

The Board's role is to, amongst other things:

- demonstrate leadership;
- set the strategic direction of the Company;
- approve the Company's strategies, objectives and plans, and monitor the implementation of such strategies to achieve the Company's objectives;
- establish and approve the Company's statement of values and code of conduct to underpin the desired culture of the Company;
- review and oversee the operation of the Company's accounting and corporate reporting systems and systems of risk management, internal compliance, internal controls and reporting and codes of ethics;
- review and approve the Company's remuneration policies and ensure that they are aligned with the Company's purpose, values, strategic objectives and risk appetite; and
- report to the shareholders on the Company's performance on a timely basis.

The management function is conducted by, or under the supervision of, the Chief Executive Officer, as directed by the Board. Management must supply the Board information in a form, timeframe and quality that will enable the Board to discharge its duties effectively.

Individual Directors may seek independent professional advice at Aroa's expense, subject to the approval of the Chair.

6.4.4 Board committees

The Board has the authority to establish committees to assist it in the discharge of its responsibilities and to delegate powers accordingly to the committees. The Board has established the following Committees:

- Audit and Risk Committee; and
- Remuneration and Nomination Committee.

6.4.4.1 Audit and Risk Committee

The Audit and Risk Committee will assist the Board in performing its responsibilities relating to, and ensuring the integrity of the Company's:

- risk management framework including, without limitation, the financial and operational risk management system, the quality management system and health and safety management system to ensure that the Company has in place mechanisms and internal controls to identify and manage areas of material business risks;
- financial reporting processes; and
- internal and external audit processes including, without limitation, financial, quality and health and safety audits.

The Committee's charter provides that the Committee must comprise a majority of independent Directors, an independent chair who is not the Chair, and to the extent it is practicable given the size and composition of the Board from time to time, at least three members appointed by the Board.

On Listing, the Audit and Risk Committee will comprise of:

- John Diddams (Chair);
- John Pinion; and
- Jim McLean.

The CEO and the CFO must attend each meeting of the Committee. Other non-committee members, including other members of Management and the director of quality, may attend meetings of the Audit and Risk and Committee by invitation of the Committee.

6.4.4.2 Remuneration and Nomination Committee

The Remuneration and Nomination Committee will assist the Board with:

- overseeing executive management performance and remuneration, executive management and organisation structure (including succession planning) and reviewing remuneration and benefits policies and practices;
- ensuring that the Company has an effective Board of an appropriate size, composition, skills, experience, diversity and commitment to adequately discharge its responsibilities and duties;
- ensuring that the level and composition of remuneration of directors and executive management attract, retain, motivate and reward high quality directors and executive management; and
- remunerating and rewarding executive management fairly and responsibly with a clear link to performance of the Company and individual executive performance.

The Committee's charter provides that the Remuneration and Nomination Committee must comprise, to the extent practicable given the size and composition of the Board from time to time, as many non-executive directors as is practicable in the circumstances, a majority of independent Directors, an independent chair, and at least three members.

On Listing, the Remuneration and Nomination Committee will comprise of:

- Steven Engle (Chair);
- Jim McLean; and
- Phil McCaw.

The CEO shall attend each meeting of the Committee. Other non-committee members, including other members of Management may attend meetings of the Remuneration and Nomination Committee by invitation of the Committee.

6.4.5 Corporate governance policies

The Board has adopted the following corporate governance policies (to take effect upon commencement of trading on the ASX), each having been prepared having regard to the ASX Recommendations.

6.4.5.1 Securities Dealing Policy

Aroa has adopted a Securities Dealing Policy which is intended to explain the types of dealings in securities that are prohibited under the Act and the Corporations Act and establish a best practice procedure for the buying and selling of securities that protects Aroa and its Directors, key management personnel and other employees against the misuse of unpublished material information which could materially affect the price or value of its securities. The policy applies to all Directors and employees (including executive management) of Aroa and its subsidiaries and in the case of Directors and key management personnel, their spouse, parent, grandparent, child or stepchild and any related entities of those persons (**Restricted Persons**).

The policy provides that Restricted Persons and employees must not deal in Aroa securities:

- when they are in possession of price-sensitive or 'material information;
- on a short-term trading basis;
- in the form of a hedge or derivative transaction; or
- in connection with a margin loan, unless consent is obtained.

Restricted Persons are also prohibited from dealing in Aroa securities during specific blackout periods (except in exceptional circumstances with approval of the Chair of the Board or the Chair of the Audit and Risk Committee).

Trading by Restricted Persons is permitted outside the blackout periods provided that the notification requirements set out in the policy are complied with, and the Restricted Person does not otherwise hold 'material information' at the time of dealing in the securities.

6.4.5.2 Continuous Disclosure Policy

Aroa places a high priority on communication with Shareholders and is aware of the obligations it will have, as an entity listed on ASX, under the Corporations Act and the ASX Listing Rules, to keep the market fully informed of any information Aroa becomes aware of concerning itself that a reasonable person would expect to have a material effect on the price or value of Shares.

Aroa is committed to promote investor confidence by providing equal, balanced and timely access to all investors of price sensitive information to ensure that dealing with its securities takes place in an efficient and informed market.

Aroa has adopted a Continuous Disclosure Policy which establishes procedures to ensure that Directors and employees are aware of and fulfil their obligations in relation to the timely disclosure of material price-sensitive information and, where appropriate, that information is released to the market in accordance with legal requirements.

6.4.5.3 Code of Conduct

Aroa is committed to a high level of integrity and ethical standards in all business practices. The Board has adopted a formal Code of Conduct which outlines how Aroa expects its representatives to behave and conduct business in the workplace and includes legal compliance and guidelines on appropriate ethical standards. All Directors and Aroa employees (including members of executive management) must comply with the Code of Conduct.

The Code is designed to:

- provide a benchmark for general behaviours and responsibilities throughout the Company;
- make Directors and employees aware of what to do with respect to conflicts of interest, corporate opportunities, bribery and gifts, interactions with healthcare professionals, confidential and proprietary information, compliance with law, environmental issues and diversity;
- support Aroa's business reputation and corporate image within the community; and
- make Directors and employees aware of what to do in circumstances where there is a breach of the Code.

6.4.5.4 Communications with Shareholders

Aroa's aim is to ensure that Shareholders are kept informed of all major developments affecting Aroa and to encourage effective participation of Shareholders at shareholders' meetings. In addition to Aroa's continuous disclosure obligations, Aroa recognises that potential investors and other interested stakeholders may wish to obtain information about Aroa from time to time and Aroa will communicate this information regularly to Shareholders and other stakeholders through a range of forums and publications, including the Company's annual report, annual general meeting, half yearly and full year results and Aroa's website, www.aroabio.com.

All ASX announcements made to the market, including annual and half year financial results, will be posted on Aroa's website at www.aroabio.com as soon they have been released by the ASX. The full text of all notices of meetings and explanatory material, Aroa's annual report and copies of all media releases made by Aroa and copies of all investor presentations made to analysts and media briefings will be posted on Aroa's website. The website will also contain a facility for the Shareholders to direct queries to Aroa and to elect to receive communications from Aroa via email.

6.4.5.5 Diversity Policy

The Board has approved a Diversity Policy to establish and actively encourage a diverse workforce which contributes to the variety of skills, backgrounds, values, perspectives, talents, experience and capabilities of the Company. Aroa is committed to an inclusive workplace where employees have equal employment opportunities and, are treated fairly and with respect.

Diversity at Aroa refers to characteristics that make individuals different from each other including factors such as gender, marital status, religious belief, colour, race, ethnic or national origin, age, disability or sexual orientation.

The Board will include in the annual report each year a summary of Aroa's progress towards achieving the measurable objectives set under the Diversity Policy for the year to which the annual report relates and details of the measurable objectives set under the Diversity Policy for the subsequent financial year.

6.4.5.6 Anti-bribery and Corruption Policy

Aroa has an Anti-bribery and Corruption Policy for all employees globally. The policy provides a summary of how the policy will be communicated to employees, how to comply with respect to Aroa's zero tolerance on bribery and corruption, how compliance will be monitored and what will happen if there is non-compliance. The Company does not permit the exchange of gifts or involvement in hospitality activities that is beyond commercial practice or that occurs in circumstances that could be considered to give rise to undue influence. The policy prohibits any facilitation payments, kickbacks and donations to political parties which are intended to obtain an improper advantage for Aroa. It also provides that all interactions with healthcare professionals must comply with the Company's policy for interactions with healthcare professionals.

6.4.5.7 Whistleblower policy

Aroa has a Whistleblower Policy that encourages employees to report suspected or actual instances of misconduct. The policy provides a summary of how training on the policy will be applied, how to comply with the policy, how the disclosure of reportable conduct will be addressed, and by whom, how compliance with the policy will be monitored and what will happen if there is non-compliance. The policy establishes the mechanisms and procedures for employees to report suspected or actual misconduct in a manner which protects the whistleblower and enables the necessary information to be gathered so that Aroa's nominated whistleblowing protection officers may investigate any reports and act appropriately.

6.4.5.8 Departure from ASX Recommendations

Through the corporate governance framework adopted by the Board (and summarised above), the Company is compliant with each of the ASX Recommendations, other than in one case. Aroa's only departure from the ASX Recommendations is to not have a written commitment in its corporate governance framework that it will comply with ASX Recommendation 8.4 regarding ensuring that all substantial resolutions at a meeting of Shareholders are decided on a poll rather than a show of hands. Aroa considers that such measures for a Company of Aroa's size are burdensome and not essential at this stage of the Company's growth. There is also the potential to incur additional cost with respect to the involvement of poll scrutineers at meetings. However, the Company will continue to consider this ASX Recommendation and may, in the future, adopt the recommendation at all of its Shareholder meetings.

Section 7 |

Details of the Offer

7 | Details of the Offer

7.1 Description of the Offer

This Prospectus relates to an offer of 60,000,000 Shares in Aroa at an Offer Price of A$0.75 per Share. The Offer (excluding the Sell-down, under which no proceeds will be raised by the Company) is expected to raise A$30 million. The Sell-down is expected to realise A$15 million in aggregate for the Selling Shareholders.

The total number of Shares on issue at completion of the Offer will be 300,074,950 and all Shares will, once issued or transferred, rank equally with each other. The Shares offered under this Prospectus will represent approximately 20% of the Shares on issue at Completion.

The Offer is made on the terms, and is subject to the conditions, set out in this Prospectus. The Offer is fully underwritten by the Joint Lead Managers. A summary of the Underwriting Agreement, including the events which would entitle the Joint Lead Managers to terminate the Underwriting Agreement, is set out in Section 10.4.

There is no general public offer of Shares – Applications may only be made under the Institutional Offer, the Broker Firm Offer and the Priority Offer (see Sections 7.4, 7.5 and 7.6).

7.2 Purposes of the Offer

The purpose of the Offer is to:

- provide funding to enable Aroa to:
  - » invest in sales and marketing;
  - » invest in additional manufacturing capacity, product development and other plant and equipment;
  - » cover working capital, other operating costs;
  - » repay borrowings; and
  - » pay the costs of the Offer;
- facilitate Aroa's application for admission to list its Shares on ASX;
- broaden the shareholder base and list the Shares on ASX;
- enhance Aroa's profile with existing and potential clients; and
- allow the Selling Shareholders to establish a market value for their holding in Aroa and to unlock some of that value.

This Prospectus is also issued for the purpose of Section 708A(11) of the Corporations Act to remove any trading restrictions on the sale of Shares by the Selling Shareholders pursuant to the Offer or Shares otherwise issued or converted by the Company prior to Admission.

7.3 Structure of the Offer

The Offer is structured in the following way:

(a) the **Institutional Offer**, which consists of an invitation to apply for Shares made to institutional investors in Australia, New Zealand and other eligible overseas jurisdictions (see Section 7.4);

(b) the **Broker Firm Offer**, which is only open to investors who have a registered address in Australia or New Zealand and who have received an allocation from their broker (see Section 7.5); and

(c) the **Priority Offer**, which is only open to investors who receive a personal invitation from the Company to participate in the Priority Offer (see Section 7.6).

The allocation of Shares between the Institutional Offer, the Broker Firm Offer and the Priority Offer will be determined by agreement between Aroa, SaleCo and the Joint Lead Managers, having regard to the allocation policies outlined below.

7.4 Institutional Offer

Invitations to Bid

The Institutional Offer consisted of an invitation to certain Institutional Investors in Australia, New Zealand and other eligible overseas jurisdictions prior to the date of this Prospectus to apply for Shares under this Prospectus. The Joint Lead Managers have separately advised Institutional Investors of the Application procedures for the Institutional Offer. Offers and acceptances of the Institutional Offer are made under this Prospectus and are at the Offer Price.

Institutional Offer Allocation Policy

The allocation of Shares among applicants in the Institutional Offer was determined by agreement between Aroa, SaleCo and the Joint Lead Managers. Those parties have absolute discretion regarding the basis of allocation of Shares among the Institutional Investors and there is no assurance that any such Institutional Investor will be allocated any Shares, or the number of Shares for which they have bid.

The allocation policy referred to is influenced by a number of factors including:

- the number of Shares bid for by particular bidders;
- whether the Institutional Investor is an existing Shareholder;
- the timeline of the bid by particular bidders;
- Aroa's desire for an informed and active trading market following Admission;
- Aroa's desire to establish a reasonable spread of institutional Shareholders;
- the anticipated level of demand from brokers under the Broker Firm Offer and from investors under the Priority Offer;
- the size and type of funds under management of particular bidders;
- the likelihood that particular bidders will be long-term Shareholders; and
- other factors that Aroa, SaleCo and the Joint Lead Managers considered appropriate.

7.5 Broker Firm Offer

Who can apply?

The Broker Firm Offer is open to persons who have received a firm allocation of Shares from their broker and who have a registered address in Australia or New Zealand. If you have been offered a firm allocation of Shares by a broker, you will be treated as an Applicant under the Broker Firm Offer in respect of that allocation. You should contact your broker to determine whether they may allocate Shares to you under the Broker Firm Offer.

How to Apply?

Applications for Shares may only be made on a Broker Firm Offer Application Form attached to or accompanying this Prospectus or in its electronic copy form which may be downloaded in its entirety from www.aroabiooffer.com.au. If you are an investor applying under the Broker Firm Offer, you should complete and lodge your Broker Firm Offer Application Form with the broker from whom you received an invitation to participate. Broker Firm Offer Application Forms must be completed in accordance with the instructions given to you by your broker and the instructions set out on the Broker Firm Offer Application Form.

By making an Application, you declare that you were given access to this Prospectus (or any supplementary or replacement prospectus), together with a Broker Firm Offer Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

The minimum Application under the Broker Firm Offer is 10,000 Shares (equivalent to A$7,500) and in multiples of 5,000 Shares thereafter. There is no maximum value of Shares that may be applied for under the Broker Firm Offer. However, Aroa, SaleCo and the Joint Lead Managers reserve the right to aggregate any Applications which they believe may be multiple Applications from the same person or reject or scale back any Applications in the Broker Firm Offer. The Company and SaleCo may determine a person to be eligible to participate in the Broker Firm Offer and may amend or waive the Broker Firm Offer Application procedures or requirements, in its discretion and in compliance with applicable laws.

Applicants under the Broker Firm Offer must lodge their Broker Firm Offer Application Form and Application Monies with their broker in accordance with their broker's directions in order to receive their firm allocation. Applicants under the Broker Firm Offer must not send their Broker Firm Offer Application Forms to the Share Registry.

The Broker Firm Offer is expected to open on Wednesday, 1 July 2020 and is expected to close on Friday, 3 July 2020. The Company, SaleCo and the Joint Lead Managers may elect to extend the Offer or any part of it or accept late Applications either generally or in particular cases. The Offer, or any part of it, may be closed at an earlier date and time, without further notice. Your Broker may also impose an earlier closing date. Applicants are therefore encouraged to submit their Applications as early as possible. Please contact your broker for instructions.

How to Pay

Applicants under the Broker Firm Offer must pay their Application Monies in accordance with instructions received from their broker. Application Monies will be held on trust for Applicants until the issue of Shares to successful Applicants. Application Monies will be refunded if the Offer is withdrawn and/or cancelled, or ASX does not grant permission for Admission and quotation of Shares within three months after the Prospectus Date (or such longer period permitted by law). No interest will be payable on refunded amounts.

Application Monies

Aroa and SaleCo reserve the right to decline any Application under the Broker Firm Offer in whole or in part, without giving any reason. Applicants under the Broker Firm Offer whose Applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for, will receive a refund of all or part of their Application Monies, as applicable. Interest will not be paid on any monies refunded.

Applicants whose Applications are accepted in full will receive the whole number of Shares calculated by dividing the Application Monies by the Offer Price. Where the Offer Price does not divide evenly in the Application Monies, the number of Shares to be allocated will be determined by the Applicant's broker. Your Application Monies should be for the entire amount of your Application.

Cheque(s) or bank draft(s) must be in Australian Dollars and drawn on an Australian branch of an Australian bank, must be crossed "Not Negotiable" and must be made payable in accordance with the directions of the broker from whom the Applicant received a firm allocation.

Applicants should ensure that sufficient funds are held in the relevant account(s) to cover the amount of the cheque(s) or bank draft(s). If the amount of your cheque(s) or bank draft(s) for Application Monies (or the amount for which those cheque(s) or bank draft(s) clear in time for allocation) is less than the amount specified on your Broker Firm Offer Application Form, you may be taken to have applied for such lower dollar amount of Shares as for which your cleared Application Monies will pay (and to have specified that amount on your Broker Firm Offer Application Form) or your Application may be rejected.

Acceptance of Applications

An Application in the Broker Firm Offer is an offer by an Applicant to the Company to purchase Shares in the amount specified on the Broker Firm Offer Application Form at the Offer Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement prospectus) and the Broker Firm Offer Application Form. To the extent permitted by law, an Application by an Applicant under the Offer is irrevocable.

An Application may be accepted by the Company, SaleCo and the Joint Lead Managers in respect of the full number of Shares specified in the Broker Firm Offer Application Form, without further notice to the Applicant. Acceptance of an Application will give rise to a binding contract.

Broker Firm Offer Allocation Policy

The apportionment of Shares to brokers for allocation to Institutional Investors and retail clients of the broker will be agreed between Aroa, SaleCo and the Joint Lead Managers.

Shares which have been allocated to brokers for allocation to their Australian or New Zealand resident clients will be issued to the Applicants who have received a valid allocation of Shares from those brokers. It will be a matter for those brokers as to how they choose to allocate Shares among their clients, and they (and not Aroa, SaleCo or the Joint Lead Managers) will be responsible for ensuring that clients who have received an allocation from them, receive the relevant Shares.

7.6 Priority Offer

Who can apply?

The Priority Offer is open to investors who receives a personalised invitation from Aroa to participate in the Priority Offer.

How to apply?

If you are eligible to apply under the Priority Offer, you should have received a personalised invitation along with details of how to apply for Shares.

Applicants who have received a personalised invitation to apply for Shares under the Priority Offer and who wish to apply for Shares must apply in accordance with the instructions provided in that invitation. Applicants under the Priority Offer may apply for a minimum of 10,000 Shares (equivalent to A$7,500) and in multiples of 5,000 Shares thereafter. There is no maximum number of Shares that may be applied for but if Applications exceed the amount allocated under the Offer to the Priority Offer, Applications will be scaled back in accordance with the allocation policy below. You are not guaranteed an allocation under the Priority Offer.

By making an Application, you declare that you were given access to this Prospectus (or any supplementary or replacement prospectus), together with a Priority Offer Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

The Priority Offer is expected to open on Wednesday, 1 July 2020 and is expected to close on Friday, 3 July 2020. The Company, SaleCo and the Joint Lead Managers may elect to extend the Offer or any part of it, or accept late Applications either generally or in particular cases. The Offer, or any part of it, may be closed at an earlier date and time, without further notice. Applicants under the Priority Offer are therefore encouraged to submit their Applications as early as possible.

How to Pay

Applicants under the Priority Offer must pay their Application Monies in accordance with the instructions received in the personalised invitation sent to them. Application Monies will be held on trust for Applicants until the issue of Shares to successful Applicants. Application Monies will be refunded if the Offer is withdrawn and/or cancelled, or ASX does not grant permission for admission to the Official List and quotation of the Shares within three months after the Prospectus Date (or such longer period permitted by law). No interest will be payable on refunded amounts.

Priority Offer Allocation Policy

In the event that the aggregate demand for Shares under the Priority Offer exceeds the number of Shares available under the Priority Offer, your Application may need to be scaled back.

Aroa and SaleCo have absolute discretion regarding the allocation of Shares to applicants in the Priority Offer and may reject an Application or allocate fewer Shares than the number or equivalent dollar amount applied for, without any further notice to any Applicant. Any required refunds will be paid (without interest) following the allotment of Shares.

7.7 Use of Proceeds

The table below sets out in detail the use of the proceeds raised from the Offer[1]:

Source	NZ$m	%	Use of funds raised under the Offer	NZ$m	%
Offer proceeds from the issue of new Shares by Aroa	$31.9	66.7			
			Investment in sales and marketing[2]	$5.0	10.5
			Investment in additional manufacturing capacity, investment in new products, plant and equipment and other general corporate capital expenditure[3]	$5.0	10.5
			Working capital, other operating costs[4]	$5.0	10.5
			Repayment of borrowings[5]	$13.1	27.3
			Offer costs[6]	$3.8	7.9
Offer proceeds received by SaleCo from the sale of Existing Shares by Selling Shareholders	$16.0	33.3	Payments to Selling Shareholders	$16.0	33.3
Total	**$47.9**	**100**		**$47.9**	**100**

1. *Offer proceeds are expressed in NZ$ and have been converted at a rate of A$0.94/NZ$1.00.*
2. *As disclosed in this Prospectus, the Company intends to expand its US sales team with the appointment of additional representatives. The Company expects to complete those appointments by the end of 2020.*
3. *The Company expects to upgrade its manufacturing facility during 2021. New products plant and equipment and other corporate capital expenditure will be paid as required over the next 24 months.*
4. *Working capital and other operating costs include administrative costs such as employment and overheads but following Admission will also include directors' fees, ongoing ASX listing fees and increased audit fees associated with the Company being listed on ASX. Excludes any cash derived from ongoing sales activities.*
5. *Assumes repayment of Hollister debt on the maturity date of 31 March 2022, including accrued interest (see Section 10.3).*
6. *Offer costs include 50% of the Joint Lead Managers' fees on the amount raised under the Sell Down, the Joint Lead Managers' underwriting fees, legal and accounting fees in connection with the Offer, ASX listing fees, tax advice and other associated consultancy and advisory fees for the Offer. Offer costs also include $0.9 million of costs incurred in FY20.*

The use of funds remains subject to any intervening events and new circumstances which have the potential to affect the manner in which the funds are ultimately applied. The Board retains the right to vary the use of funds, acting in the best interest of Shareholders and as circumstances require.

The Directors believe that on Completion, Aroa will have sufficient funds available from the cash proceeds of the Offer (excluding the Sell-down) and its operations to fulfil the purposes of the Offer and to meet the Company's stated business objectives during the next two years.

The proceeds of the Offer received by SaleCo will be paid to the Selling Shareholders (net of the Selling Shareholders' proportion of any selling costs).

7.8 Shareholding structure on completion of the Offer

Aroa's pro forma capital structure following Completion will be:

	Shareholding immediately prior to Completion		Shareholding following Completion		Options held following Completion
Shareholder (or controller of Shareholder)	Shares	%	Shares	%	
Brian Ward*	35,125,800	13.5%	33,125,800	11.0%	3,132,525
MOVAC Fund 3 LP	25,841,850	9.9%	25,841,850	8.6%	–
Phil McCaw#	17,962,425	6.9%	16,722,425	5.6%	245,775
Directors and employees^	22,086,900	8.5%	18,133,049	6.0%	7,412,175
Other existing shareholders	159,057,975	61.2%	146,251,826	48.7%	–
Listing investors	–	–	60,000,000	20.0%	–
	260,074,950	**100.0%**	**300,074,950**	**100.0%**	**10,790,475**

* *Brian Ward holds his interest through Arawai No. 2 Trust of which he is one of 3 trustees and a beneficiary.*

\# *Phil McCaw holds his interest through McSyth Capital Investment Trust of which he is one of 3 trustees and a beneficiary.*

^ *Directors and employees' Shares exclude those Shares controlled by Brian Ward and Phil McCaw.*

7.9 Control implications of the Offer

The Directors do not expect any single shareholder to control Aroa on Completion (based on the definition of 'control' in section 50AA of the Corporations Act).

7.10 Terms and conditions of the Offer

Topic	Summary
What is the type of security being offered?	Fully paid ordinary shares in the capital of Aroa.
What are the rights and liabilities attached to the security being offered?	A description of the Shares, including the rights and liabilities attaching to them, is set out in Section 11.8.
What is the consideration payable for each Share being offered?	Successful Applicants under the Offer will pay the Offer Price, being A$0.75 per Share.

7 | Details of the Offer (continued)

Topic	Summary
What is the Offer Period?	The Institutional Offer has been conducted. The Broker Firm Offer and the Priority Offer are each expected to open at 9.00am (Sydney time) on Wednesday, 1 July 2020 and are expected to close at 5.00pm (Sydney time) on Friday, 3 July 2020. The key dates, including details of the Offer Period, are set out on page 4 of this Prospectus. The timetable is indicative only and may change. Unless otherwise indicated, all times are stated in Sydney, Australia time. Subject to compliance with the Corporations Act, ASX Listing Rules and the terms of the Underwriting Agreement, Aroa and SaleCo reserve the right to vary the dates and times of the Offer, including to extend the Offer, close the Offer early or to accept late Applications, without notifying any recipient of this Prospectus or any Applicants. If the Offer is cancelled or withdrawn before the allocation of Shares, then all Application Monies will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act. Investors are encouraged to submit their Applications as soon as possible after the Offer opens. No Shares will be issued on the basis of this Prospectus later than the Expiry Date.
What are the cash proceeds to be raised under the Offer?	Aroa expects to raise A$30 million under the Offer. The Offer is also expected to raise A$15 million for the Selling Shareholders. The proceeds raised by the Selling Shareholders will be paid to the Selling Shareholders and will not be received by the Company.
Is the Offer underwritten?	Yes, the Joint Lead Managers have fully underwritten the Offer pursuant to the Underwriting Agreement. Details of the terms of the Underwriting Agreement are provided in Section 10.4.
What is the minimum and maximum Application size under the Broker Firm Offer and the Priority Offer?	The minimum Application size for investors in each of the Broker Firm Offer and the Priority Offer is 10,000 Shares (equivalent to A$7,500). There is no maximum number of Shares that may be applied for under the Broker Firm Offer or the Priority Offer. If Applications exceed the amount allocated under the Offer to the Broker Firm Offer or the Priority Offer, Applications will be scaled back in accordance with the allocation policy.
What is the allocation policy?	The allocation of Shares under the Institutional Offer has been determined by agreement between the Company, SaleCo and the Joint Lead Managers, prior to the date of this Prospectus having regard to the allocation policy outlined in Section 7.4. The allocation of Shares between the Broker Firm Offer and the Priority Offer will be determined by agreement between the Company, SaleCo and the Joint Lead Managers, having regard to the allocation policy outlined in Section 7.5 and Section 7.6 respectively. With respect to the Broker Firm Offer, it is a matter for the brokers as to how they allocate Shares among their clients. The Company, SaleCo and the Joint Lead Managers have absolute discretion regarding the allocation of Shares to Applicants under the Offer and may reject an Application or allocate a lesser number of Shares than the amount applied for. The Company, SaleCo and the Joint Lead Managers also reserve the right to aggregate any Applications that they believe may be multiple Applications from the same person.
When will I receive confirmation that my Application has been successful?	It is expected that initial holding statements will be dispatched by standard post by 30 July 2020.

Topic	Summary
Will the Shares be quoted?	Aroa will apply to ASX within seven days after the Prospectus Date for Admission and quotation of its Shares on ASX (which is expected to be under the ASX ticker 'ARX'). Completion is conditional on ASX approving the application for Admission and quotation. If approval is not given within three months after such an application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded (without interest) as soon as practicable in accordance with the requirements of the Corporations Act. ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that ASX may admit Aroa to the Official List is not to be taken as an indication of the merits of Aroa or the Shares being offered under the Offer.
When are the Shares expected to commence trading?	Subject to ASX approving Admission, the Shares offered under the Offer, and all existing Shares on issue, are expected to commence trading on ASX on a normal settlement basis on or around 30 July 2020. It is the responsibility of each Applicant to confirm their holding before trading Shares. Applicants who sell Shares before they receive an initial holding statement do so at their own risk. The Company, the Share Registry and the Joint Lead Managers disclaim all liability, whether in negligence or otherwise, if you sell Shares before receiving your holding statement, even if you obtained details of your holding from the Aroa Offer Information Line or confirmed your firm allocation through a broker.
Are there any escrow arrangements?	Yes, Details are provided in Section 7.13.
Has any ASIC relief or ASX advice been sought or obtained?	Yes, details are provided in Section 11.12.
Are there any taxation considerations?	The tax consequences of any investment in the Shares will depend upon an investor's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to invest. Refer to Section 11.10.1 for general tax considerations for Australian resident investors and Section 11.10.2 for general tax considerations for New Zealand resident investors.
Are there any brokerage, commission or stamp duty considerations?	No brokerage, commission or stamp duty is payable by Applicants on the acquisition of Shares under the Offer. See Section 10.4 for details of various commissions, fees and expenses payable by Aroa to the Joint Lead Managers as lead managers and underwriters of the Offer.
What should you do if you have any enquiries?	All enquiries in relation to this Prospectus should be directed to the Aroa Offer Information Line on 1300 737 760 (from within Australia) or +61 2 9290 9600 (from outside Australia) between 8.30 am and 5.30 pm (Sydney time), Monday to Friday (business days only) during the Offer Period. All enquiries in relation to the Broker Firm Offer should be directed to your broker. If you are unclear in relation to any matter or are uncertain as to whether Shares are a suitable investment for you, you should seek professional guidance from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest.

7.11 Nature of Applications and requirements

Applications must comply with this Prospectus and the instructions on the Application Form. An Application is an offer by the Applicant to Aroa and SaleCo to apply for all or any of the number of Shares specified in the Application Form, at the Offer Price on the terms set out in this Prospectus. To the extent permitted by law, an Application is irrevocable. Acceptance of an Application will give rise to a binding contract on allocation of Shares to successful Applicants.

7.12 Powers of the Company in relation to Applications

There is no assurance that any Applicant will be allocated any Shares, or the number of Shares for which the Applicant has applied. Aroa and SaleCo may in its absolute discretion, without notice to any Applicant and without giving any reason:

- withdraw the Offer at any time before the issue or transfer of Shares to successful Applicants;
- decline an Application;
- accept an Application for its full amount or any lower amount;
- determine a person to be eligible or ineligible to participate in any part of the Offer;
- waive or correct any errors made by an Applicant in completing their Application Form;
- amend or waive the Offer application procedures or requirements in compliance with applicable laws; or
- aggregate any Applications that they believe may be multiple Applications from the same person.

7.13 Voluntary escrow arrangements

Existing Shareholders (and entities and persons associated with them) have each agreed to voluntary arrangements with the Company in relation to their Existing Shares as set out in the table below.

Under their respective arrangements, these Existing Shareholders agree not to deal in those Shares for the duration of the voluntary escrow period (as applicable). The table below sets out the number of Shares subject to voluntary escrow and the escrow period.

	Number of escrowed Shares	Release at Admission	Release at 6-months after Admission*	Release at 12-months after Admission	Release at 24-months after Admission	Release at 36-months after Admission**
Non-executive directors, Management***	26,953,558		15%	42.5%	42.5%	
Chief Executive Officer	33,125,800		10%	20%	30%	40%
Other Existing Shareholders and employees	127,544,073	7.5%	20%	72.5%		
Existing Shareholders from funding round – February 2020	11,282,700		100% (not subject to "Release Condition")			
Total	**198,906,131**					

Notes:

* *The release 6 months after Admission is subject to the condition that the 5 day volume weighted average price of the Shares reported on the ASX is 40% above the Offer Price (**Release Condition**) at any time in the first 6 months after Admission. However if the Release Condition is not achieved within 6 months of Admission then the release 6 months after Admission is nil and the escrow is extended to the earlier of (i) 12 months after Admission; and (ii) the date when the Release Condition is met.*

** *Subject to early release at 24 months if at any time after Admission, the 5 day volume weighted average price of the Shares reported on the ASX is 100% above the Offer Price.*

*** *The escrowed shares excludes 1,293,000 Shares issued to Directors and Management in the February 2020 funding round.*

7.14 Restrictions on dealings and release of escrow

In connection with approving the IPO, each Existing Shareholder agreed to comply with the escrow restrictions imposed by Aroa as outlined in Section 7.13. At Completion, each Existing Shareholder will be notified of its escrowed shareholding and the Shareholder will be bound by provisions in the Company's constitution that provide, amongst other things, that:

- the holder must not dispose of, or agree or offer to dispose of, the Escrowed Shares during the escrow period, except as permitted by the ASX Listing Rules;
- the holder will be taken to have consented to a holding lock being applied to those Escrowed Shares; and
- the Company must refuse to acknowledge any disposal (including, without limitation, registering a transfer) of Escrowed Shares during the escrow period except as permitted by the ASX Listing Rules.

The Company will release the Escrowed Shares from escrow on the date shown in the table in Section 7.13, and subject to complying with the notification requirements under the ASX Listing Rules.

7.15 Application Monies

Aroa and SaleCo will hold Application Monies received in a special purpose bank account until Shares are transferred to successful Applicants. Applicants whose Applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for, will be mailed a refund of, or sent an EFT for, all or part of their Application Monies, as applicable. No refunds pursuant solely to rounding will be provided. Interest will not be paid on any monies refunded and any interest earned on Application Monies pending the allocation or refund will be retained by Aroa.

7.16 Restrictions on distribution

No action has been taken to register or qualify this Prospectus, the Shares or the Offer or otherwise to permit a public offering of the Shares in any jurisdiction outside Australia and New Zealand.

This Prospectus does not constitute an offer or invitation to subscribe for Shares in any jurisdiction in which, or to any person whom, it would not be lawful to make such an offer or invitation or issue under this Prospectus.

The distribution of this Prospectus in jurisdictions outside Australia and New Zealand may be restricted by law and persons who come into possession of this Prospectus should observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. This Prospectus may not be released or distributed in the United States or elsewhere outside Australia and New Zealand, unless it has attached to it the selling restrictions applicable in the jurisdictions outside Australia and New Zealand, and may only be distributed to persons to whom the Offer may lawfully be made in accordance with the laws of any applicable jurisdiction.

The Shares have not been and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, in the United States.

Refer to Section 11.13 for further details on eligible Foreign jurisdictions and the offer restrictions relating to persons resident in those eligible foreign jurisdictions.

7.17 Representations by Applicants

Each Applicant in the Broker Firm Offer and the Priority Offer and each person in Australia, New Zealand and other eligible jurisdictions to whom the Institutional Offer is made under this Prospectus, will be taken to have represented, warranted, agreed and acknowledged as follows:

- it agrees to become a shareholder of the Company and to be bound by the terms of the Constitution and the terms and conditions of the Offer set out in this Prospectus;
- it acknowledges having personally received a printed or electronic copy of this Prospectus (and any supplementary or replacement prospectus) and the accompanying Application Forms, and having read them in full;
- it understands that the Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United States and may not be offered, sold or resold in the United States;
- is not in the United States, or acting for a person in the United States;
- it has not sent and will not send this Prospectus or any material relating to the Offer to any person in the United States; and
- it will not offer or sell the Shares in the United States or in any other jurisdiction outside Australia or New Zealand.

Each Applicant under the Institutional Offer will be required to make certain representations, warranties, acknowledgements and covenants set out in the confirmation of allocation letter distributed to it.

7.18 ASX Listing, Registers and holding statements

Application to the ASX for Listing of Aroa and quotation of Shares

Aroa will apply for admission to the Official List and quotation of the Shares on the ASX within seven days of the Prospectus Date. Aroa's ASX code is expected to be 'ARX'.

The ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that ASX may admit Aroa to the Official List is not to be taken as an indication of the merits of Aroa or the Shares offered for subscription.

If the Shares are not admitted to quotation on the ASX within three months after the Prospectus Date (or any later date permitted by law), the Offer will be withdrawn and all Application Monies received by Aroa will be refunded (without interest) as soon as practicable in accordance with the requirements of the Corporations Act.

Subject to certain conditions (including any waivers obtained by Aroa from time to time), Aroa will be required to comply with the ASX Listing Rules.

CHESS and issuer sponsored holdings

Aroa will apply to participate in ASX's Clearing House Electronic Subregister System (**CHESS**) and will comply with the ASX Listing Rules and the ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in securities quoted on the ASX under which transfers are effected in an electronic form.

When the Shares become approved financial products (as defined in the ASX Settlement Operating Rules), holdings will be registered in one of two sub-registers, an electronic CHESS sub-register or an issuer-sponsored sub-register. For all successful Applicants, the Shares of a Shareholder who is a participant in CHESS or a Shareholder sponsored by a participant in CHESS will be registered on the CHESS sub-register. All other Shares will be registered on the issuer-sponsored sub-register.

Following Completion, Shareholders will be sent a holding statement that sets out the number of Shares that have been allocated to them. This statement will also provide details of a Shareholder's Holder Identification Number (**HIN**) for CHESS holders or, where applicable, the Shareholder Reference Number (**SRN**) of issuer sponsored holders. Share certificates will not be issued.

Shareholders will subsequently receive statements showing any changes to their shareholding. Shareholders will receive subsequent statements at the end of each month or if there has been a change to their shareholding on the register and as otherwise required under the ASX Listing Rules and any applicable law. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring Broker (in the case of a holding on the CHESS sub-register) or through the Share Registry (in the case of a holding on the issuer sponsored sub-register). The Company and the Share Registry may charge a fee for these additional issuer sponsored statements.

Selling Shares before receiving a holding statement

Shareholders will need to instruct an ASX participant broker to buy and sell Shares in the Company following the Company's Admission, which may involve opening an account with such a broker in Australia.

It is the responsibility of each person who trades in Shares to confirm their holding before trading in Shares. If you sell Shares before receiving a holding statement, you do so at your own risk. Aroa, SaleCo and the Share Registry disclaim all liability, whether in negligence or otherwise if you sell Shares before receiving a holding statement, even if you obtained details of your holding through your broker.

Section 8 |

Investigating Accountant's Report

8 | Investigating Accountant's Report

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Level 11, 1 Margaret St
Sydney NSW 2000
Australia

The Directors
Aroa Biosurgery Limited
2 Kingsford Smith Place, Airport Oaks
Auckland 2022
New Zealand

The Director
Aroa Biosurgery (SaleCo) Pty Ltd
Suite 9, Level 1, 357 Military Road
Mosman NSW 2088

22 June 2020

Dear Directors

Independent Limited Assurance Report

INTRODUCTION

BDO Corporate Finance (East Coast) Pty Ltd (**BDO**) has been engaged by Aroa Biosurgery Limited (**Aroa** or the **Company**) to prepare this Independent Limited Assurance Report (**Report**) for inclusion in a prospectus proposed to be issued by the Company and Aroa Biosurgery (SaleCo) Pty Ltd (**SaleCo**), in relation to the initial public offering of shares in Aroa by the Company and SaleCo, on or about 22 June 2020 (**Prospectus**) and listing on the Australian Securities Exchange (**ASX**) (the **Offer**).

Unless stated otherwise in this Report, expressions defined in the Prospectus have the same meaning in this Report.

This Report has been prepared for inclusion in the Prospectus. We disclaim any assumption of responsibility for any reliance on this Report or on the financial information to which it relates for any purpose other than that for which it was prepared.

SCOPE

You have requested that BDO perform a limited assurance engagement in relation to the financial information described below and disclosed in the Prospectus.

The financial information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards (**AAS**) or New Zealand equivalents to International Financial Reporting Standards (**NZ IFRS**) and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

SCOPE OF REVIEW OF THE STATUTORY HISTORICAL FINANCIAL INFORMATION

You have requested BDO review the following statutory historical financial information included in the Prospectus:

- The historical statement of profit or loss for the years ended 31 March 2018 (**FY18**), 31 March 2019 (**FY19**) and 31 March 2020 (**FY20**);
- The historical statements of cash flow for FY18, FY19 and FY20; and

- The historical statement of financial position as at 31 March 2020,

together the **Statutory Historical Financial Information**.

The Statutory Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in AAS and the Company's adopted accounting policies. The Statutory Historical Financial Information has been extracted from the financial statements of Aroa for the financial periods ended 31 March 2018, 31 March 2019 and 31 March 2020 (audited by BDO Auckland). The audit was performed in accordance with International Standards on Auditing (New Zealand) (**ISAs (NZ)**).

BDO Auckland issued an unqualified audit opinion on the financial reports for the years ended 31 March 2018, 31 March 2019 and 31 March 2020.

SCOPE OF REVIEW OF THE PRO FORMA HISTORICAL FINANCIAL INFORMATION

You have requested BDO review the following pro forma historical financial information included in the Prospectus:

- The pro forma historical statements of profit and loss for FY18, FY19 and FY20;
- The pro forma historical statements of cash flow for FY18, FY19 and FY20;
- The pro forma historical statement of financial position as at 31 March 2020; and
- Associated details of the pro forma adjustments,

together the **Pro Forma Historical Financial Information**.

The Pro Forma Historical Financial Information has been derived from the Statutory Historical Financial Information of Aroa, after adjusting for the effects of pro forma adjustments described in Section 4 of the Prospectus. The stated basis of preparation is the recognition and measurement principles contained in NZ IFRS - Reduced Disclosure Regime applied to the Statutory Historical Financial Information and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in Section 4 of the Prospectus, as if those event(s) or transaction(s) had occurred as at 31 March 2020. Due to its nature, the Pro Forma Historical Financial Information does not represent the company's actual or prospective financial position, financial performance and/or cash flow.

Directors' Responsibility

The directors of Aroa are responsible for the preparation of the Statutory Historical Financial Information and Pro Forma Historical Financial Information, including its basis for preparation and the selection and determination of pro forma adjustments made to the Statutory Historical Financial Information and included in the Pro Forma Historical Financial Information. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of the Statutory Historical Financial Information and Pro Forma Historical Financial Information that are free from material misstatement, whether due to fraud or error.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the financial information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with AAS or ISAs (NZ) and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.

Review statement on the Statutory Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Statutory Historical Financial Information, as described in Section 4 of the Prospectus, and comprising:

- statutory historical statements of profit or loss for FY18, FY19 and FY20;
- statutory historical statements of cash flow for FY18, FY19 and FY20; and
- statutory historical statement of financial position as at 31 March 2020,

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 4 of the Prospectus.

Review statement on the Pro Forma Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information, as described in Section 4 of the Prospectus, and comprising:

- pro forma historical statements of profit and loss for FY18, FY19 and FY20;
- pro forma historical statements of cash flow for FY18, FY19 and FY20;
- pro forma historical statement of financial position as at 31 March 2020; and
- associated details of the pro forma adjustments,

is not presented fairly in all material respects, in accordance with the stated basis of preparation as described in Section 4 of the Prospectus.

SUBSEQUENT EVENTS

Apart from the matters dealt with in this Report, and having regard to the scope of this Report and the information provided by the Directors of Aroa, to the best of our knowledge and belief no material transaction(s) or event(s) outside of the ordinary business of Aroa not described in the Prospectus, has come to our attention that would require comment on, or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

INDEPENDENCE

BDO is a member of BDO International Ltd. BDO does not have any interest in the outcome of the Prospectus other than in connection with the preparation of this Report and participation in due diligence procedures, for which professional fees will be received. From time to time, BDO provides Aroa with certain other professional services for which normal professional fees are received.

GENERAL ADVICE WARNING

This Report has been prepared, and included in the Prospectus, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to be a substitute for professional advice and potential investors should not make specific investment decisions in reliance on the information contained in this Report. Before acting or relying on any information, potential investors should consider whether it is appropriate for their objectives, financial situation or needs.

Without modifying our conclusions, we draw attention to Section 4 of the Prospectus, which describes the purpose of the financial information, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose.

BDO has consented to the inclusion of this Report in the Prospectus in the form and context in which it is included. At the date of the Prospectus this consent has not been withdrawn. However, BDO has not authorised the issue of the Prospectus. Accordingly, BDO makes no representation regarding, and takes no responsibility for, any other statements or material in or omissions from the Prospectus.

FINANCIAL SERVICES GUIDE

Our Financial Services Guide follows this Report. This guide is designed to assist retail clients in their use of any general financial product advice in our Report.

Yours faithfully

BDO CORPORATE FINANCE (EAST COAST) PTY LTD

Sebastian Stevens

Director

Tel: +61 2 9251 4100
Fax: +61 2 9240 9821
www.bdo.com.au

Level 11, 1 Margaret St
Sydney NSW 2000
Australia

FINANCIAL SERVICES GUIDE

Dated: 18 June 2020

This Financial Services Guide (**FSG**) helps you decide whether to use any of the financial services offered by BDO Corporate Finance (East Coast) Pty Ltd (**BDO Corporate Finance, we, us, our**).

The FSG includes information about:

- Who we are and how we can be contacted;
- The services we are authorised to provide under our Australian Financial Services Licence, Licence No: 247420
- Remuneration that we and/or our staff and any associates receive in connection with the financial services
- Any relevant associations or relationships we have
- Our complaints handling procedures and how you may access them.

FINANCIAL SERVICES WE ARE LICENSED TO PROVIDE

We hold an Australian Financial Services Licence which authorises us to provide financial product advice to retail and wholesale clients about securities and certain derivatives (limited to old law securities, options contracts and warrants). We can also arrange for customers to deal in securities, in some circumstances. Whilst we are authorised to provide personal and general advice to retail and wholesale clients, we only provide *general* advice to retail clients.

Any general advice we provide is provided on our own behalf, as a financial services licensee.

GENERAL FINANCIAL PRODUCT ADVICE

Our general advice is typically included in written reports. In those reports, we provide general financial product advice that is prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of the general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

FEES, COMMISSIONS AND OTHER BENEFITS THAT WE MAY RECEIVE

We charge fees for providing reports. These fees are negotiated and agreed to with the person who engages us to provide the report. Fees will be agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. In this instance, the Company has agreed to pay us A$305,000 for preparing the Report.

Except for the fees referred to above, neither BDO Corporate Finance, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of general advice.

All our employees receive a salary. Our employees are eligible for bonuses based on overall company performance but not directly in connection with any engagement for the provision of a report.

REFERRALS

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

ASSOCIATIONS AND RELATIONSHIPS

BDO Corporate Finance is a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The general financial product advice in our report is provided by BDO Corporate Finance and not by BDO or its related entities. BDO and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

COMPLAINTS RESOLUTION

Internal Complaints Resolution Process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. Complaints can be in writing, addressed to the Complaints Officer, BDO Corporate Finance, Level 11, 1 Margaret St, Sydney NSW 2001 or by telephone or email, using the contact details at the top of this FSG.

When we receive a complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

If a complaint relating to general advice to a retail client is not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Australian Financial Complaints Authority (**AFCA**). AFCA is an independent company that has been established to impartially resolve disputes between consumers and participating financial services providers.

BDO Corporate Finance is a member of AFCA (Member Number 11843).

Further details about AFCA are available at the AFCA website www.afca.org.au or by contacting them directly via the details set out below.

Australian Financial Complaints Authority
GPO Box 3
MELBOURNE VIC 3001
Toll free: 1800 931 678
Email: info@afca.org.au

COMPENSATION ARRANGEMENTS

BDO Corporate Finance and its related entities hold Professional Indemnity insurance for the purpose of compensating retail clients for loss or damage suffered because of breaches of relevant obligations by BDO Corporate Finance or its representatives under Chapter 7 of the Corporations Act 2001. These arrangements and the level of cover held by BDO Corporate Finance satisfy the requirements of section 912B of the Corporations Act 2001.

CONTACT DETAILS

You may provide us with instructions using the details set out at the top of this FSG or by emailing - cf.ecp@bdo.com.au

Section 9 |

Intellectual Property Report

9 | Intellectual Property Report

Catalyst
INTELLECTUAL PROPERTY

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19 June 2020

The Directors
Aroa Biosurgery Limited
2 Kingsford Smith Place, Airport Oaks
Auckland 2022
New Zealand

The Director
Aroa Biosurgery (SaleCo) Pty Ltd
Suite 9, Level 1, 357 Military Road
Mosman NSW 2088

Dear Directors

Intellectual Property Report for Aroa Biosurgery Limited

1. Background and Scope

This report has been prepared by Catalyst Intellectual Property ("Catalyst IP") for Aroa Biosurgery Limited ("Aroa") for the purpose of inclusion in a prospectus relating to an Initial Public Offering of shares in Aroa ("Prospectus"). This report is directed to the patents and patent applications identified in Schedule 1 annexed to this report and the trade marks and trade mark applications identified in Schedule 2 annexed to this report. The information in this report is current as at 19 June 2020.

The information provided in this report is subject to the matters set out in section 6 of this report (Limitations and Caveats). Catalyst IP is not aware of any material changes expected to occur to the status of the matters referred to in this report between the date of this report and the date of the Prospectus.

Intellectual property includes patents, trade marks, registered designs, copyright, plant variety (breeders') rights, geographical indications, know how and trade secrets. This report deals only with intellectual property in the form of patents, patent applications, registered trade marks and trade mark applications.

2. Patents - Background

2.1. Patent Protection

Patents are granted by national and regional intellectual property offices. A patent provides a right to prevent the use, sale, importation or other unauthorised exploitation of the invention that is the subject of the patent. The protection is generally limited to actions in the countries in which protection is obtained.

The scope of protection is defined by the claims in a patent. Patents are infringed when another party does something (e.g. manufactures or sells a product) that incorporates all of the elements of at least one of the claims of the patent.

Patents generally have a maximum term of 20 years, provided renewal fees are paid in each relevant country. Most countries, but not all, require renewal fees to be paid annually.

2.2. Procedure for Obtaining Patent Protection

The most commonly used procedure for obtaining patent protection is to first file a provisional application (usually in the applicant's home country), then within 12 months of filing the provisional application file an international Patents Cooperation Treaty (PCT) application, and then within 30 months of filing the provisional application file national and regional applications in the countries and regions of interest.

A provisional application acts as a filing to obtain a priority date. Provisional applications are not examined by patent offices. They do not proceed to grant. Their role is to serve as a basis for a complete

application to be filed within 12 months of the priority date. The priority date has major importance as the date by which the requirements of novelty and inventiveness (see 2.3 below) are assessed.

Patents are granted on a national basis. There is no world-wide patent. International patent protection is based on widely adopted international conventions. If patent applications in other countries are filed within 12 months of the priority date, they retain the priority date for the purpose of assessing novelty and inventiveness.

A PCT application allows protection to be maintained in many countries for a period of 30 months from the priority date. Before the expiry of this period, national and regional filings must be made in the countries and regions of interest. The PCT currently has more than 150 members, including all OECD member countries.

In most countries, national patent applications undergo examination at national patent offices according to national laws and procedures. Patent examiners will typically check that a patent application relates to a single invention, that the invention is clearly defined in the patent claims, and that the subject matter of the application is both novel and inventive. Other aspects of the application will be examined too.

If a patent examiner finds that the legal requirements for a patent are not met, an examination report will issue and a deadline set for responding to the report. Applicants may need to respond to more than one examination report before an application is either officially allowed or refused. Most countries require certain formalities to be completed, including the payment of official fees, before the patent will then be granted.

2.3. Requirements for Patentability

The main requirements for patentability are that the invention relates to patentable subject matter, that the invention is novel and is inventive, and that the patent contains adequate disclosure of how to perform or make the invention.

To meet the requirement for novelty, the invention must not have been publicly disclosed in writing or otherwise, or offered for sale, before the priority date. The requirement of inventiveness is, in general terms, that the invention must go beyond what a person skilled in the field would consider to be obvious having regard what is understood in the field at the priority date.

2.4. Limitations of Patent Protection

There are inherent limitations in the patent system.

It is possible to challenge the validity of a patent after it has been granted by a patent office. This may be possible at the relevant patent office, through the courts, or both. A successful challenge to validity will result in the patent being narrowed in scope, or completely revoked.

There is no guarantee that a patent granted by a patent office is valid. Patent offices check that their national patent laws are complied with when patent applications are examined. But there is a risk that information in the public domain relevant to patentability, but unknown to patent examiners, will be discovered at a later time and may affect the validity of a patent.

The scope of a granted patent may be significantly different to a pending application. It is relatively common for the scope of a patent to be narrowed during the course of the patent examination process leading to a granted patent having a narrowed scope of protection. It is therefore not possible to advise with certainty on infringement of a pending patent application.

Some pending patent applications may never proceed to be granted patents. Issues raised during examination of a patent application may be insurmountable. An applicant may decide that there is insufficient justification to continue with a patent application.

It is not generally possible to enforce patent rights until a patent has been granted. However, damages in some instances and in some jurisdictions may be backdated for part of the application period.

2.5. Term

The full term of a patent is 20 years calculated from the date of filing of the complete patent application (not the date of the provisional patent application). Renewal fees must be paid annually (or less frequently in some countries) to maintain the patent for its full term. Otherwise, the patent will lapse.

2.6. Ownership

It is a requirement for validity of patents in most jurisdictions that there be a clear chain of legal title from the inventor to the applicant or owner. Challenges to proprietorship can be a basis for revocation of patents.

While employment laws in most jurisdictions provide that an invention created during the course of employment will be owned by the employer, it is important and routine practice for those named as inventors in a patent application to sign a deed of assignment formally transferring legal title in an invention to the employer.

3. Aroa's Patents

3.1. Summary

A patent family comprises one or more patents and/or patent applications that protect a single technology developments or inventive concept. The patent families listed below, and the details of which are in Schedule 1, are those families owned and controlled by Aroa and which are currently relevant to Aroa's business and commercial product pipeline.

Family 1 protects Aroa's core Endoform® technology platform. Family 2 relates to multi-layer laminated products. Family 3 relates to products having anti-fungal properties. Families 4 and 5 relate to combining negative pressure wound therapy with extracellular matrix (ECM). Family 6 relates generally to peptides released from ECM with potential therapeutic benefits.

Legal title for all patent rights has been transferred from the inventors to Aroa by way of signed deeds of assignment.

3.2. Family 1 – Tissue Scaffold

The patents in this family are directed to a tissue scaffold prepared from the forestomach of ruminant animals. The forestomach tissue is decellularised, i.e. animal cells have been removed from the tissue, and is known as extracellular matrix or "ECM". The ECM can support regeneration and growth of cells and blood vessels, and can be used for wound repair, tissue support and regeneration. This patent family relates to the Endoform® technology platform used in tissue regeneration applications.

The priority date of the patents in Family 1 is 30 July 2008. Patents have been granted in New Zealand, Australia, United States, Canada, Europe, China, Japan and South Africa. These patents will expire in 2029 except for the United States where expiry is in 2031. Applications are under examination in Brazil and India.

With the exception of the pending patent application in India, the Family 1 patents and patent applications have Aroa's former company name (Mesynthes Limited) as the registered proprietor.

3.3. Family 2 – Laminated Tissue Graft Product

This patent family is directed to a tissue graft product that has layers of ECM or a polymeric material laminated together by an innovative interlocking means. The patent family relates to Aroa's current perforated laminated multilayer products that are comprised solely of ECM.

Applications are pending in Australia, Brazil, Canada, China, Europe, India, Japan, New Zealand, United States and South Africa. The United States patent has recently been granted.

The patent applications have a priority date of 22 December 2014. Patents granted on these applications have the expiry date of 18 December 2035 (or slightly longer at 26 January 2036 in the case of the United States).

3.4. Family 3 – Collagen-Based Device Having Antifungal Properties

This patent family comprises a single patent application in the United States. The application is directed to a product for wound healing or tissue repair that comprises collagen and a tetracycline anti-fungal agent. The patent application relates to potential future products having broad spectrum antimicrobial activity based on a combination of ECM and tetracyclines.

The patent application has a priority date of 11 April 2016. A patent granted on this application will have an expiry date of at least 6 April 2037.

3.5. Family 4 - Fluid Drainage and Delivery Device

This patent family comprises a single PCT patent application. The application is directed to a device for implanting at the site of a surgical or traumatic wound for the drainage of fluid. The patent application relates to current development activities focused on combining negative pressure wound therapy with ECM.

The patent application has a priority date of 6 October 2017. Patents granted on national applications derived from this PCT application will have an expiry date of at least 3 October 2038.

3.6. Family 5 – Negative Pressure Wound Dressing

This patent family comprises a single PCT patent application. The application relates to a wound dressing for applying negative pressure to a wound. The patent application relates to current development activities focused on combining negative pressure wound therapy with ECM.

The patent application has a priority date of 7 May 2019. Patents granted on national applications derived from the PCT application will have an expiry date of at least May 2040.

3.7. Family 6 - Bioactive Agents and Methods Related Thereto

This patent family comprises a single provisional patent application filed in the United States. The application relates to peptides released from ECM with potential therapeutic benefits and to a method for identifying potentially therapeutic bioactive molecules from ECM.

The patent application was filed on 6 June 2019. Aroa intends to file a PCT patent application around June 2020. Patents granted on national applications derived from the PCT application will have an expiry date of at least June 2040.

4. Trade Marks – Background

4.1. Trade mark protection

A trade mark is a sign used to distinguish the goods and services of one business from those of another. A trade mark can be a letter, number, word, phrase, sound, smell, shape, logo or picture.

A registered trade mark provides the owner with the right to use or authorise others to use the trade mark in connection with the goods and services specified in the trade mark register for that trade mark and in the country or region where the trade mark is registered.

A trade mark can be used prior to seeking registration. However, in some countries, the first person to register the trade mark has the legal rights to the trade mark in that country, even if it has been previously used by another party.

4.2. Procedure for Obtaining Trade Mark Protection

An application to register a trade mark is filed at national trade mark offices. The application must include a description of the goods or services for which the trade mark will be used. These goods or services fall into one or more of 45 international classes.

Trade mark applications are examined to ensure that the trade mark meets the registration criteria. Once the application is officially allowed, the application will be published and open to opposition by third parties. If there is no opposition, the trade mark will be registered for an initial period of 10 years.

Trade mark applications may be filed in other countries within 6 months to claim priority from the first application. Trade mark applications may also be filed at any time as commercial interests expand to other countries.

The procedure for obtaining trade mark protection internationally may be streamlined by filing an application for international registration under a system known as the Madrid Protocol. An international application, made via the Madrid Protocol, can designate one or more countries that are party to the Madrid Agreement.

4.3. Requirements for Trade Mark Registration

The main requirements for registration of a trade mark are that the trade mark is capable of distinguishing the goods and services of the owner from those of other traders, and that the trade mark is not the same or similar to other trade marks already registered for the same or similar goods or services.

4.4. Limitations of Trade Mark Protection

Trade marks can be challenged by third parties before and after registration. This may be possible at the relevant trade mark office, through the courts, or both.

In most countries, if a trade mark is not used commercially for a period of time (usually three or five years), the trade mark registration may become open to challenge by a third party.

4.5. Term

A trade mark is registered initially for a period of 10 years. Registration of a trade mark can be maintained indefinitely in each country provided renewal fees are paid periodically (usually every 10 years). In some countries, it may be necessary to show that the trade mark is being used for the goods and services at the time the trade mark is renewed.

5. Aroa's Trade Marks

5.1. AROA BIOSURGERY

The AROA BIOSURGEY trade mark is registered in New Zealand, the European Union and the United States. The registrations have been renewed to April 2024 or 2025, depending on the jurisdiction.

The registrations are in classes 10 and 44 and relate to surgical, medical, dental and veterinary apparatus and instruments; orthopaedic materials; suture materials (class 10) and medical services; veterinary services; hygienic and beauty care for human beings or animals (Class 44).

5.2. ENDOFORM

The ENDOFORM trade mark is registered in Australia, Canada, China, the European Union, Japan, Mexico, New Zealand and the United States. The registrations have been renewed to 2021-2024 depending on the jurisdiction.

The registrations are in classes 5, 10 and 44 for New Zealand and the European Union. In other countries, the registrations are in class 10 only. Class 5 relates to pharmaceutical and veterinary preparations; sanitary preparations for medical purposes; plasters; medical, surgical and wound dressings; preparations containing collagen (medical).

5.3. MYRIAD

The MYRIAD trade mark is registered in the European Union and Mexico, and applications are pending in Australia, Canada, China, Japan, New Zealand and the United States. The European Union and Mexican registrations are due for renewal in 2029.

The registrations and applications are in classes 5 and 10 and relate to pharmaceutical and veterinary preparations; sanitary preparations for medical purposes; plasters; medical, surgical and wound dressings; preparations containing collagen (medical) (Class 5) and to surgical, medical, dental and veterinary apparatus and instruments; orthopaedic materials; suture materials (Class 10).

5.4. SYMPHONY

The SYMPHONY trade mark is registered in Australia and New Zealand, and applications are pending in Canada, China, the European Union, Japan, Mexico and the United States. The Australian and New Zealand registrations are due for renewal in 2029.

The registrations and applications are in classes 5 and 10 and relate to dressings for wounds; antiseptic preparations for wound care; medical dressings; surgical dressings; bandages for skin wounds; dressings to cover and protect wounds; preparations to cover and protect wounds; bandages for dressings; pharmaceutical preparations for wounds; medical and surgical dressings; plasters; medical, surgical and wound dressings; preparations containing collagen (medical) (Class 5) and to wound treating equipment; suture and wound closing materials; wound drainage materials; wound closures; artificial skin for surgical purposes; suture materials; surgical materials to provide a moist wound environment (Class 10).

6. Limitations and Caveats

6.1. Search Limitations

Searches for publicly available documents conducted by patent offices to determine whether a patent should be granted have limitations. The databases used in searching may not include older published documents and may not cover certain jurisdictions. Searches cannot locate documents that have not been published at the time of conducting the search. In most countries, publication of a patent application does not occur until 18 months from the earliest priority date. There can also be delays between official publication and accessibility of the publication from relevant databases.

All searches are limited to the accuracy and scope of the databases searched together with the search criteria adopted. Further, no search can be considered as conclusive or exhaustive as some forms of prior art such as public use, oral disclosures, and prior commercial exploitation cannot be searched systematically.

Searches conducted by various patent offices usually provide a reasonable indicator of patentability. However, it is not possible to guarantee that every relevant publication has been identified and considered. Accordingly, grant of a patent should be regarded as indicative, rather than conclusive, of validity of the patent.

6.2. Duty of Disclosure

In some jurisdictions there is a duty to disclose information, such as examination reports from other patent offices or published documents known to the applicant or its agents, to the relevant patent office while an application is pending. Failure to disclose this information in accordance with these obligations may adversely affect the validity or enforceability of the patent.

6.3. No Guarantee of Validity

Grant of a patent by a patent office does not provide a guarantee of its validity. In most jurisdictions, a patent application is subject to examination prior to grant. A patent may be challenged at any time after grant. In some countries a granted patent may be subjected to re-examination by the patent office, particularly if relevant information is identified that was not considered during examination of the application before grant.

6.4. No Guarantee of Non-Infringement

Grant of a patent provides no guarantee that the patent owner is entitled to commercialise the patented invention. For example, the working of an invention, even if validly patented, may nevertheless infringe an earlier patent or other intellectual property rights in the country of commercialisation.

6.5. Information Relied Upon

This report relies on information accessible from publicly available databases, from patent attorneys in foreign jurisdictions, and from other intellectual property lawyers in New Zealand who assist Aroa with trade mark matters.

Catalyst IP is not responsible for the accuracy of information in public databases and cannot guarantee the accuracy of information obtained from such databases.

Catalyst IP is not responsible for the trade mark information provided in Schedule 2 annexed to this report. The trade mark information was provided by other intellectual property advisors and was provided with representations as to the accuracy of the information.

6.6. Interests of Catalyst Intellectual Property

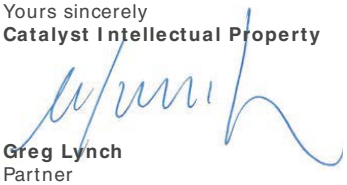
Catalyst IP has been and continues to be engaged in the preparation, filing and prosecution of patent applications and maintaining granted patents for Aroa. Catalyst IP is not involved in the filing and prosecution of trade mark applications and maintaining registered trade marks for Aroa.

Catalyst IP has no financial interest in Aroa, or any entitlement to any securities in Aroa, except that a partner of Catalyst IP, has a minor non-material financial investment in Aroa. Other than providing this report, Catalyst IP has had no involvement in the preparation of the Prospectus.

6.7. Consent

Consent for the inclusion of this report in the Prospectus in the form in which it now appears has been granted by Catalyst IP and has not been revoked as at the date of the Prospectus.

Yours sincerely
Catalyst Intellectual Property



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SCHEDULE 1 - PATENTS

Family 1 – Tissue Scaffold

Priority dates: 30 July 2008 and 24 April 2009

Application date: 30 July 2009

Expiry date: 30 July 2029 (19 April 2031 for US 8,415,149)

Country	Application No.	Patent No.	Status	Registered Owner
Australia	2009277252	2009277252	Granted	Mesynthes Limited*
Brazil	PI0916557-6	---	Pending	Mesynthes Limited*
Canada	2,731,374	2,731,374	Granted	Mesynthes Limited*
China	200980130752.7	200980130752.7	Granted	Mesynthes Limited*
Europe (Denmark, Finland, France, Germany, Ireland, Netherlands, Norway, Sweden, Switzerland, United Kingdom)	09803207.1	2326336	Granted	Mesynthes Limited*
India	308/KOLNP/2011	---	Pending	Aroa Biosurgery Limited
Japan	521063/2011	5518066	Granted	Mesynthes Limited*
New Zealand	603237	603237	Granted	Mesynthes Limited*
South Africa	2011/00289	2011/00289	Granted	Mesynthes Limited*
United States	12/512,835	8,415,149	Granted	Mesynthes Limited*
United States	13/770,623	8,758,781	Granted	Mesynthes Limited*

** former company name of Aroa Biosurgery Limited*

Family 2 – Laminated Tissue Graft Product

Priority date: 22 December 2014

Application date: 18 December 2015

Expiry date: 18 December 2035 (21 January 2036 for US 10,548,705)

Country	Application No.	Patent No.	Status	Registered Owner
Australia	2015367921	---	Pending	Aroa Biosurgery Limited
Brazil	BR112017013411-0	---	Pending	Aroa Biosurgery Limited
Canada	2,970,903	---	Pending	Aroa Biosurgery Limited
China	201580076650.7	---	Pending	Aroa Biosurgery Limited
Europe	15873715.5	---	Pending	Aroa Biosurgery Limited
India	201717023359	---	Pending	Aroa Biosurgery Limited
Japan	2017-551986	---	Pending	Aroa Biosurgery Limited
New Zealand	732814	---	Pending	Aroa Biosurgery Limited
South Africa	2017/04425	---	Pending	Aroa Biosurgery Limited
United States	15/538,349	10,548,705	Granted	Aroa Biosurgery Limited
United States	16/727,089	---	Pending	Aroa Biosurgery Limited

Family 3 – Collagen-Based Device Having Antifungal Properties

Priority date: 11 April 2016

Application date: 6 April 2017

Expiry date: 6 April 2037

Country	Application No.	Patent No.	Status	Registered Owner
United States	16/091,761	---	Pending	Aroa Biosurgery Limited

Family 4 – Fluid Drainage and Delivery Device

Priority dates: 6 October 2017 and 1 June 2018

Application date: 3 October 2018

Expiry date: 3 October 2038

Country	Application No.	Patent No.	Status	Registered Owner
Australia	2018346085	---	Pending	Aroa Biosurgery Limited
Brazil	BR112020006647-8	---	Pending	Aroa Biosurgery Limited
Canada	3,077,139	---	Pending	Aroa Biosurgery Limited
China	201880064870.1	---	Pending	Aroa Biosurgery Limited
Europe	18864016.3	---	Pending	Aroa Biosurgery Limited
India	202017018152	---	Pending	Aroa Biosurgery Limited
Japan	TBA	---	Pending	Aroa Biosurgery Limited
New Zealand	762849	---	Pending	Aroa Biosurgery Limited
United States	16/753,725	---	Pending	Aroa Biosurgery Limited
South Africa	TBA	---	Pending	Aroa Biosurgery Limited

Family 5 – Negative Pressure Wound Dressing

Application date: 7 May 2020

Expiry date: 7 May 2040

Country	Application No.	Patent No.	Status	Registered Owner
International (PCT)	PCT/NZ2020/050044	---	Pending	Aroa Biosurgery Limited

Family 6 – Bioactive Agents and Methods Related Thereto

Application date: 6 June 2019

Expiry date: June 2040 (estimated)

Country	Application No.	Patent No.	Status	Registered Owner
United States (provisional)	62/857,900	---	Pending	Aroa Biosurgery Limited

SCHEDULE 2 - TRADE MARKS

Trade Mark: AROA BIOSURGERY

Country/ Region	Application/ Registration No.	Trade Mark Classes	Status	Registered Owner
European Union	1249636	10, 44	Registered	Mesynthes Limited*
New Zealand	1004893	10, 44	Registered	Mesynthes Limited*
United States	79166210	10, 44	Registered	Mesynthes Limited*

** former company name of Aroa Biosurgery Limited*

Class 10: Surgical, medical, dental and veterinary apparatus and instruments; orthopaedic materials; suture materials.

Class 44: Medical services; veterinary services; hygienic and beauty care for human beings or animals.

Trade Mark: ENDOFORM

Country/ Region	Application/ Registration No.	Trade Mark Classes	Status	Registered Owner
Australia	1467471	10	Registered	Mesynthes Limited*
Canada	1534265	-	Registered	Aroa Biosurgery Limited
China	10375840	10	Registered	Mesynthes Limited*
European Union	10523389	5, 10, 44	Registered	Mesynthes Limited*
Japan	5490004	10	Registered	Mesynthes Limited*
Mexico	1249510	10	Registered	Mesynthes Limited*
New Zealand	844829	5, 10, 44	Registered	Mesynthes Limited*
United States	4224124	10	Registered	Aroa Biosurgery Limited

**former company name of Aroa Biosurgery Limited*

Class 5: Pharmaceutical and veterinary preparations; sanitary preparations for medical purposes; plasters; medical, surgical and wound dressings; preparations containing collagen (medical).

Class 10: For all countries except United States: Surgical, medical, dental and veterinary apparatus and instruments; orthopaedic materials; suture materials. For United States: Surgical apparatus and instruments for medical, dental and veterinary use; suture materials; non-living regenerative tissue substitute for use in wound care and soft tissue reconstruction.

Class 44: Medical services; veterinary services; hygienic and beauty care for human beings or animals.

Trade Mark: MYRIAD

Country/ Region	Application/ Registration No.	Trade Mark Classes	Status	Registered Owner
Australia	2040352	5, 10	Pending	Aroa Biosurgery Limited
Canada	1987462	5, 10	Pending	Aroa Biosurgery Limited
China	41334858	5	Pending	Aroa Biosurgery Limited
China	41334857	10	Pending	Aroa Biosurgery Limited
European Union	18129686	5, 10	Registered	Aroa Biosurgery Limited
Japan	2019127064	5, 10	Pending	Aroa Biosurgery Limited
Mexico	2066612	5	Registered	Aroa Biosurgery Limited
Mexico	2269524	10	Registered	Aroa Biosurgery Limited
New Zealand	1117295	5, 10	Pending	Aroa Biosurgery Limited
United States	88624634	5, 10	Pending	Aroa Biosurgery Limited

Class 5: Pharmaceutical and veterinary preparations; sanitary preparations for medical purposes; plasters; medical, surgical and wound dressings; preparations containing collagen (medical).

Class 10: Surgical, medical, dental and veterinary apparatus and instruments; orthopaedic materials; suture materials.

Trade Mark: SYMPHONY

Country/ Region	Application/ Registration No.	Trade Mark Classes	Status	Registered Owner
Australia	1131215	5, 10	Registered	Aroa Biosurgery Limited
Canada	1131215	5, 10	Pending	Aroa Biosurgery Limited
China	1131215	5, 10	Pending	Aroa Biosurgery Limited
European Union	1131215	5, 10	Accepted	Aroa Biosurgery Limited
Japan	1131215	5, 10	Pending	Aroa Biosurgery Limited
Mexico	1131215	5, 10	Pending	Aroa Biosurgery Limited
New Zealand	1117296	5, 10	Registered	Aroa Biosurgery Limited
United States	1131215	5, 10	Pending	Aroa Biosurgery Limited

Class 5: Dressings for wounds; antiseptic preparations for wound care; medical dressings; surgical dressings; bandages for skin wounds; dressings to cover and protect wounds; preparations to cover and protect wounds; bandages for dressings; pharmaceutical preparations for wounds; medical and surgical dressings; plasters; medical, surgical and wound dressings; preparations containing collagen (medical).

Class 10: Wound treating equipment; suture and wound closing materials; wound drainage materials; wound closures; artificial skin for surgical purposes; suture materials; surgical materials to provide a moist wound environment.

Section 10 |

Material contracts

10 | Material contracts

10.1 Licence, Product Development and Supply Umbrella Agreement with TELA Bio, Inc.

On 16 July 2015, the Company entered into a Licence, Product Development and Supply Umbrella Agreement (**Umbrella Agreement**) with TELA Bio, Inc. (**TelaBio**), a company incorporated in Delaware. The Umbrella Agreement amended and restated earlier agreements between the Company and TelaBio dated 3 August 2012 and 12 March 2013, respectively.

The Umbrella Agreement outlines the terms on which the Company licenses its intellectual property and technology rights in respect of ECM or forestomach-based medical devices, products or technologies (**Licensed IP and Technology Rights**) to TelaBio for abdominal wall reconstruction and hernia repair and breast reconstruction (together, the **Indications**) in North America (including Canada, Mexico and US territories) and Europe (together, the **Territory**) for the development, validation, commercialisation, import, export within the Territory, marketing, distribution and sale of the products in the Indications in the Territory.

The Umbrella Agreement also outlines the terms relating to the development and ownership of further intellectual property and technologies as well as terms relating to the Company's exclusive manufacture and supply of the products to TelaBio.

The material terms of the Umbrella Agreement are:

(a) **Term:** The Umbrella Agreement continues until the later of (i) 3 August 2022; and (ii) the expiry of the last patent covering licensed products. The expiry of the last patent covering licensed products is April 19, 2031. TelaBio has the option to extend the term of the agreement for an additional 10 years upon the expiration of the last patent covering the products, on commercially reasonable terms to be negotiated by the parties.

(b) **Licensed IP and Technology Rights:** The Company licenses the Licensed IP and Technology Rights to TelaBio in the Territories and in respect of the Indications. The Company may use the Licensed IP and Technology Rights in any jurisdiction outside the Territory or outside the Indications (in or outside the Territory). See Patent Details below.

(c) **Sole Ownership:** Aroa will own technology developed by Aroa that is not an improvement to any existing Licensed IP and Technology Rights and has not been developed or invented using TelaBio technology or confidential information. TelaBio will own technology developed by TelaBio, if the developed technology is not an improvement to any existing Licensed IP and Technology Rights or has not been developed or invented using Aroa technology or confidential information. All other developed technologies not solely owned by Aroa or TelaBio above will be joint technology (**Joint Technology**).

(d) **Joint Technology:** All technology developed by TelaBio which is an improvement to any existing Licensed IP and Technology Rights or is developed using Aroa technology or confidential information is Joint Technology that is jointly owned by the parties. All technology developed by the Company which is an improvement to any existing Licensed IP and Technology Rights and is developed using TelaBio technology or confidential information is Joint Technology that is jointly owned by the parties. The Company grants to TelaBio the exclusive, royalty free, licence to use of the Joint Technology in the Indications and in the Territory. TelaBio grants to the Company the exclusive, royalty free, licence to use of the Joint Technology for the development, validation, commercialisation, manufacture, import, export, marketing, distribution and sale of products outside of the Indications (in and outside the Territory) and in the Indications outside the Territory. See Patent Details below.

(e) **Patent Details**

Patents Licensed by the Company to TelaBio

Patent Family – Tissue Scaffold registered in the Territory.

Joint Technology – Patents

Family 1 – Surgical Attachment Device

Family 2 – Corner-lock Stitch Patterns

Family 3 – Compliance Control Stitching in Substrate Materials

Family 4 – Hernia Repair Grafts Having Anti-Adhesion Barriers

Family 5 – Surgical Repair Graft

Family 6 – Reinforced Orthopedic Devices and Methods

(f) **Development Responsibilities:** The Company is TelaBio's exclusive partner for the development of the products in the Indications. TelaBio is not permitted to use third party independent consultants for research and development matters relating to the products without the Company's consent.

(g) **Manufacturing Responsibilities:** The Company will serve as the exclusive manufacturer for all products in accordance with the product requirements and the product manufacturing requirements.

(h) **Goals and Goal Deadlines:** For each Indication in each Territory, TelaBio has to meet certain goals (**Goals**) by certain timelines (**Goal Deadlines**) or TelaBio will have to either extend the Goal Deadlines by 12 months by paying extension payment amounts for each Indication and each of the Territories to the Company or forfeit its licensed rights under the Umbrella Agreement. The Company may also terminate TelaBio's rights if a Goal for a particular Indication and Territory has not been achieved by the Goal Deadline.

(i) **Supply Terms:** TelaBio is to provide rolling forecasts quarterly (with a portion of such forecasts binding) and a mutually agreed lead time from purchase order for delivery. All purchase orders are binding upon submission by TelaBio. If the Company does not have the manufacturing capability to meet the forecasts, a detailed summary of costs to build capacity will be provided to TelaBio. If agreed, TelaBio will pay 50% of capital expenses to increase capacity to meet the quantities required. Any capital expansion contribution by TelaBio will be offset against future revenue sharing amounts payable by Aroa to TelaBio.

(j) **Price and Payments:**
Transfer Price: TelaBio pays the Company the Transfer Price (in USD) for the products within 30 days upon receipt of conforming products. The Transfer Price is calculated as a percentage of cost of goods sold. The Company cannot increase the Transfer Price more than once in every 12 months. The Company shall notify TelaBio each contract year of its calculation of Transfer Price and give at least 30 days' notice of any proposed increase in the Transfer Price.

Quarterly True Up: Within 30 days of the end of each calendar quarter TelaBio is to calculate the Quarterly True Up Amount for each Territory. TelaBio will pay to the Company an amount equal to the Quarterly True Up Amount if the calculation results in a positive number. If the calculation is negative, then the Quarterly True Up Amount is zero.

Annual Revenue Sharing Amount: Within 30 days following the end of each calendar year, TelaBio will prepare a summary of the aggregate Revenue Sharing Amount based on the aggregate Net Sales of all products purchased from Aroa (**Annual Revenue Sharing Amount**). The Revenue Sharing Amount is a percentage of Net Sales that has been agreed between the parties. If the Annual Revenue Sharing Amount is more than the sum of the aggregate Transfer Prices paid for the products sold by TelaBio plus the aggregate Quarterly True Up Amounts paid to the Company for the calendar year, then TelaBio shall pay the difference to the Company within 30 days following the date of the summary. If the Annual Revenue Sharing Amount is less than the sum of the aggregate Transfer Prices paid for products sold by TelaBio plus the aggregate Quarterly True Up Amounts paid to Aroa, Aroa shall pay the difference to TelaBio.

(k) **Annual Minimum by Territory:**

(l) There are minimum amounts of Transfer Prices and Quarterly True Up Amounts for each Territory in each relevant contract year up to the 5th contract year (with each contract year commencing upon product launch in each Territory) (**Minimum Amounts**).

(m) **Supply Failure:** If the Company fails to supply based on mutually agreed criteria, TelaBio has the right to work with the Company to restore manufacturing capability. If not remedied within a specified number of days, TelaBio has the right to step in to operate the Aroa plant to manufacture the products or sublicense a third party to manufacture the products for at least a specified minimum period. During a Supply Failure, the Minimum Amounts will be proportionally reduced to reflect the Supply Failure, and TelaBio will not be required to pay the Company any Transfer Prices. No Quarterly True Up Amounts or annual true up payments will be calculated or payable by TelaBio and it will instead pay the Company royalty based on a percentage of Net Sales of all such products. TelaBio is also entitled to set off its reasonable costs of exercising its rights against any future Revenue Sharing Amounts or Revenue Milestone Payments.

(n) **Other Payments:** Other payments from TelaBio to the Company include (i) an upfront non-refundable license fee for each of the Territories (which has been paid); (ii) Operational Milestone Payments on the occurrence of certain specified events; and (iii) Revenue Milestone Payments on the achievement of certain revenue milestones.

(o) **Confidentiality:** Each party agrees to keep confidential any confidential information of the other party (except on a need-to-know basis) during the term of the agreement and for a period of 10 years following the termination of the Umbrella Agreement unless otherwise agreed to in writing.

(p) **Indemnities:** The Company grants an indemnity to TelaBio for third party claims arising out of a breach of the Umbrella Agreement or any product exhibit by the Company or the use of any product by the third party where the product did not meet the applicable product requirements, product manufacturing requirements, regulations, and all applicable legal requirements or for any third party infringement or misappropriation claims for the use of the Licensed IP and Technology Rights. TelaBio indemnifies the Company for third party claims arising out of the breach of the Umbrella Agreement or any product exhibit or any third-party infringement or appropriation of TelaBio technology and/or confidential information in connection with any products.

(q) **Termination:** The Umbrella Agreement may be terminated for material breach upon ninety (90) days written notice to the breaching party (and if at the end of the 90 days the breach fails to be remedied). If the breach occurs only with respect to the North American territory or the European territory, then the termination will be in respect of that Territory only. Other termination events are where either party is dissolved, liquidated or becomes insolvent or makes any general assignment for the benefit of creditors or files a bankruptcy protection or other proceedings for protection from creditors (thirty (30) days' notice). TelaBio may additionally terminate a product exhibit (i) if a product in a product exhibit infringes IP rights of a third party (thirty (30) days written notice); (ii) receipt of an instruction from a regulatory authority that a product in a product exhibit has to be withdrawn from the market (immediately upon receipt of instruction); (iii) a supply failure that is not cured by the Company within a thirty (30) day period; and (iv) if a product proves to be unfeasible (as determined by TelaBio) with respect to technical performance, clinical results, commercial viability or competitive positioning.

(r) **Change of Control/Assignment:** A party is not able to assign or transfer its rights to a third party without the express written consent of the other party. Notwithstanding this, in the event of a change of control of a party, the Umbrella Agreement will be transferable without the other party's written consent provided that a party's successor in interest shall agree in writing to be bound by the terms of the Umbrella Agreement. If transferred due to a change of control, the transferring party will promptly notify the other party.

10.2 Shared Sales Force Agreement with Hydrofera LLC

On 24 April 2018, the Company entered into a Shared Sales Force Agreement (**Sales Force Agreement**) with Hydrofera LLC (**Hydrofera**), a limited liability company in Manchester, USA.

The Sales Force Agreement establishes an unincorporated joint venture (Joint Venture) between the parties, commencing on 1 June 2018 for the purpose of forming an alliance to share a sales force to promote, market, and sell each party's wound care products to customers in the USA and Canada (**Territory**).

The Joint Venture brand is "Appulse".

The material terms of the Sales Force Agreement are:

(a) **Term:** Commencing 1 June 2018 for an initial period of 2 years. The Sales Force Agreement will terminate unless the parties agree to continue whereupon the Agreement will continue until either party gives the other party at least 6 months prior written notice of termination. The parties have agreed to renew the Sales Force Agreement for a further 2 years after the initial Term.

(b) **Joint Venture Principles:** Some of the principles that apply are as follows:

  (i) the sales personnel that are engaged in the Joint Venture to carry out the purpose (**Personnel**) shall devote their time equally to the promotion, marketing and sales of each party's products.

  (ii) each party will continue to manufacture their wound care products under their respective brands.

  (iii) there will be equal access to information of the Joint Venture and information held by the Personnel.

(c) **Participating Interests:**

  The participating interests of each party in the Joint Venture are the following rights, liabilities and obligations determined in accordance with the Sales Force Agreement and expressed as a percentage:

  (i) the obligation to contribute to the Joint Venture expenditure; and

  (ii) the beneficial ownership as a tenant in common of an undivided share in percentage of Joint Venture property.

  The respective participating interests of the parties in the Joint Venture are split 58% Hydrofera and 42% Aroa, which is based on the weighted average of the following components:

  (i) the revenue percentage of each of the Aroa Products and Hydrofera Products relative to the total revenue of the Products. The initial revenue percentage was 67% Hydrofera and 33% Aroa;

  (ii) each party's share of sales time and sales management which will be shared equally by the parties 50%/50%;

  (iii) each party's share of any joint marketing and administrative expense which will be shared equally by the parties 50%/50%; and

  (iv) each party's share of capital expenditures which will be shared equally by the parties 50%/50%.

  Any changes to the participating interest percentages for specific activities, to reflect updated revenue amounts or any other components of the calculation of participating interest are to be mutually agreed to by the parties.

(d) **Joint Venture Property:** All Joint Venture Property will be beneficially owned and held by the parties as tenants in common in the proportion of their Participating Interests from time to time.

(e) **Operating Guidelines:** Some Operating Guidelines are as follows:

(i) Hydrofera will employ the Personnel as the legal employer for the benefit of the JV and administer the payroll, benefits and taxes;

(ii) the parties shall mutually agree on sales targets by territory for each of the Personnel;

(iii) the Joint Venture will pay the Personnel's agreed based salary, car allowance and expenses which will be considered as Joint Venture expenditure to be shared between the parties in proportion to their participating interest;

(iv) the Joint Venture shall mutually agree on commissions and any other incentive structures for each of the Personnel. The parties shall set the total sales targets for each party's products for each Personnel and shall share the cost of commissions equally for each Personnel that have met sale targets for both party's products;

(v) each party will indemnify the other against all claims by a third party against the Joint Venture or any Personnel relating to that party's products;

(vi) each party will train the Personnel, provide samples and marketing materials for their own products and manage fulfilment of orders generated by Personnel for their products, invoicing and collections from customers; and

(vii) the Joint Venture will obtain professional liability insurance covering the promotion, sale and marketing activities of Personnel. The Joint Venture shall also obtain insurance against any claims by employees. Each party shall have general liability insurance with regard to product liability relating to that party's products.

(f) **Management Committee:** A Management Committee is established to direct and supervise the operation of the Joint Venture.

(g) **Assignment:** No assignment of rights is permitted in respect of a party's rights or its participating interest without the written consent of the other party.

(h) **Termination:** Other than by way of 6 months prior written notice, the Sales Force Agreement can be terminated for material breach if the breach is not remedied within 30 days written notice of the breach is given to the other party or immediately upon the insolvency of either party.

(i) **Termination Rights:** Upon termination the parties shall each be entitled to offer employment to all Personnel and allow such Personnel to choose whom (if any) of the parties that Personnel wishes to be employed by going forward. Costs of termination (if any) will be shared by the parties in accordance with their participating interests. The parties shall be liable for all costs of termination in accordance with their participating interests. All Joint Venture Property shall be sold and the proceeds of such sale after deducting costs of termination will be divided between the parties in accordance with each party's participating interests.

(j) **Termination for material breach or insolvency:** In the event of a material breach or an insolvency event relating to a party, the non-defaulting party will be entitled to offer employment to all Personnel and the costs of termination (if any) will be shared by the parties in accordance with their participating interests. The party in breach will be liable for all costs due at the time of termination (including, for its proportionate share of advertising and other commitments made at the time of termination) and the costs of termination, in accordance with its participating interests. Outstanding payments must be settled within 5 working days of termination or of the final costs being known and advised to both parties. The non-defaulting party will be entitled to be indemnified by the party in breach for any losses suffered by the non-defaulting party arising directly from the breach (including legal costs). All Joint Venture Property shall transfer to the non-defaulting party.

(k) **Indemnities:** Each party will indemnify the other for claims or losses suffered by the other party in respect of any breach of that party to the Sales Force Agreement. Each party indemnifies the other for any claims and losses suffered by a third party against the other party, the Joint Venture or any Personnel relating to or in connection with that party's products.

10.3 Distribution Transition Agreement with Hollister Inc.

Between 2011 and 2018, Hollister Incorporated (**Hollister**) marketed and sold in certain commercial channels in the United States (**Commercial Channels**), on an exclusive basis, certain ovine collagen based wound dressings (**Products**) manufactured by the Company and supplied exclusively to Hollister pursuant to a marketing and distribution agreement between the Company and Hollister dated 14 March 2011, as later amended and restated on 31 August 2014 (**Distribution Agreement**).

On 25 January 2018 the parties executed a term sheet for the acquisition of Hollister's Endoform Business by the Company. On 2 April 2018, the Company and Hollister entered into the Distribution Transition Agreement with Hollister to confirm the termination of the Distribution Agreement, the transferring of certain materials from Hollister to the Company, and the consideration amounts in respect of the above (**Distribution Transition Agreement**).

The Company agreed, as consideration, to pay to Hollister US$15,000,000 for the termination of the Distribution Agreement and US$7,500,000 for the materials Hollister transferred to the Company. These payments were agreed to be paid as follows:

(a) contemporaneously with the execution of the Distribution Transition Agreement, an amount equal to US$1,500,000;

(b) on or before 30 June 2018, an amount equal to US$3,000,000;

(c) on or before 30 June 2019, an amount equal to US$3,000,000; and

(d) for the remaining US$14,500,000, as follows:

  (i) on 30 June 2019 if, prior to this date the Company had completed an initial public offering; or after 31 December 2018 the Company raises capital of an amount more than US$5,000,000 through any private share sale (together, a **Share Sale**); or

  (ii) if no Share Sale has occurred before 30 June 2019, the amount shall be payable by the Company on a secured promissory note issued by the Company to Hollister with a maturity date of 31 March 2021 (**Hollister Debt**), with interest payable based on the interest rate of the Wall Street Journal prime Rate plus 3% (compounded annually), with no pre-payment penalty.

On 1 July 2019, the Company entered into a promissory note as described in (d)(ii) above (**Promissory Note**).

The total payments above are secured by agreements covering (i) the Company's intellectual property assets relating only to the products which would allow Hollister to manufacture, sell and distribute the products to be placed in escrow and assigned to Hollister in the event the Company breaches its payment obligations and does not cure a breach within 30 days of written notice; and (ii) a mutually agreed bank account in the USA where the Company's receivables for product sales are deposited and subject to a deposit account control agreement between the Company and Hollister (whereby the Company shall be permitted to withdraw 70% of the value of deposits leaving 30% of the deposit value to serve as security for the Company's payment of its payment obligations, which Hollister will be permitted to withdraw in certain circumstances) (**Deposit Control Account Agreement**). A security interest has been granted to Hollister in and to such bank account as collateral security. Part of the proceeds of the Offer will be used to repay part of the Hollister Debt.

On 1 May 2020, the parties executed an amendment to the Distribution Transition Agreement and the Promissory Note where, immediately upon the repayment of 50% of the amount of the Hollister Debt under the Promissory Note which remains outstanding as of April 30, 2020, together with interest:

(a) the repayment date for the remaining unpaid balance of the Hollister Debt under the Promissory Note, together with all accrued and unpaid interest and all other amounts payable under the Promissory Note (**Remaining Debt Amount**), shall be extended to 31 March 2022; and

(b) the security is released over the Deposit Control Account Agreement, provided that, if the Remaining Debt Amount is not paid when due (i.e. 31 March 2022), the security shall be immediately reinstated.

On 5 June 2020, the Company paid up 50% of the amount of the Hollister Debt under the Promissory Note which remained outstanding as of 31 May 2020, together with accrued and unpaid interest. Consequently, the repayment date for the Remaining Debt Amount is extended to 31 March 2022 and the security interest over the Deposit Control Account Agreement has been released.

10.4 Underwriting agreement

The Offer has been underwritten by the Joint Lead Managers pursuant to an underwriting agreement between Aroa, SaleCo, Bell Potter and Wilsons (**Underwriting Agreement**). Under the Underwriting Agreement, the Joint Lead Managers have agreed to manage and underwrite the Offer.

10.4.1 Fees

Aroa must pay each of the Joint Lead Managers their 50% proportion (**Respective Proportion**) of an underwriting fee of 2.025% and a management fee of 2.025% of the gross proceeds of the Offer (**Gross Proceeds**). An incentive fee may also be paid to each Joint Lead Manager in their Respective Proportion up to an aggregate of 0.45% of the Gross Proceeds.

Aroa has agreed to reimburse the Joint Lead Managers for certain fees, expenses, disbursements and other costs incurred in respect of the Offer, including travel and other out of pocket expenses, including the legal expenses of the Joint Lead Managers.

10.4.1.2 Representations, warranties and undertakings

The Underwriting Agreement contains certain standard representations, warranties and undertakings by the Company and SaleCo to the Joint Lead Managers.

The representations and warranties given by the Company and SaleCo to the Joint Lead Managers relate to matters such as compliance with regulations and applicable laws with respect to the Offer, and any presentations, materials or announcements issued in connection with the Offer (**Offer Documents**), a proper system of due diligence having been implemented in connection with the Offer, there being no misleading or deceptive conduct by the Company or SaleCo with respect to the Offer, no insolvency with respect to any Aroa group member.

Further representations and warranties given by the Company to the Joint Lead Managers include matters relating to the Company's status, eligibility for listing, material contracts, no litigation, licences and the provision of the financial information in the Prospectus, tax and intellectual property.

The Undertakings given by the Company and/or SaleCo to the Joint Lead Managers include that the Company and SaleCo will promptly notify any breaches of the Underwriting Agreement or law, not withdraw the offer without first consulting with the Joint Lead Managers, not breach laws or the representations and warranties in the Underwriting Agreement, not amend or supplement any of the Offer Documents without the consent of the Joint Lead Managers (not to be unreasonably withheld or delayed), provide the Joint Lead Managers with any ASIC notice or correspondence with regulators, not issue any further securities or alter the capital restructure of the Company until 120 days after the Shares have been issued under the Offer, subject to certain exceptions.

10.4.1.3 Indemnity

The Company has undertaken to indemnify each of the Joint Lead Managers and certain affiliated persons against all actions, claims, demands, proceedings or judgments and liabilities incurred in connection with the Offer. This indemnity is subject to certain exceptions, including the fraud, gross negligence or wilful misconduct of the Joint Lead Managers.

10.4.1.4 Termination events

Either Joint Lead Manager may terminate the Underwriting Agreement at any time prior to the issue of Shares under the Offer by notice to the Company and SaleCo, if certain events occur, including:

- misleading or deceptive disclosures in the Prospectus and the Company does not issue a Supplementary Prospectus in accordance with its obligations under the Corporations Act;
- after the Prospectus is lodged, a new circumstance occurs in relation to the Company or SaleCo that would have been required to be included in the Prospectus if it had arisen before lodgement which is materially adverse from the point of view of an investor;
- *the due diligence report, or verification material or any other information supplied by or on behalf of the Company or SaleCo to that Joint Lead Manager in relation to Aroa or its subsidiaries or the Offer is, or becomes, misleading or deceptive (including by way of omission);
- at any time before Completion the S&P/ASX 200 Index closes 90% or less lower than the level as at the close of trading on the day before the date of the Underwriting Agreement and remains at or below that level for two consecutive business days or on the business day immediately prior to the settlement date, whichever is the shorter;
- *any adverse change occurs from what was disclosed in any Offer Document or any public information in respect of the assets, liabilities, financial position or performance, profits, losses or prospects of the Company;

- *a representation, warranty, undertaking or obligation contained in the Underwriting Agreement is breached, becomes not true or correct or is not performed by either the Company or SaleCo;
- the Company is unable to issue new Shares or SaleCo is unable to issue or transfer sale Shares within the time required by the timetable, the Offer Documents, the ASX Listing Rules, the ASX Settlement Operating Rules or by any other applicable laws;
- *other than as disclosed, a change occurs to the Company's chief executive officer, chief financial officer, or the board of directors;
- any of the following occurs:
  - » any Government Agency commences or announces it intends to take any public action against the Company, SaleCo or any of their directors in their capacity as a director;
  - » the Company or SaleCo is or becomes or is likely to become Insolvent;
  - » approval is refused, not granted or if granted, withdrawn, qualified or withheld for:
    - – the Company's admission to the official list of ASX on or before the date set out in the timetable; or
    - – the quotation of all of the Shares on ASX, or for the Shares to be traded through CHESS on or before the date of quotation;
  - » the Company or SaleCo withdraws the Prospectus, any invitations to apply for Shares under an Offer Document or all or any part of the Offer or indicates that it does not intend to proceed with the Offer or any part of it;
  - » *there is an outbreak of hostilities (whether war has been declared or not) not presently existing, or an escalation in existing hostilities occurs (whether war has been declared or not) involving any one or more of Australia, New Zealand, the United States, Canada, the United Kingdom, the People's Republic of China, Hong Kong, Singapore, South Korea, Japan or any member state of the European Union or a national emergency is declared by any one of those countries or a major terrorist act is perpetrated in any of those countries;
  - » *there is introduced, or a proposal to introduce, into the Parliament of New Zealand or Australia, any State or Territory of Australia or any province of New Zealand, a new law, or the Reserve Bank of Australia or the Reserve Bank of New Zealand, or any New Zealand federal or provincial, Commonwealth or State authority, including NZCO or ASIC, adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced before the date of the Underwriting Agreement); and
  - » any of the following occurs:
    - – a general moratorium on commercial banking activities in Australia, New Zealand, Singapore, Hong Kong, the United Kingdom, the United States, China, South Korea, Japan or any member state of the European Union is declared by the relevant central banking authority in those countries, or there is a disruption in commercial banking or security settlement or clearance services in any of those countries; or
    - – trading in all securities quoted or listed on ASX, New York Stock Exchange or the London Stock Exchange is suspended on two consecutive days on which that exchange is open for trading.

If an event referred to in one of the paragraphs above marked by an asterisk (*) occurs, a Joint Lead Manager may not terminate the Underwriting Agreement unless in the reasonable opinion of that Joint Lead Manager, the event:

(a) has, or is likely to have, a materially adverse effect on the:
  (i) marketing, outcome, success or settlement of the Offer;
  (ii) ability of that Joint Lead Manager to market, promote or settle the Offer;
  (iii) willingness of investors to subscribe for the Offer Shares; or
  (iv) the likely price at which the Offer Shares will trade on ASX; or

(b) has given, or is likely to give rise to:
  (i) a liability for that Joint Lead Manager under any law, regulation or rule of any securities exchange, regulatory body or self-regulatory body or contract relating to the Offer; or
  (ii) a contravention by that Joint Lead Manager or its affiliates of, or that Joint Lead Manager or its affiliates being involved in a contravention of, the Corporations Act or any other law, regulation or rule of any securities exchange, regulatory body or self-regulatory body or contract relating to the Offer.

Section 11 |

Additional information

11 | Additional information

11.1 Registration

Aroa was incorporated on 21 September 2007 and is registered in New Zealand, company number 1980577. Aroa was registered as a foreign company in Australia with Australian Registered Body Number (ARBN) 638 867 473 on 17 February 2020.

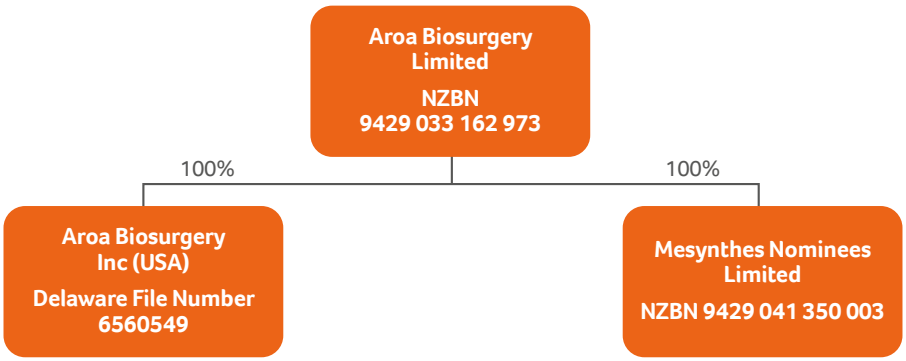
SaleCo was registered as a company incorporated in Victoria, Australia on 3 March 2020.

11.2 Aroa's tax status and financial statements

Aroa is a company incorporated in New Zealand and is registered as a foreign company in Australia and as such, it will be treated as a foreign company for Australian taxation purposes. Aroa's financial year ends on 31 March, annually. The financial statements of the Company will be prepared in accordance with NZ GAAP. The Company complies with NZ IFRS RDR, and other applicable Financial Reporting Standards as appropriate for profit-orientated entities. The financial statements of the Company will continue to be audited in accordance with International Standards on Auditing and International Standards on Auditing (New Zealand).

11.3 Corporate Structure

The corporate structure of Aroa and its wholly-owned subsidiaries is:



Aroa Biosurgery Inc. is a wholly owned subsidiary of Aroa registered under the laws of the State of Delaware in the United States and is the operating subsidiary of Aroa in the United States.

Mesynthes Nominee Limited is a wholly owned subsidiary of Aroa incorporated under the laws of New Zealand and operates only as a nominee vehicle to hold legal title as bare trustee of certain employee and other shareholder interests in the Company.

11.4 Sale of Shares by SaleCo

SaleCo, a special purpose vehicle, has been established to facilitate the sale of Shares by the Selling Shareholders.

The Shares which SaleCo acquires from the Selling Shareholders will be transferred to successful Applicants at the Offer Price. The price payable by SaleCo to the Selling Shareholders for these Shares is the Offer Price (net of the Selling Shareholders proportion of any selling costs).

SaleCo has no material assets, liabilities or operations other than its interests in and obligations under its agreements with the Selling Shareholders and the Underwriting Agreement. The sole shareholder of SaleCo is Phil McCaw and the sole director of SaleCo is John Diddams.

Aroa has agreed with SaleCo to provide such resources and support as are necessary to enable SaleCo to discharge its functions in relation to the Offer and Aroa has indemnified SaleCo in respect of 50% of SaleCo's costs of the sale of the Selling Shareholders' Shares, the remaining 50% to be funded proportionately by each Selling Shareholder. Aroa has agreed to indemnify the sole shareholder and sole director of SaleCo for any loss suffered or incurred by that person acting in that capacity that arises in connection with the Offer (excluding any loss arising from any criminal, fraudulent, dishonest or malicious act), to the extent that such loss is not reimbursed by SaleCo or covered by insurance, and only to the extent permitted by law.

11.5 Capital structure

The table below details the different classes of securities that are issued in the capital of the Company as at the Prospectus Date, and as at Admission, and the options that have not been exercised under the Aroa Biosurgery Share Option Plan as at the Prospectus Date and as at Admission:

TYPE OF SECURITY	NUMBER OF SHARES/ OPTIONS AS AT PROSPECTUS DATE	NOTES	NUMBER OF SHARES/ OPTIONS ON ADMISSION
Series A Preference Shares	80,970,750	Preference shares convert automatically to Shares on Settlement Date.	Nil
Series B Preference Shares	59,856,600	Preference shares convert automatically to Shares on Settlement Date.	Nil
Series C Preference Shares	61,438,725	Preference shares convert automatically to Shares on Settlement Date.	Nil
Warrants	3,860,850	Warrants will convert to Series C Preference shares, followed by automatic conversion to Shares on the Settlement Date.	Nil
Ordinary shares (unpaid)	4,365,000	Fully paid on the Settlement Date.	Nil
Ordinary shares (fully paid)	49,586,025		260,074,950
Ordinary Shares to be issued under the Offer	Nil		40,000,000
Total Ordinary shares on issue at Admission			300,074,950
Options	3,173,475	Exercise Price NZ$0.10, Expiry: 1 October 2028	3,173,475
Options	1,440,000	Exercise Price NZ$0.11, Expiry: 30 November 2029	1,440,000
Options granted conditional on Admission	Nil	Exercise Price A$0.75, Expiry: 5 years from grant	6,177,000
Total fully diluted share capital	264,688,425		310,865,425

11.6 Applicable Law

11.6.1 The Company is a New Zealand company

The Company is a company incorporated in New Zealand and is principally governed by New Zealand law, rather than Australian Law. In Australia the Company is registered with ASIC as a foreign company with Australian Registered Body Number 638 867 473. As the Company is not established in Australia, its general corporate activities (apart from any offering of securities in Australia and certain reporting and disclosure obligations) are not regulated by the Corporations Act or by ASIC but instead are regulated in New Zealand by New Zealand law including the Companies Act, *Financial Markets Conduct Act 2013*, Financial Markets Conduct Regulations 2014 and by the New Zealand Financial Markets Authority and Registrar of Companies.

Set out below is information summarising key features of the laws that apply to the Company as a New Zealand company (under New Zealand law, including as modified by exemptions or waivers) compared with the laws that apply to Australian publically listed companies generally. It is important to note that this summary does not purport to be a complete review of all matters of New Zealand law applicable to the Company or all matters of Australian law applicable to Australian publically-listed companies or to highlight all provisions that may differ from the equivalent provisions in Australia.

Unless otherwise stated, the Corporations Act provisions do not apply to the Company as a foreign company.

11.6.2 Concise summary of rights and obligations of security holders, and substantial holdings and takeovers, under New Zealand law

Transactions requiring shareholder approval

The principal transactions or actions requiring shareholder approval under the Companies Act include the following: altering the Constitution of the company, appointing or removing a director or auditor, "major transactions" (being transactions involving the acquisition or disposition of assets, the acquisition of rights or interests or the incurring of obligations or liabilities, the value of which is more than half the value of the company's total assets), amalgamations (other than between the company and its wholly-owned subsidiaries), putting the company into liquidation and changes to the rights attached to shares. These are broadly comparable to the transactions for which shareholder approval is required under the Corporations Act. However, the Corporations Act also requires shareholder approval for certain transactions affecting share capital (e.g. all share buybacks and share capital reductions) and there is no shareholder approval requirement for "major transactions" under the Corporations Act (although certain related party transactions require shareholder approval).

Shareholders' right to request or requisition a meeting

The rights of shareholders to request in writing a meeting be called by the board under the Companies Act (shareholders holding shares carrying at least 5% of voting rights entitled to be exercised on the issue may make such a request) are comparable to such rights under the Corporations Act. The Corporations Act also provides that shareholders with at least 5% of votes that may be cast at the general meeting may also call and arrange to hold a meeting at their own expense.

Appointment of Proxies

Shareholders have the right to appoint a proxy to attend and vote at meetings on their behalf (as if the proxy were the shareholder) under the Companies Act and the Corporations Act.

Under the Companies Act a proxy must be appointed by notice in writing signed by or, in the case of an electronic notice, sent by the shareholder to the company. The notice of appointment must state whether the appointment is for a particular meeting or a specified term.

Changing rights attaching to shares

The Companies Act provides that a company must not take action that affects the rights attached to shares unless that action has been approved by a special resolution of each affected interest group. (An "interest group" in relation to an action or proposal affecting the rights attached to shares means a group of shareholders whose affected rights are identical and whose rights are affected by the action or proposal in the same way and who comprise the holders of one or more classes of shares in the company). Under the Corporations Act, if a company's constitution does not set out a procedure for varying or cancelling rights attached to shares in a certain asset class, such rights may only be varied or cancelled by special resolution of the shareholders of that class or with written consent of shareholders with at least 75% of the votes in that class.

Relief from oppressive conduct

Under the Companies Act, a shareholder or former shareholder of a company (or any other entitled person) who considers that the affairs of a company have been (or are being, or are likely to be) conducted in a manner that is (or any act or acts of the company have been, or are, or are likely to be) oppressive, unfairly discriminatory, or unfairly prejudicial to him or her, in any capacity, may apply to the court for relief. The court may, if it thinks it is just and equitable to do so, make such orders as it thinks fit. Under the Corporations Act Shareholders have statutory remedies for oppressive or unfair conduct of the company's affairs and the court can make any order as it sees appropriate.

Legal proceedings on behalf of the Company

Under the Companies Act, a court may, on application of a shareholder or director of a company, grant leave to that shareholder or director to bring proceedings in the name and on behalf of the company or any related company, or intervene in proceedings to which the company or any related company is a party, for the purpose of continuing, defending or discontinuing the proceedings on behalf of the company or related company.

Leave may only be granted if the court is satisfied that either the company or related company does not intend to bring, diligently continue or defend, or discontinue the proceedings, or it is in the interests of the company or related company that the conduct of the proceedings should not be left to the directors or to the determination of shareholders as a whole. No proceeding brought by a shareholder or director or in which a shareholder or director intervenes with leave of the court (as described above) may be settled or compromised or discontinued without the approval of the court.

The position is broadly comparable under the Corporations Act.

11 | Additional information (continued)

"Two strikes" equivalent

There is no equivalent in New Zealand of a "two strikes" rule in relation to remuneration reports. New Zealand companies are not required to publish remuneration reports so shareholders necessarily cannot vote on them. There is, however, an obligation to state in the company's annual report in respect of each director or former director of the company, the total of the remuneration and the value of other benefits received by that director or former director from the company during the relevant accounting period and, in respect of employees or former employees of the company (not being directors of the company) who received remuneration and any other benefits in their capacity as employees during the relevant accounting period, the value of which was or exceeded $100,000 per annum, the number of such employees, stated in brackets of $10,000.

Takeovers and substantial holdings

The New Zealand position under the Takeovers Code (as set out in the Takeovers Regulations 2000) and the *Financial Markets Conduct Act 2013* is broadly comparable to the Australian position in relation to the regulation of takeovers. The New Zealand takeovers regime, not the Australian takeovers regime, will apply to the Company as a foreign company. A 20% threshold applies (under which a person is prevented from increasing the percentage of voting rights held or controlled by them in excess of that threshold or from becoming the holder or controller of an increased percentage of voting rights if they already hold or control more than 20% of the voting rights), subject to certain "compliance options" (including full and partial offers, 5% creep over 12 months in the 50% to 90% range, and acquisitions with shareholder approval). Compulsory acquisitions are permitted by persons who hold or control 90% or more of voting rights in a company.

Under New Zealand law, there is no requirement for a shareholder of the Company to issue a substantial holding notice of holdings above 5% and because the Company is a New Zealand company the Australian law regarding substantial shareholder notices does not apply to the Company. However, a Shareholder may voluntarily disclose such information if it chooses to do so and a number of New Zealand companies that are listed on ASX experience shareholders lodging notices similar to a substantial shareholder notice that is required under Australian law notwithstanding that there is no requirement to do so.

Filing of documents

The Company must prepare and file the following documents with the New Zealand Companies Office every year:

- annual financial statements if it is a "large company", and more than 25% of its shares are held by persons outside New Zealand, under the *Financial Reporting Act 2013* and the *Companies Act 1993* (including the statement of financial position, statement of financial performance, statement of cashflows, statement of movements in equity, statement of accounting policies, notes to the accounts and an audit report); and
- an annual return required under the Companies Act.

The New Zealand Companies Office must also be notified of certain changes (e.g. the appointment or resignation of directors or changes to the company's constitution).

As a registered foreign company in Australia, the Company has limited filing obligations with ASIC. Certain filings that the Company makes in New Zealand, including financial statements, will be automatically 'filed' with ASIC under an arrangement between ASIC and the New Zealand Companies Office. Any announcements made to ASX are also automatically filed with ASIC.

Requirement for information to be sent to shareholders

Under the Companies Act, the Company must send the following information to its shareholders:

- an annual report (or a statement as to how to obtain it);
- a notice of meeting of shareholders (including, where applicable, such information as necessary to enable shareholders to appraise the implications of the proposed resolutions);
- a disclosure document where the board of the company proposes to acquire or redeem shares in the Company or offer financial assistance;
- where requested by a shareholder, a statement that sets out the information about the shareholder's shareholding and the rights attached to that shareholder's shares; and
- information requested by a shareholder or an explanation as to why the Company has refused to provide the information.

11.7 Employee incentive plans

Historically, Aroa has operated two employee and executive incentive plans: the Aroa Employee Incentive Share Plan and the Aroa Biosurgery Share Option Plan.

Prior to Admission, the Board resolved to wind up the Aroa Employee Incentive Share Plan.

The Aroa Biosurgery Share Option Plan will continue following the Company's Admission, and Aroa intends to continue to make grants of options under the Plan.

11.7.1 Aroa Employee Incentive Share Plan (Share Plan)

Aroa operated the Share Plan from 2014. The commercial reasoning behind the operation of the Share Plan was to align the interests of employees with the interests of Shareholders through the grant of equity in the Company. In 2018, new tax laws were introduced in New Zealand in relation to employee share ownership plans. The Company decided not to make any further grants or issues of shares under the Share Plan and to "grandfather" the Share Plan until 1 April 2022 (for vested shares which remained unpaid). No grants of shares under the Share Plan have been made since 2018. The Company has resolved to wind up the Share Plan immediately prior to the Company's Admission.

Aroa offered employees the opportunity to participate in the Share Plan by offering unpaid ordinary shares in the Company (**Scheme Shares**) to employees and senior executives that then vested in tranches over a specified timeframe set out in an offer letter (usually three years). Subject to the Board's right to make an earlier call on the Scheme Shares, any vested Scheme Shares needed to be paid up by the shareholder by the 10th anniversary of their issue.

Under the terms of the Share Plan, a liquidity event (including a Listing), triggers the right for the Board to make a call on all amounts that remain unpaid on the Scheme Shares. In connection with the Listing, the Board resolved to make the call but at the same time offered employees (but not directors) who held Scheme Shares the opportunity to take out an interest free loan from the Company to pay up their Scheme Shares. The maximum amount of the loan from the Company is NZ$0.8 million.

The principal terms of the loan are:

- the employee must apply the loan solely to pay up their Scheme Shares (which will then cease to be Scheme Shares and become Shares);
- the loan is interest free;
- the employee can repay the loan at any time, and in any number of repayments, but must repay the loan by 31 March 2022, or upon the Shares being sold, whichever is the earlier;
- the employee grants security over any Scheme Shares in the Company that he or she has received (even where those Scheme Shares have been paid up in full and become Shares) in favour of the Company, and the employee appoints the Company as attorney to give effect to the rights conferred on it as lender; and
- where the sale of Shares which have been given as security for the loan is insufficient to repay the loan, the employee will remain liable to the Company for the balance owing, which will then be immediately repayable.

Upon taking out the loan from the Company, employees entered into a Deed of Adherence, which provides that the Scheme Shares will continue to be held by Mesynthes Nominee Limited, even once fully paid up. Until the employee has repaid the loan, legal title to the Shares cannot be transferred to the employee or to anyone else and any dividends paid out will first be applied to repayment of the loan.

Upon being paid up prior to Admission all Scheme Shares will become Shares, and the Share Plan will be wound up (apart from the arrangements in relation to the loan described above). Any Scheme Shares that are not fully paid up at Admission (whether by loan or otherwise) will be forfeited.

11.7.2 Aroa Biosurgery Share Option Plan (Option Plan)

Aroa grants certain employees and executives options to subscribe for ordinary shares, the number of which are set out in a letter of invitation (**Invitation Letter**) given to the employee or executive. The Option Plan is intended to retain employees and executives of the Company and may also be used as equity based compensation for Directors.

If the employee or executive wishes to accept the grant of options, they sign the Invitation Letter and return it to the Board. If the employee or executive does not accept the grant of options within the time period specified, the grant will be deemed to have been cancelled and the right to receive options under the grant will lapse immediately.

The material terms of the Option Plan are as follows:

Term	Meaning
Eligibility	Participants must be an employee of Aroa or an employee of a subsidiary of Aroa (or otherwise provide services to or for the benefit of Aroa or a subsidiary of Aroa), or a Director.
Administration	The Option Plan is administered by the board of directors of Aroa (**Board**), or a person nominated by the Board to administer the plan.
Option	Each Option will be issued for nil consideration and entitles the Participant to subscribe for one ordinary share in the Company at an exercise price which is determined by the Board and specified in the Invitation Letter. For grants made at the time of the Listing, the exercise price for each Option is the Offer Price. For grants made after Admission, the exercise price for each Option will be the higher of the share price at the last capital raise and the volume weighted average price of Shares on the ASX for the five trading days (**5 day VWAP**) immediately preceding the grant date, unless the Board determines otherwise.
Award	The Board has the discretion to set the terms and conditions on which it will offer Options under the Option Plan, including the number of options granted to each Participant, the vesting dates (**Vesting Dates**) and the vesting conditions. These matters will be set out in the Invitation Letter to the relevant person.
Exercise	Any Option may be exercised on the Vesting Date or any Business Day after the Vesting Date up until the Termination Date (which will be 10 years or such other date as the Board specifies in the Option Letter). For grants made at the time of the Listing, the termination date will be five years after the grant of the Options, whilst it is 10 years for all grants made prior to the Listing. The individual may exercise part or all of their Options set out in a vested tranche by giving the Company notice of exercise (**Exercise Notice**).
Exercise Price	Subject to the Board determining otherwise, any grant of Options under the Option Plan made after Admission will have an exercise price of the higher of (1) the share price at the last capital raising or (2) the 5 day VWAP immediately preceding the date of grant. For grants made at the time of the Listing, the exercise price for each Option is the Offer Price.
Payment or cashless exercise	The Exercise Notice must be accompanied by payment of the aggregate Exercise Price or arrangements acceptable to the Company in relation to such payment. At the Board's discretion, the Company may facilitate a cashless (net settled) exercise by issuing a reduced number of ordinary shares to the participant, such number of ordinary shares to be equal to: a) an amount equal to the difference between the current value of the shares (being the 5 day VWAP) and the Exercise Price of the shares, multiplied by the number of Options being exercised, divided by b) the current value of the Shares.
Shares	Shares issued under the Option Plan will rank equally with the other issued Shares. Depending on the terms of issue, the Shares may be subject to disposal restrictions, which means that they may not be disposed or dealt with for a period of time.
Quotation	Options will not be quoted on the ASX. The Company will apply for quotation on ASX of Shares issued on exercise of any Options.
Holding vehicle	Participants were required to hold any Shares issued pursuant to the exercise of the Option in the name of Mesynthes Nominee Limited. By agreeing to subscribe for Options, the employee agrees to be bound by the Mesynthes Nominee Deed. This requirement will cease upon Admission for all grants, whether made before or after Admission.

Term	Meaning
Cessation of employment	If a Participant leaves the employment of the Company or any subsidiary for whatever reason, the Participant's Options that have reached their Vesting Date, together with any other Options as may be nominated at the discretion of the Board in extraordinary circumstances (such as the redundancy, permanent disablement or death of a Participant) may be exercised within a period of 90 days (following which they will lapse) and the Participant's other Options will lapse immediately, subject to overall Board discretion.
Change of control	The Board has the discretion to accelerate vesting of Options in the event of certain types of change of control transactions involving Aroa.
Restrictions	Without the prior approval of the Board, Options may not be sold, transferred, encumbered or otherwise dealt with. The Board may cancel any Option which becomes subject to a breach by a Participant under this clause.
Amendments	To the extent permitted by all applicable laws, the Board retains the discretion to vary the terms and conditions of a Participant's participation in the Option Plan with the agreement of the Participant, and may amend the Option Plan if the Board considers that the interests of Participants affected are not materially prejudiced.

11.8 Summary of rights and liabilities of Shares and key terms of the Constitution

11.8.1 Introduction

The rights and liabilities attaching to ownership of Shares arise from a combination of the Constitution, New Zealand statute, the ASX Listing Rules and New Zealand law generally.

Summaries of the significant rights and liabilities attaching to the Shares and of the other material provisions of the Constitution are set out below. The matters summarised below are derived from the Constitution, New Zealand statute and New Zealand law generally. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of Shareholders. The summary assumes that Aroa is admitted to the Official List.

11.8.2 Rights attaching to Shares

The rights attaching to the Shares are set out in the Constitution and the Companies Act and are, in certain circumstances, further regulated by the ASX Listing Rules, the ASX Settlement Operating Rules and the general law.

The principal rights, liabilities and obligations of the Shareholders are summarised below.

Voting

At a meeting, every Shareholder present in person, or by proxy, or representative, has one vote on a show of hands (unless a Shareholder has appointed more than one proxy) and one vote on a poll for each Share held (with adjusted voting rights for partly paid shares). If the votes are equal on a proposed resolution, the chair of the meeting does not have a casting vote.

Dividends

Subject to the Companies Act, the Board may authorise the Company to pay any interim and final dividends that, in its judgement, the financial position of Aroa justifies. The Board may fix the record date for any such dividend and the timing and method of payment.

Issue of further Shares

Subject to the Constitution, the Board may issue Shares that rank as to voting or distribution rights, or both, equally with or in priority to any existing Shares. Any such issue will not be treated as an action affecting the rights attached to those existing Shares unless the terms of issue of those Shares expressly provide otherwise.

Variation of class rights

The Company must not take action that affects the rights attached to the Shares unless that action has been approved by a special resolution of each interest group.

11 | Additional information (continued)

Transfer of Shares

Subject to the Constitution and to any restrictions attached to a Share, Shares may be transferred in accordance with the ASX Settlement Operating Rules, any other ASX requirements and the Companies Act or via a written transfer in any usual form or in any other form approved by the Board and permitted by the relevant laws and ASX requirements. The Board may refuse or delay the registration of any transfer of Shares (subject to their terms of issue) or, in certain circumstances detailed in the Constitution, ask ASX Settlement to apply a holding lock over Shares to prevent a proper ASX Settlement transfer, if permitted to do so by the Companies Act, ASX Listing Rules or ASX Settlement Operating Rules.

Meetings and notices

Each Shareholder is entitled to receive notice of, attend and vote, at Shareholder meetings of Aroa and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, Companies Act and ASX Listing Rules. Aroa must give at least 10 working days' written notice of a Shareholders' meeting.

Liquidation

Subject to the Constitution, the Companies Act and any preferential rights attaching to any class or classes of Shares, Shareholders will be entitled on liquidation of the Company to a share in any surplus assets of Aroa in proportion to the Shares held by them. The liquidator may, with the approval of Shareholders by ordinary resolution, but subject to any other sanction required by the Companies Act, divide the whole or part of the surplus assets of Aroa among Shareholders. For this purpose, the liquidator may fix such values for surplus assets as the liquidator considers to be appropriate and decide how the division is to be carried out as between Shareholders or different classes of Shareholders. The liquidator may also, with the approval of Shareholders by ordinary resolution, vest the whole or any part of any such surplus assets in trustees upon such trusts for the benefits of such of those Shareholders as the liquidator thinks fit.

Unmarketable parcels

In accordance with the ASX Listing Rules, the Board may sell Shares which constitute less than a marketable parcel by following the procedures set out in the Constitution.

Directors – appointment and removal

Under the Constitution Directors are elected or re-elected at general meetings of Aroa by ordinary resolution of Shareholders.

No Director (excluding any managing director) may hold office without re-election by Shareholders beyond the third annual general meeting following the meeting at which the Director was last elected or re-elected. The Board may also appoint a Director in addition to the existing Directors or to fill a vacancy on the Board, and that Director (apart from the managing director) will then hold office until the conclusion of the next annual general meeting of Aroa but is eligible for election by Shareholders at such meeting.

The Constitution states that subject to the board resolving otherwise, if an executive director ceases to be an executive of the Company, then the executive director will have to vacate the office of director. The board has resolve that, if Brian Ward, the current executive director, ceases to be an executive of the Company, his appointment as a director will not cease but will continue and be governed by the terms relating to Directors under the Constitution.

Directors – voting

Questions arising at a meeting of the Board must be decided by a majority of votes cast by the Directors present at the meeting and entitled to vote on the matter. If the votes are equal on a proposed resolution, the chair of the meeting does not have a casting vote.

Directors – remuneration

Under the Constitution, the Board may, subject to the ASX Listing Rules, authorise the remuneration and other benefits from Aroa to and for which each Director is entitled for his or her services as a Director. However, the total amount provided to all Directors for their services as Directors must not exceed, in aggregate in any financial year, the amount approved and fixed by the shareholders of Aroa in a general meeting. The remuneration of a Director (who is not a managing director or an executive director) must not include a commission on, or a percentage of, profits or operating revenue.

Directors may be paid for reasonable travel and other expenses incurred in attending to Aroa's affairs, including attending and returning from meetings of Directors or committees or general meetings. Any Director who devotes special attention to the business of Aroa or who performs services which, in the opinion of the Board, are outside the scope of ordinary duties of a Director, may be remunerated for the services (as determined by the Board) out of the funds of the Company.

Powers and duties of Directors

The business and affairs of Aroa are to be managed by or under the direction of the Board, which (in addition to the powers and authorities conferred on it by the Constitution) may exercise all powers and do all things that are within Aroa's power and the powers that are not required by law or by the Constitution to be exercised by Aroa in a general meeting.

Indemnities

The Company shall indemnify each director of the Company, and may indemnify an employee of the Company or a director or employee of a related company, for any liability or costs for which a director or employee may be indemnified under the Companies Act. The Board may determine the terms and conditions of such an indemnity.

The Company may, with the prior approval of the Board, effect insurance for a director or employee of the Company or a related company for any liability or costs for which a company may effect insurance for a director or employee under the Companies Act. The Board may determine the amounts and the terms and conditions of any such insurance.

Access to records

In addition to the Company records available for public inspection, the Companies Act provides a right to the Shareholder to inspect, by written request, the following Company records:

(a) minutes of all meetings and resolutions of Shareholders:

(b) copies of written communications to all Shareholders or to all holders of a class of shares during the preceding 10 years, including annual reports, financial statements, summary financial statements (if any), and group financial statements;

(c) certificates given by directors under the Companies Act: and

(d) the interests register of the company.

The Companies Act also provides a right to the Shareholder to obtain information held by the Company by written request. In certain circumstances this request may be refused by the Company. Alternatively, a Shareholder may make an application to the court seeking the appointment of a suitable person to inspect and copy the Company's records or other documents. The appointed person can be the Shareholder making the application, or a third party.

11.8.3 Amendment to Constitution

The Constitution may be amended only by a special resolution passed by Shareholders.

11.9 Litigation and claims

The Directors are not aware of any litigation of a material nature instituted, pending or threatened involving Aroa or any of its subsidiaries.

11.10 Taxation considerations

This Section 11.10 contains general taxation comments which consider the Australian and New Zealand taxation implications for Australian and New Zealand tax residents only. The tax implications for holders of the Shares in Aroa relate to the receipt of dividends and potential gains on the disposal of the Shares.

The comments do not purport to provide tax advice to any particular investor and should not be relied upon as the tax position of each investor may vary depending on the specific circumstances of the investor. We recommend each investor seek their own independent income tax advice based on their particular circumstances. All current or potential investors in Aroa are urged to obtain independent financial advice about the consequences of acquiring the Shares from a taxation point of view and generally.

To the maximum extent permitted by law, Aroa, its officers, Directors, and each of their respective advisers accept no liability or responsibility with respect to the taxation consequences of acquiring or disposing of Shares issued or sold under this Prospectus.

11.10.1 Taxation considerations (Australia)

The Australian and New Zealand taxation implications for Australian tax resident shareholders are as follows.

Shares in Foreign Company

Generally, a foreign company is a resident of Australia if it carries on business in Australia and has either its central management and control in Australia or its voting controlled by shareholders who are residents of Australia.

In order for the foreign company to be considered a tax resident company of Australia, the foreign company must satisfy both conditions. Aroa does not carry on a business in Australia as such, it is not necessary to consider whether Aroa's central management and control is in Australia or if it's voting power is held by Australian resident shareholders. Having said that, the Board and Senior Leadership Team of Aroa are based in New Zealand.

Aroa would not be a tax resident of Australia for taxation purposes. Furthermore, the issue or sale of the Shares as a result of the Listing would not change the residency status of the Company for income tax purposes. Therefore, the Shares issued or sold as a result of the Listing would be considered a foreign sourced asset (i.e. shares in a foreign company) in the hands of Australian tax resident shareholders.

Foreign Sourced Dividends – Australia

Australian tax residents are subject to Australian income tax on their worldwide income (i.e. Australian and foreign sourced income). Where Aroa declares and pays a dividend to Australian shareholders, foreign sourced imputed dividends would be included in the assessable income of the Australian Shareholders including a foreign tax credit for any New Zealand non-resident withholding tax deducted from the dividend.

Noting that, the underlying income tax paid by Aroa would not qualify as a foreign tax credit and as such, the Australian shareholders would not be able to claim a tax credit in computing their Australian tax position.

Non-Resident Dividend Withholding Tax – New Zealand

The imputed dividends paid to the Australian Shareholders would be subject to non-resident dividend withholding tax at a rate of 15%. Noting that if the dividend is fully imputed and paid to a non-resident who holds greater than 10% shareholding interest in the Company, the non-resident dividend withholding tax rate is 0%.

Capital Gains – Australia

The capital gains tax provisions generally apply to transactions which involve the disposal of an asset (i.e. shares, options, etc.) acquired on capital account as such, the disposal of the Shares would be a CGT event. A capital gain will arise where the capital proceeds on disposal exceed the cost base of the shares (broadly, the amount paid to acquire the shares plus any transaction costs incurred in relation to the acquisition or disposal of the shares). In the case of an arm's length on-market sale, the capital proceeds will generally be the cash proceeds received from the sale of the shares.

A CGT discount may be applied against the net capital gain where the Shareholder is an individual, complying superannuation entity or trustee, and the Shares have been held for more than 12 months prior to the CGT event. Where the CGT discount applies, any capital gain arising to individuals and entities acting as trustee (other than a trust that is a complying superannuation entity) may be reduced by one-half after offsetting current year or prior year capital losses. For a complying superannuation entity, any capital gain may be reduced by one-third, after offsetting current year or prior year capital losses.

Alternatively, a capital loss will be realised where the reduced cost base of the Shares exceeds the capital proceeds from disposal. Capital losses may only be offset against capital gains realised by the Shareholder in the same income year or future income years, subject to certain loss recoupment tests being satisfied. Capital losses cannot be offset against other assessable income.

Profit Making Intention – Australia

Any gain derived by Australian Shareholders who acquire their Shares on revenue account (i.e. an Australian shareholder carrying on the business of share trading), may be assessable as ordinary income for Australian taxation purposes noting that, the general CGT discount concession would not be available. Correspondingly, any loss made on disposal may be deductible.

Capital Gains – New Zealand

New Zealand does not have a CGT regime. However, income tax is payable if the Shares were acquired with the intention of resale (i.e. Shares held on revenue account). Generally, the issue and disposal of the Shares under the Listing should not be subject to New Zealand income tax provisions.

11.10.2 Tax Considerations (New Zealand)

The Australian and New Zealand taxation implications for New Zealand tax resident shareholders are as follows.

Foreign Sourced Dividends – Australia

New Zealand tax residents are subject to Australian income tax on their Australian sourced income only (i.e. foreign sourced income is not subject to Australian income tax). The source of the dividends paid by Aroa would be sourced from New Zealand as the business operations to generate the dividends is carried on in New Zealand and other foreign jurisdictions excluding Australia. Therefore, the dividends paid by Aroa would not be subject to Australian income tax provisions as the dividends would constitute foreign sourced income from an Australian income tax perspective.

Resident Dividend Withholding Tax – New Zealand

Dividends declared and paid by Aroa would ordinarily be taxable dividends for New Zealand tax purposes. Aroa could pay imputed dividends to its shareholders with attaching New Zealand tax credits. Fully imputed dividends would be subject to 5% resident withholding tax payable by the company and as such, the respective New Zealand tax resident Shareholders would receive a New Zealand tax credit to offset against their tax liability.

Capital Gains – Australia

New Zealand tax residents are subject to Australian income tax on their Australian sourced income only to the extent that the disposal of foreign assets would not be subject to Australian income tax in particular, any capital gain or loss that a foreign tax resident realises from a CGT event at happens in relation to a CGT asset that is not 'taxable Australian property' is disregarded (refer to Division 855).

The Shares issued or sold as a result of the Listing would be considered a foreign sourced asset (i.e. shares in a foreign company) as such, the Shares would not be considered to constitute 'taxable Australian property' in the hands of New Zealand tax resident shareholders. Therefore, where a New Zealand tax resident Shareholder disposes of its shares in Aroa, the Shareholder would not be subject to Australian CGT provisions.

Capital Gains – New Zealand

New Zealand does not have a CGT regime. However, income tax is payable if the Shares were acquired with the intention of resale (i.e. shares held on revenue account). Generally, the issue and disposal of the Shares under the Listing should not be subject to New Zealand income tax provisions.

11.10.3 Stamp Duty

On the issue or allotment of the Shares as part of the Offer, no Australia and/or New Zealand stamp duty should be payable. No stamp duty should be payable in respect of the acquisition or disposal of Shares that are quoted on the ASX at the time of the transactions.

11.10.4 GST

No Australian and/or New Zealand GST should be payable by Shareholders in respect of the acquisition or disposal of their Shares in Aroa regardless of whether or not the Shareholder is registered for GST.

Shareholders may not be entitled to claim full input tax credits in respect of any GST included in the costs they have incurred in connection with their acquisition of the Shares. Separate GST advice should be sought by Shareholders in this respect relevant to their particular circumstances.

No GST should be payable by Shareholders on receiving dividends distributed by Aroa.

11.10.5 Future Tax Law Changes

Tax laws are complex and subject to ongoing change. The tax comments outlined above do not take into account or anticipate any changes in law (by legislation or judicial decision) or any changes in the administrative practice or interpretation by the relevant authorities.

If there is a change, including a change having retrospective effect, the income tax, stamp duty and GST consequences should be reconsidered by Shareholders in light of the changes. The precise implications of ownership or disposal of the Shares will ultimately depend upon each Shareholder's specific circumstances.

11.11 Consents

Each of the following entities has consented, and as at the Prospectus Date has not withdrawn its consent, to:

- be named in this Prospectus in the form and context in which it is named; and
- the inclusion of the following statements in this Prospectus, in the form and context in which they are included (and all other references to those statements):

Entity	Statement included
BDO Corporate Finance (East Coast) Pty Ltd	The inclusion of its Investigating Accountant's Report in Section 8
BDO Auckland	None
Mills Oakley	None
Chapman Tripp	None
Catalyst Intellectual Property	The inclusion of its Intellectual Property Report in Section 9
Boardroom Pty Limited	None
Wilsons	None
Bell Potter	None

Chapter 6D of the Corporations Act imposes a liability regime on the Company and SaleCo (as the offeror of the Shares), the Directors of the Company and SaleCo, persons named in the Prospectus with their consent as proposed directors of the Company and SaleCo, any underwriters, persons named in the Prospectus with their consent as having made a statement in the Prospectus and persons involved in a contravention in relation to the Prospectus, with regard to misleading or deceptive statements made in the Prospectus. Although the Company and SaleCo bears the primary responsibility for the Prospectus, other parties involved in the preparation of the Prospectus can also be responsible for certain statements made in it.

In light of the above, each of the persons and entities referred to above, to the maximum extent permitted by law, expressly disclaims all liabilities in respect of, makes no representations with regard to, and takes no responsibility for any statements or omissions in this Prospectus except as stated against the person's name above.

The inclusion of references to peer review publications or published reports or journals has not been consented to by the relevant party for the purpose of section 729 of the Corporations Act and are included in this Prospectus on the basis of ASIC Corporations (Consents to Statements) Instrument 2016/72 relief from the Corporations Act for statements used from books, journals or comparable publications.

In addition, Tela Bio Inc., Hydrofera LLC and Hollister Incorporated have each consented to the references to their name and the summary of the terms of each of their contracts in Section 10, but each of them disclaims and does not take responsibility for the Prospectus, has not authorised or caused the issue of the Prospectus and has not made any statement in the Prospectus.

11.12 ASX in-principle advice

The Company has received in-principle advice from ASX confirming that:

- following consideration of ASX Listing Rule 9.2, it would be likely to form the view that the restrictions in clauses 1, 2, 3, 4, 7, 8 and 9 of Appendix 9B of the ASX Listing Rules will not apply to Aroa as it has a track record of revenue acceptable to ASX; and
- it would be likely to grant a waiver from ASX Listing Rule 1.1 condition 12 to the extent necessary to allow Aroa to have options on issue with an exercise price less than 20 cents, with the ability for cashless exercise, on the condition that the material terms and conditions of the options are disclosed in this Prospectus.

In addition, in connection with the Company's application for Admission, Aroa is seeking a waiver from ASX from ASX Listing Rule 1.1 condition 12 to the extent necessary to allow Aroa to have 6,177,000 options on issue, that have been granted subject to Admission, which have the ability for cashless exercise.

The Company has not sought any relief from ASIC in connection with the Offer.

11.13 Foreign Offer restrictions

Hong Kong

WARNING:
This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "**SFO**"). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the ordinary shares that will be offered under the Listing ("**New Shares**") have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO and any rules made under that ordinance).

No advertisement, invitation or document relating to the New Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to New Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors. No person allotted New Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

Singapore

This document and any other materials relating to the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of New Shares, may not be issued, circulated or distributed, nor may the New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an existing holder of the Company's shares, (ii) an "institutional investor" (as defined in the SFA) or (iii) an "accredited investor" (as defined in the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the New Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

United Kingdom

Neither this document nor any other document relating to the offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of Section 85 of the *Financial Services and Markets Act 2000*, as amended ("**FSMA**")) has been published or is intended to be published in respect of the New Shares.

The New Shares may not be offered or sold in the United Kingdom by means of this document or any other document, except in circumstances that do not require the publication of a prospectus under Section 86(1) of the FSMA. This document is issued on a confidential basis in the United Kingdom to "qualified investors" (within the meaning of Article 2(e) of the Prospectus Regulation (2017/1129/EU), replacing Section 86(7) of the FSMA). This document may not be distributed or reproduced, in whole or in part, nor may its contents be disclosed by recipients, to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received in connection with the issue or sale of the New Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which Section 21(1) of the FSMA does not apply to the Company.

In the United Kingdom, this document is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the *Financial Services and Markets Act 2000* (Financial Promotions) Order 2005 ("**FPO**"), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together "relevant persons"). The investments to which this document relates are available only to, and any offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

Cayman Islands

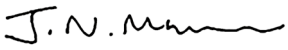
No offer or invitation to subscribe for New Shares may be made to the public in the Cayman Islands or from within the Cayman Islands.

11.14 Governing law

This Prospectus and the contracts that arise from the acceptance of the Applications under this Prospectus are governed by the law applicable in New South Wales and each Applicant under this Prospectus submits to the exclusive jurisdiction of the courts of New South Wales and of the Commonwealth.

11.15 Authorisation of this Prospectus

Each director of Aroa and the sole director of SaleCo has authorised the issue of this Prospectus and has consented to its lodgement with ASIC.



Jim Mclean
Chairman
Aroa Biosurgery Limited

John Diddams
Director
Aroa Biosurgery (SaleCo) Pty Ltd

Section 12 |

Glossary

12 | Glossary

Term	Description
5 day VWAP	The volume weighted average price of Shares on the ASX for the five trading days immediately preceding the grant date
ABN	Australian business number
ACN	Australian company number
Admission	Admission of the Company to the Official List
Applicant(s)	A person who submits an Application
Application	An application made to subscribe for Shares under the Offer
Application Form	The application form attached to or accompanying this Prospectus (including an electronic form provided by an online application facility)
Application Monies	An amount paid for Shares under the Offer accompanying an Application Form submitted by an Applicant
ARBN	Australian registered body number
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited ACN 008 624 691, or the financial market operated by it, as the context requires
ASX Listing Rules	The listing rules of the ASX, as may be amended or supplemented from time to time
ASX Recommendations	The ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (4th Edition)
ASX Settlement Operating Rules	The operating rules of ASX Settlement Pty Ltd ACN 008 504 532
BDO	BDO Corporate Finance (East Coast) Pty Ltd ABN 70 050 038 170
Bell Potter	Bell Potter Securities Limited ACN 006 390 772
Board or **Board of Directors**	The board of Directors of Aroa
CAGR	Compound annual growth rate
CGT	Capital gains tax
Chair	The Chair of the Board
CHESS	The ASX's Clearing House Electronic Subregister System
Closing Time	The Closing Time of the Offer, indicatively proposed to be the date stated in the Key Offer Information table on page 4 and subject to change as explained on that page
CMS	Centers for Medicare and Medicaid Services
Companies Act	*Companies Act 1993* (New Zealand)
Company or **Aroa**	Aroa Biosurgery Limited NZCN 1980577, ARBN 638 867 473
Completion	Completion in respect of the issue and sale of Shares pursuant to the Offer
Constitution	The constitution of Aroa
Corporations Act	*Corporations Act 2001* (Cth)
COVID-19	The virus formally known as severe acute respiratory syndrome coronavirus 2

Term	Description
CTP	Cell and tissue products
CY	Calendar year
Director	A director of Aroa
ECM	Extracellular matrix
Escrowed Shares	Shares of Existing Shareholders subject to escrow restrictions imposed by Aroa as described in Sections 7.13 and 7.14
Existing Shareholders	The registered holder(s) of Existing Shares
Existing Shares	The Shares on issue as at the Prospectus Date
Expiry Date	13 months after the date of this Prospectus
Exposure Period	The seven day period after the Prospectus Date, during which no Applications may be accepted by Aroa and SaleCo, as may be extended by ASIC by up to a further seven days
FDA	The Food and Drug Administration of the US
Financial Information	The Pro Forma Historical Financial Information and Statutory Historical Financial Information
FPO	The Financial Services and Markets Act 2000 (Financial Promotions) Order 2005
Frost & Sullivan Market Report	"Market Report: The Wound Care and Surgical Reconstruction Market" prepared by Frost & Sullivan, 2020
FVTPL	The fair value through profit or loss
FY	Financial year
GPO	Group purchasing organisations
Hollister	Hollister, Inc.
Hydrofera	Hydrofera LLC
GST	Goods and Services Tax as defined in *A New Tax System (Goods and Services Tax) Act 1999* (Cth)
IASB	International Accounting Standards Board
IDN	Integrated delivery networks
IFRS	International Financial Reporting Standards
Institutional Investor	An investor: (a) in Australia who is either a 'professional investor' or 'sophisticated investor' under Sections 708(11) and 708(8) of the Corporations Act; or (b) in certain other jurisdictions, as determined by Aroa and SaleCo, to whom offers or invitations in respect of securities can be made without the need for a lodged or registered prospectus or other form of disclosure document or filing with, or approval by, any governmental agency, and in each case an investor who is not a US Person and who is not acting for the account or benefit of US Persons
Investigating Accountant's Report	The report prepared by BDO set out in Section 8
ISAs (NZ)	The International Standards on Auditing (New Zealand)
Joint Lead Managers	Bell Potter and Wilsons, as joint lead managers and underwriters to the Offer

12 | Glossary (continued)

Term	Description
Listing	The admission of Aroa to the Official List
Management	The executives of Aroa identified in Section 6.2
MDSAP	Medical Advice Single Audit Program
MMP	Matrix metalloprotenases
New Shares	The Shares to be issued under the Offer
NPAT	Net Profit After Tax
NPWT	Negative Pressure Wound Therapy
NZGAAP	New Zealand Generally Accepted Accounting Principles
NZ IFRS	New Zealand equivalent to the IFRS
NZ IFRS RDR	The NZ IFRS – Reduced Disclosure Regime
OAIC	Office of Australian Privacy Commissioner
Offer	The offer of Shares made pursuant to this Prospectus
Offer Price	A$0.75
Offer Period	The period during which investors may apply for Shares under the Offer, opening on the date stated in the Timetable on page 4 and ending on the Closing Time
Official List	The official list of ASX
Option	An option to subscribe for a Share
Option Plan	The Aroa Biosurgery Share Option Plan
Pro Forma Historical Cash Flows	The pro forma historical consolidated statements of cash flow information for for the financial years ended 31 March 2018, 31 March 2019 and 31 March 2020
Pro Forma Historical Financial Information	The Pro Forma Historical Results, the Pro Forma Historical Cash Flows and the Pro Forma Historical Financial Position
Pro Forma Historical Results	The pro forma historical consolidated statements of profit or loss for the financial years ended 31 March 2018, 31 March 2019 and 31 March 2020
Pro Forma Historical Statement of Financial Position	The pro forma historical consolidated statements of financial position as 31 March 2020
Prospectus	This document and any replacement or supplementary prospectus in relation to this document
Prospectus Date	The date on which this Prospectus was lodged with ASIC, being 22 June 2020
Restricted Persons	Directors, employees (including executive management) of Aroa's and its subsidiaries and in the case of Directors and key management personnel, their spouse, parent, grandparent, child or stepchild and any related entities of those persons
Sales Force Agreement	The share sales force agreement between Hydrofera and Aroa
sNPWT	Single-use Negative Pressure Wound Therapy
SaleCo	Aroa Biosurgery (SaleCo) Pty Ltd ACN 639 507 529
Section	A section of this Prospectus, unless otherwise specified
Sell-down	The sale of Existing Shares by SaleCo under this Prospectus

Term	Description
Selling Shareholders	Shareholders of Aroa as at the Prospectus Date who have agreed to sell a portion of their Shares to SaleCo for sale by SaleCo under this Prospectus
SFA	The Securities and Futures Act, Chapter 289 of Singapore
SFO	Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong
Settlement Date	The date on which the proceeds of the Offer are settled by Applicants
Share Registry	Boardroom Pty Limited ABN 14 003 209 836
Shares	A fully paid ordinary share in Aroa
Shareholder	A registered holder of Shares
SmartTRAK Report	SmartTrak Collagen/Active Dressings, Skin/Dermal Substitutes, Single-Use Negative Pressure Wound Therapy (NPWT) – Market Landscape, March 2020
SSI	Surgical site infections
Statutory Historical Cash Flows	The statutory historical consolidated statements of cash flow information for the financial years ended 31 March 2018, 31 March 2019 and 31 March 2020
Statutory Historical Financial Information	The Statutory Historical Results, the Statutory Historical Cash Flows and the Statutory Historical Statement of Financial Position
Statutory Historical Results	The statutory historical consolidated statements of profit or loss for the financial years ended 31 March 2018, 31 March 2019 and 31 March 2020
Statutory Historical Statement of Financial Position	The statutory historical consolidated statement of financial position as at 31 March 2020
TelaBio	TELA Bio, Inc
TFN	Tax File Number as defined in the *Income Tax Assessment Act 1936* (Cth)
Umbrella Agreement	The licence, product development and supply umbrella agreement between TelaBio and Aroa
Underwriting Agreement	The underwriting agreement entered into between the Joint Lead Managers, Aroa, and SaleCo
US or **United States**	United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
US Person	Has the meaning given to it in Regulation S of the US Securities Act
US Securities Act	*US Securities Act 1933*, as amended
Wilsons	Wilsons Corporate Finance Limited, ACN 057 547 323

Section 13 |

Accounting policies

13 | Accounting policies

Aroa accounting policies including significant accounting judgements, estimates and assumptions

1. Basis of preparation

Aroa's consolidated financial statements are prepared as a general-purpose financial report, in accordance with the requirements of the *Financial Reporting Act 2013*, the Companies Act, New Zealand Generally Accepted Accounting Practice ("NZ GAAP"), New Zealand equivalents to International Financial Reporting Standards – Reduced Disclosure Regime ("NZ IFRS RDR") and other New Zealand accounting standards and authoritative notices that are applicable to entities that apply NZ IFRS, as appropriate for profit orientated entities.

The consolidated financial statements are also prepared on a historical cost basis, except for the following items (refer to individual accounting policies for details below):

- Financial assets at fair value through other comprehensive income;
- Financial liabilities at fair value through profit or loss; and
- Derivative assets and liabilities.

Similar categories of income and expenses have been grouped together. Prior year comparative information for these amounts, where necessary, has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

Our consolidated financial statements are presented in New Zealand dollars unless otherwise stated.

2. Statement of compliance

Aroa's consolidated financial statements comply with NZ GAAP, NZ IFRS RDR and other accounting standards and interpretations issued by the International Accounting Standards Board.

3. Going concern

Aroa posted a net loss before tax of NZ$6,160,000 for the year ended 31 March 2020 (2019: loss before tax of NZ$3,047,000) with the total operating cash inflow of NZ$1,660,000 for the same period (2019: outflow of NZ$7,000).

The Directors have continued to apply the going concern assumption as the basis of the preparation of the consolidated financial statements.

In reaching their conclusion that the going concern assumption is appropriate, the Directors have considered the potential impact of COVID-19 on operations, the ability to repay the deferred consideration to Hollister in accordance with the contractual terms, the sufficiency of the cash and bank facilities, and the ability to raise an additional capital as required. The Directors note that post year-end additional capital of approximately NZ$20 million was raised and Hollister agreed to extend repayment terms on their loan.

4. New accounting standards and interpretations

NZ IFRIC INTERPRETATION 23 Uncertainty over income tax treatments

NZ IFRIC Interpretation 23 ("NZ IFRIC 23") provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments.

As of 31 March 2020, Aroa assessed its previous and current tax treatments and positions and noted no uncertainties with its tax treatments in all material respects.

NZ IFRS 16 Leases

NZ IFRS 16 Leases ("NZ IFRS 16") is the new standard for the recognition, measurement, presentation and disclosure of leases.

NZ IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the consolidated financial statements for both lessors and lessees. NZ IFRS 16 superseded NZ IAS 17 Leases when it became effective for accounting periods beginning on or after 1 January 2019. The date of initial application of NZ IFRS 16 for Aroa was 1 April 2019.

Aroa has adopted NZ IFRS 16 using modified retrospective approach, together with the additional adoption options to set the right of use assets equal to the lease liabilities (plus or minus certain lease-related accrual balances previously recognised).

NZ IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has the right to obtain substantially all of the economic benefits from the use of an identified asset and the right to direct the use of that asset.

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a term of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case Aroa's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they are dependent on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability may also include:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of Aroa if it is reasonably certain to exercise that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised;
- Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for;
- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where Aroa is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When Aroa revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

When Aroa renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy;
- in all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount; and
- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial of full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

For contracts that both convey a right to Aroa to use an identified asset and require services to be provided to Aroa by the lessor, Aroa has elected to account for the entire contract as a lease, i.e. it does allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

5. Significant accounting judgments, estimates and assumptions

In applying Aroa's accounting policies, management continually evaluates judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on Aroa. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to Management.

Actual results may differ from judgements, estimates and assumptions. Significant judgements, estimates and assumptions were made in respect of the value of development expenditure capitalised, the likely term of leased premises, which impacts leasehold improvements assets and right of use assets capitalised, TelaBio accrued revenue, the value of share-based payments, the impairment of intangible assets, estimated fair value of financial assets at fair value through other comprehensive income, and financial liabilities at fair value through profit or loss.

6. Revenue recognition

6.1 Sales of goods

Aroa develops, manufactures and sells soft tissue repair products. The performance obligation is supply of goods to the customers. Consideration is as per the price agreement with each customer. Aroa offers rebates to certain customers. Rebates are recognised as a reduction of revenue as the sales are recognised.

If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue at the time sales are recognised.

Sales of goods are recognised at a point in time when control of the products has transferred, being when the products are delivered to the customers, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location and the risks have been transferred to the customers.

6.2 Royalties

Royalties received are recognised at the point in time when the operational and revenue milestones are completed under the royalty agreement.

6.3 Project fees

Project fees received are recognised at the point in time when the milestones are completed under the project development agreement. Any project fees received for which the requirements under the project agreement have not been completed are carried as income in advance (liability) until all the conditions have been fulfilled.

6.4 Revenue share

Aroa is entitled to an agreed percentage of revenue from TelaBio upon its sale to end customers. Management exercises judgement based on the historical performance and revenue forecast of TelaBio to calculate accrued revenue against inventories held by TelaBio at reporting date.

7. Cash and cash equivalent

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions and other short-term deposits with maturities of three months or less and bank overdrafts.

8. Trade and other receivables

Trade and other receivables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method less provision for impairment.

Aroa applies the NZ IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and aging. The expected loss rates are based on Aroa's historical credit losses experienced over the three year period prior to the period end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting Aroa's customers.

9. Prepayments

Prepayments are recognised for amounts paid whereby goods have not transferred ownership to us or where services have not yet been provided. Upon receipt of goods or the service, the corresponding asset is recognised in the statement of financial position or the expense is recognised in the income statement.

10. Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and costs to sell. An inventory provision is created to reflect instances where the estimated selling price is lower than costs.

11. Loans and borrowings

Interest bearing liabilities are initially recognised at fair value, net of transaction costs incurred. Interest bearing liabilities are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit and loss over the period of the borrowings using the effective interest method.

Interest bearing liabilities are classified as current liabilities unless Aroa has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

12. Financial instruments

Aroa initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that Aroa becomes a party to the contractual provisions of the instrument.

Aroa derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Aroa classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Aroa initially recognises loans and receivables on the date that they are originated.

Aroa derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by Aroa is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, Aroa has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Aroa classifies non-derivative financial assets into the following categories: financial assets at fair value through other comprehensive income, assets at amortised costs.

13. Taxes

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences arising on the initial recognition of goodwill; and
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

14. Goods and services tax

Revenues and expenses have been recognised in the consolidated financial statements exclusive of GST except that irrecoverable GST input tax has been recognised in association with the expense to which it relates. All items in the statement of financial position are stated exclusive of GST except for receivables and payables which are stated inclusive of GST.

15. Property, plant and equipment

15.1 Recognition and measurement

Items of plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

15.2 Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to Aroa.

15.3 Depreciation

For plant and equipment, depreciation is based on the cost of an asset less its residual value. Where significant components of individual assets that have a useful life that is different from the remainder of those assets, those components are depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Assets under construction are not subject to depreciation.

The useful life estimate for the current year of significant items of property, plant and equipment are as follows:

- Leasehold improvements — remaining term of lease
- Plant & equipment — 4-11 years
- Fixtures & fittings — 3-10 years
- Computer equipment & software — 3-4 years

Depreciation methods, rates and residual values are reviewed at reporting date and adjusted if appropriate.

16. Intangible assets

Patents that are acquired by Aroa and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

Trademarks have finite useful lives and are measured at cost less accumulated amortisation and accumulated impairment losses.

Goodwill, customer relationships and reacquired rights are attributable to the transaction entered into between Aroa and Hollister Incorporated. Goodwill is not amortised.

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its cash generating units ("CGUs"). Goodwill is allocated on initial recognition to each of the Group's CGUs that are expected to benefit from a business combination that gives rise to the goodwill.

Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognised in other comprehensive income. An impairment loss recognised for goodwill is not reversed.

Patent and trademark costs are amortised on a straight-line basis over the useful life.

Customer relationships and reacquired rights are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use.

The estimated useful lives for the current period are as follows:

- Patents and trademarks 8-17 years
- Customer relationships 9 years
- Reacquired rights 18 years

Amortisation methods, rates and residual values are reviewed at reporting date and adjusted if appropriate.

17. Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently at amortised cost. Trade and other payables represent liabilities for goods and services provided to Aroa prior to the end of financial year which are unpaid.

18. Provisions and contingencies

A provision is recognised if, as a result of a past event, Aroa has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

19. Share based payments

19.1 Aroa Employee Incentive Share Plan (Share Plan)

Aroa offered selected employees the opportunity to participate in an employee share ownership plan (ESOP).

Under the terms of the plan unpaid ordinary shares were issued to employees. Shares vest in 3 equal parcels annually over a 3 year period from the grant date.

The fair value of share purchase plan is measured using the Black-Scholes-Merton (closed form) model. Measurement inputs include share price on the measurement date (at the date of grant the instrument is considered to be issued at the money), the exercise price of the instrument, expected volatility (based on the average historical volatility of the peers' stock, particularly over the historic period commensurate with the expected term), expected terms of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on New Zealand government bonds). Service conditions attached to the arrangement were not taken into account in measuring fair value.

The Black-Scholes-Merton (closed form) model is used following a cost benefit analysis as it gives a reasonable estimate for share purchase plans with relatively short contractual lives.

19.2 Aroa Biosurgery Share Option Plan (Option Plan)

The fair value of the options has been measured using the Revenue Ruling 59-60 and standard practice. Revenue Ruling 59-60 outlines the standard of value, approach, methods, and factors to be considered in valuing shares of the stock of the a closely held entity similar to the Company. Revenue rulings are public administrative rulings by the Internal Revenue Service in the United States Department of the Treasury of the United States federal government.

The share-based payments reserve comprises the fair value of the employee share purchase plan before its classifications to share capital upon settlement.

The grant date fair value of equity-settled share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

20. Share capital

20.1 Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

20.2 Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at Aroa's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity upon approval by Aroa's shareholders.

Preference share capital is classified as a financial liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognised as an interest expense in profit or loss as accrued.

21. Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at reporting date, are recognised in the profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined and are recognised in Other Comprehensive Income (except on impairment in which case foreign currency differences that have been recognised in Other Comprehensive Income are reclassified to profit or loss).

22. Hollister distribution transition agreement

Aroa entered into a Distribution Transition Agreement with Hollister Incorporated ("Hollister") which was considered a business combination which settled on 2 April 2018. The agreement cancelled the Marketing and Distribution Agreement between Aroa and Hollister, with Aroa acquiring Hollister's Endoform business and terminating the Marketing and Distribution Agreement. The timing of part of the deferred consideration is contingent on various possible scenarios detailed in the Agreement.

The deferred consideration has been discounted using a weighted average cost of capital and by applying a probability weighting to each of the potential payment scenarios.

23. Interest in joint operation

Aroa and Hydrofera LLC ("Hydrofera") entered into an unincorporated agreement to promote, market and sell the parties' wound care products to customers in North America. The principle place of business of the joint operation is in the United States and the joint operation brand name is "Appulse".

As per the "Shared Sales Force Agreement", the property held in Appulse will be owned and held by Aroa and Hydrofera in the proportion of their participating interest. Aroa has 42% participating interest. Both parties are responsible only for its liabilities and obligation as set out in the agreement. Therefore, the parties have a joint operation as they have rights to the assets and obligations for the liabilities relating to the arrangement.

Under NZ IFRS 11, this joint arrangement is classified as a joint operation.

Aroa has recognised the shared assets, liabilities, revenue and expenses in the consolidated accounts.

Section 14 |

References for Peer Review Publications

14 | References for Peer Review Publications

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Aroa Biosurgery Limited
ARBN 638 867 473
Broker Firm Offer Application Form

Broker Reference – Stamp Only

Broker Code

Advisor Code

This is an Application Form for Shares in the Broker Firm Offer component of Aroa Biosurgery Limited's (**Company**) initial public offering on the terms set out in the Prospectus dated 22 June 2020 (**Prospectus**). Defined terms in the Prospectus have the same meaning in this Application Form. You may apply for a minimum of 10,000 Shares and multiples of 5,000 Shares thereafter. This Application Form and your Application Monies must be received by your broker in accordance with their directions to you. Applicants under the Broker Firm Offer must not send their Broker Firm Offer Application Forms to the Share Registry directly.

This Application Form is important and should be read in conjunction with the Prospectus. If you are in doubt as to how to deal with this Application Form, please contact your broker. The Prospectus contains information relevant to a decision to invest in the Shares of the Company and you should read the entire Prospectus carefully before applying for Shares including the key risks set out in Section 5 of the Prospectus.

The Share Registry's Privacy Policy (**Privacy Policy**) also sets out important information relating to the collection, use and disclosure of all personal information that you provide to the Company. Please ensure that you and all relevant individuals have read the Privacy Policy carefully before submitting this Application Form. The Privacy Policy can be found on the website https://www.boardroomlimited.com.au/corp/privacy-policy/.

To meet the requirements of the Corporations Act *2001* (Cth) (**Corporations Act**), this Application Form must not be distributed to another person unless included in or accompanied by the Prospectus. A person who gives another person access to this Application Form must, at the same time and by the same means, give the other person access to the Prospectus. During the Offer Period, the Company will send you a free copy of the Prospectus if you have received an electronic prospectus and you ask for a paper copy.

PLEASE FOLLOW THE INSTRUCTIONS TO COMPLETE THIS APPLICATION FORM (SEE REVERSE) AND PRINT CLEARLY IN CAPITAL LETTERS USING BLACK OR BLUE PEN.

A **Number of Shares you are applying for**

x $0.75 per Share =

Minimum of 10,000 Shares to be applied for and thereafter in multiples of 5,000 Shares

B **Total amount payable**

$

C **Write the name(s) you wish to register the Shares in *(see reverse for instructions)***

Applicant #1

Name of Applicant #2 or <Account Designation>

Name of Applicant #3 or <Account Designation>

D **Write your postal address here**

Number/Street

Suburb/Town

State

Postcode

E **CHESS participant – Holder Identification Number (HIN)**

X

Important please note *if the name and address details above in sections C and D do not match exactly with your registration details held at CHESS, any Shares issued as a result of your Application will be held on the Issuer Sponsored subregister.*

F **Enter your Tax File Number(s), ABN, or exemption category**

Applicant #1

Applicant #2

Applicant #3

G **Cheque payment details –** PIN CHEQUE(S) HERE. Cheque to be made in accordance with the instruction from your broker. If payment is made by cheque, enter cheque details below.

Name of drawer of cheque | Cheque no. | BSB no. | Account no. | Cheque Amount A$

H **Contact telephone number (daytime/work/mobile)**

Contact Name

E-mail Address

Declaration

By submitting this Application Form with your Application Monies, I/we declare that I/we:

- ✓ have read the Prospectus in full;
- ✓ have received a copy of the electronic Prospectus or a print out of it;
- ✓ have completed this Application Form in accordance with the instructions on the Application Form and in the Prospectus;
- ✓ declare that the Application Form and all details and statements made by me/us are complete and accurate;
- ✓ agree and consent to the Company collecting, holding, using and disclosing my/our personal information in accordance with the Prospectus;
- ✓ where I/we have been provided information about another individual, warrant that I/we have obtained that individual's consent to the transfer of their information to the Company;
- ✓ acknowledge that once the Company or SaleCo (as applicable) accepts my/our Application Form, I/we may not withdraw it;
- ✓ apply for the number of Shares that I/we apply for (or a lower number allocated in a manner allowed under the Prospectus);
- ✓ acknowledge that my/our Application may be rejected or scaled back by the Company or SaleCo (as applicable) in its absolute discretion;
- ✓ authorise the Company, SaleCo and their respective officers and agents to do anything on my/our behalf necessary (including the completion and execution of documents) to enable the Shares to be allocated to me/us;
- ✓ am/are over 18 years of age;
- ✓ agree to be bound by the constitution of the Company;
- ✓ acknowledge that neither the Company, SaleCo nor any person or entity guarantees any particular rate of return on the Shares, nor do they guarantee the repayment of capital;
- ✓ acknowledge that it is a matter for the Brokers as to how they choose to allocate Shares among their clients and the Brokers will be responsible for ensuring that clients who have received an allocation from them receive the relevant Shares;
- ✓
- ✓ represent, warrant and agree that I/we am/are not in the United States or a US Person and am/are not acting for the account or benefit of a US Person;
- ✓ represent, warrant and agree that I/we have not received this Prospectus outside Australia and am/are not acting on behalf of a person resident outside Australia or New Zealand; and

  declare that I / we give the representations set out in Section 7.17 of the Prospectus.

Guide to the Application Form

YOU SHOULD READ THE PROSPECTUS CAREFULLY BEFORE COMPLETING THIS APPLICATION FORM.

Please complete all relevant sections of the appropriate Application Form using BLOCK LETTERS. These instructions are cross-referenced to each section of the Application Form.

Instructions

A If applying for Shares insert the ***number*** of Shares for which you wish to subscribe at Item **A** (not less than 10,000 Shares representing a minimum investment of $7,500). Multiply by A$0.75 to calculate the total Application Monies for Shares and enter the ***A$amount*** at Item **B**.

C Write your ***full name***. Initials are not acceptable for first names.

D Enter your ***postal address*** for all correspondence. All communications to you from the Company will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

E If you are sponsored in CHESS by a stockbroker or other CHESS participant you may enter your CHESS HIN if you would like the allocation to be directed to your HIN. **NB: your registration details provided must match your CHESS account exactly.**

F Enter your Australian tax file number ("TFN") or ABN or exemption category, if you are an Australian resident. Where applicable, please enter the TFN/ABN of each joint Applicant. Collection of TFNs is authorised by taxation laws. Quotation of your TFN is not compulsory and will not affect your Application Form. However, if no TFN is quoted your dividends and distributions may be taxed at the highest marginal tax rate plus medicare levy.

G Applicants pay their Application Monies to their Broker in accordance with the relevant Broker's directions. Please contact your broker for further instructions.

H Enter your ***contact details,*** *including name, phone number and e-mail address,* so we may contact you regarding your Application Form or Application Monies. By providing an e-mail address you are electing to receive all available shareholder communications from the Company electronically to the provided e-mail address.

Correct Form of Registrable Title

Note that ONLY legal entities can hold the Shares. The Application must be in the name of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and surname is required for each natural person. Examples of the correct form of registrable title are set out below.

Type of Investor	Correct Form of Registrable Title	Incorrect Form of Registrable Title
Individual	Mr John David Smith	J D Smith
Company	ABC Pty Ltd	ABC P/L or ABC Co
Joint Holdings	Mr John David Smith & Mrs Mary Jane Smith	John David & Mary Jane Smith
Trusts	Mr John David Smith <J D Smith Family A/C>	John Smith Family Trust
Deceased Estates	Mr Michael Peter Smith <Est Lte John Smith A/C>	John Smith (deceased)
Partnerships	Mr John David Smith & Mr Ian Lee Smith	John Smith & Son
Clubs/Unincorporated Bodies	Mr John David Smith <Smith Investment A/C>	Smith Investment Club
Superannuation Funds	John Smith Pty Limited <J Smith Super Fund A/C>	John Smith Superannuation Fund

Lodgment

Provide your completed Application Form with your Application Monies to your broker in accordance with their directions, and complete the broker details below:

Broker Contact Number **Broker Name**

The Broker Firm Offer closes at 5:00 p.m. (Sydney, Australia time) on 3 July 2020, unless varied in accordance with the Corporations Act and ASX Listing Rules. It is not necessary to sign or otherwise execute the Application Form.

If you have any questions as to how to complete the Application Form, please contact your broker.

Privacy Statement

The Company advises that Chapter 2C of the Corporations Act requires information about its shareholders (including names, addresses and details of shares held) to be included in the Company's share register. Information is collected to administer your securityholding and if some or all of the information is not collected then it might not be possible to administer your securityholding. Your personal information may be disclosed to the Company. To obtain access to your personal information or more information on how the Company collects, stores, uses and disclosures your information please contact the Company at the address or telephone number shown in the Prospectus, or visit https://aroabio.com/blog/general_content/privacy-policy/

Priority Code

AROA BIOUSURGERY LIMITED
ARBN 638 867 473

PRIORITY OFFER APPLICATION FORM

This is an Application Form for Shares in the Priority Offer component of Aroa Biosurgery Limited's (**Company**) initial public offer on the terms set out in the Prospectus dated 22 June 2020 (**Prospectus**). Defined terms in the Prospectus have the same meaning in this Application Form. You may apply for a minimum of 10,000 Shares and multiples of 5,000 Shares thereafter. This Application Form and your Application Monies must be received by **5.00pm (Sydney, Australia time) on the Closing Date, being 3 July 2020**.

This Application Form is important and should be read in conjunction with the Prospectus. If you are in doubt as to how to deal with this Application Form, please contact your financial adviser, accountant, lawyer, stockbroker or other professional adviser. The Prospectus contains information relevant to a decision to invest in the Shares of the Company and you should read the entire Prospectus carefully before applying for Shares, including the key risks set out in Section 5 of the Prospectus.

The Share Registry's Privacy Policy (**Privacy Policy**) also sets out important information relating to the collection, use and disclosure of all personal information that you provide to the Company. Please ensure that you and all relevant individuals have read the Privacy Policy carefully before submitting this Application Form. The Privacy Policy can be found on the website https://www.boardroomlimited.com.au/corp/privacy-policy

To meet the requirements of the Corporations Act*2001* (Cth) (**Corporations Act**), this Application Form must not be distributed to another person unless included in or accompanied by the Prospectus. A person who gives another person access to this Application Form must, at the same time and by the same means, give the other person access to the Prospectus. During the Offer Period, the Company will send you a free copy of the Prospectus if you have received an electronic prospectus and you ask for a paper copy.

PLEASE FOLLOW THE INSTRUCTIONS TO COMPLETE THIS APPLICATION FORM (SEE REVERSE) AND PRINT CLEARLY IN CAPITAL LETTERS USING BLACK OR BLUE PEN.

A **Number of Shares you are applying for**

Minimum of 10,000 Shares to be applied for and thereafter in multiples of 5,000 Shares

x $0.75 per Share =

B **Total amount payable**

$

C **Write the name(s) you wish to register the Shares in *(see reverse for instructions)***

Applicant #1

Name of Applicant #2 or <Account Designation>

Name of Applicant #3 or <Account Designation>

D **Write your postal address here**

Number/Street

Suburb/Town

State

Postcode

E **CHESS participant – Holder Identification Number (HIN)**

X

Important please note *if the name and address details above in sections C and D do not match exactly with your registration details held at CHESS, any Shares issued as a result of your Application will be held on the Issuer Sponsored subregister.*

F **Enter your Tax File Number(s), ABN, or exemption category**

Applicant #1

Applicant #2

Applicant #3

G **Method of Payment**

Australian registered applicants must apply online at www.aroabiooffer.com.au **and pay by BPAY. Applicants with overseas addresses will be provided with separate instructions on how to pay their application monies.**

H **Contact telephone number (daytime/work/mobile)**

Contact Name

E-mail Address

By providing an e-mail address you are electing to receive all available shareholder communications from the Company electronically to the provided e-mail address.

Declaration

- ✓ have read the Prospectus in full;
- ✓ have received a copy of the electronic Prospectus or a print out of it;
- ✓ have received a personalised invitation from the Company to participate in the Priority Offer;
- ✓ have completed this Application Form in accordance with the instructions on the form and in the Prospectus;
- ✓ declare that the Application Form and all details and statements made by me/us are complete and accurate;
- ✓ agree and consent to the Company collecting, holding, using and disclosing my/our personal information in accordance with the Prospectus;

By submitting this Application Form with your Application Monies, I/we declare that I/we:

- ✓ where I/we have been provided information about another individual, warrant that I/we have obtained that individual's consent to the transfer of their information to the Company;
- ✓ acknowledge that once the Company or SaleCo (as applicable) accepts my/our Application Form, I/we may not withdraw it;
- ✓ apply for the number of Shares that I/we apply for (or a lower number allocated in a manner allowed under the Prospectus);
- ✓ acknowledge that my / our Application may be rejected or scaled back by the Company or SaleCo (as applicable) in its absolute discretion;
- ✓ authorise the Company, SaleCo and their respective officers and agents to do anything on my/our behalf necessary (including the completion and execution of documents) to enable the Shares to be allocated to me/us;
- ✓ am/are over 18 years of age;
- ✓ agree to be bound by the constitution of the Company;
- ✓ acknowledge that neither the Company, SaleCo nor any person or entity guarantees any particular rate of return on the Shares, nor do they guarantee the repayment of capital;
- ✓ represent, warrant and agree that I/we am/are not in the United States or a US Person and am/are not acting for the account or benefit of a US Person;
- ✓ represent, warrant and agree that I/we have not received this Prospectus outside Australia or New Zealand and am/are not acting on behalf of a person resident outside Australia or New Zealand unless prior consent is obtained from the Company or SaleCo and local laws permit me/us to access the Prospectus; and
- ✓ declare that I / we give the representations set out in Section 7.17 of the Prospectus

Guide to the Application Form

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C Write your ***full name***. Initials are not acceptable for first names.

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E If you are sponsored in CHESS by a stockbroker or other CHESS participant you may enter your CHESS HIN if you would like the allocation to be directed to your HIN. **NB: your registration details provided must match your CHESS account exactly.**

F Enter your Australian tax file number ("TFN") or ABN or exemption category, if you are an Australian resident. Where applicable, please enter the TFN/ABN of each joint Applicant. Collection of TFNs is authorised by taxation laws

Quotation of your TFN is not compulsory and will not affect your Application Form. However, if no TFN is quoted your dividends and distributions may be taxed at the highest marginal tax rate plus medicare levy.

G Australian Applicants must apply online at www.aroabiooffer.com.au and pay by BPAY®. See instructions below. Applicants in New Zealand, and potentially other jurisdictions, will be provided with instructions on how to pay their Application Monies in their personalised letter pursuant to which they received an invitation to participtate in the Priority Offer.

H Enter your ***contact details,*** *including name, phone number and e-mail address,* so we may contact you regarding your Application Form or Application Monies. By providing an e-mail address you are electing to receive all available shareholder communications from the Company electronically to the provided e-mail address.

Payment by BPAY®

Australian resident Applicants may apply for Shares online and pay your Application Monies by BPAY®. Applicants should complete the online Application Form accompanying the electronic version of the Prospectus available at **www.aroabiooffer.com.au** and follow the instructions on the online Application Form. When completing your BPAY® payment please ensure you use the specific Biller Code and Unique CRN provided in the online Application Form and confirmation e-mail. If you do not use the correct Biller Code and CRN your Application will not be recognised as valid. It is your responsibility to ensure payment is received by 5:00pm (Sydney, Australia time) on the Closing Date for the Priority Offer **being 5.00pm on 3 July 2020**. Applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment and should therefore take this into consideration when making payment. Neither the Share Registry nor the Company, nor SaleCo accepts any responsibility for loss incurred through incorrectly completed BPAY® payments.

Correct Form of Registrable Title

Note that ONLY legal entities can hold the Shares. The Application must be in the name of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and surname is required for each natural person. Examples of the correct form of registrable title are set out below.

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Deceased Estates	Mr Michael Peter Smith <Est Lte John Smith A/C>	John Smith (deceased)
Partnerships	Mr John David Smith & Mr Ian Lee Smith	John Smith & Son
Clubs/Unincorporated Bodies	Mr John David Smith <Smith Investment A/C>	Smith Investment Club
Superannuation Funds	John Smith Pty Limited <J Smith Super Fund A/C>	John Smith Superannuation Fund

The Priority Offer closes at **5:00 p.m. (Sydney, Australia time) on 3 July 2020**, unless varied in accordance with the Corporations Act and ASX Listing Rules. It is not necessary to sign or otherwise execute the Application Form.

If you have any questions as to how to complete the Application Form, please contact Boardroom Pty Limited on 1300 737 760 (within Australia) and +61 2 9290 9600 (outside Australia).

Privacy Statement

The Company advises that Chapter 2C of the Corporations Act requires information about its shareholders (including names, addresses and details of shares held) to be included in the Company's share register. Information is collected to administer your security holding and if some or all of the information is not collected then it might not be possible to administer your security holding. Your personal information may be disclosed to the Company. To obtain access to your personal information or more information on how the Company collects, stores, uses and disclosures your information please contact the Company at the address or telephone number shown in the Prospectus, or visit https://aroabio.com/blog/general_content/privacy-policy

15 | Corporate directory

Directors

Jim McLean, Independent non-executive Director and Chair

Brian Ward, Chief Executive Officer and Managing Director

Steven Engle, Independent non-executive Director

Philip McCaw, Non-executive Director

John Pinion, Independent non-executive Director

John Diddams, Independent non-executive Director

Auditor

BDO Auckland

Level 4, BDO Centre
4 Graham Street
Auckland 1010
New Zealand

Bankers

Bank of New Zealand

Deloitte Centre
80 Queen Street
Auckland 1010
New Zealand

Joint Lead Managers

Bell Potter Securities Limited

Level 29, 101 Collins Street
Melbourne VIC 3000
Australia

Wilsons Corporate Finance Limited

Level 32, Governor Macquarie Tower
1 Farrer Place
Sydney NSW 2000
Australia

Offer Information Line

1300 737 760 (from within Australia)

+61 2 9290 9600 (from outside Australia)

Between 8.30 am and 5.30 pm Sydney, Australia time
Monday to Friday (business days only) during the Offer Period

Registered Office

Aroa Biosurgery Limited

2 Kingsford Smith Place
Mangere
Auckland 2022
New Zealand

Australian Registered Office

Level 1, 357 Military Road
Mosman NSW 2088
Australia

www.aroabio.com

Investigating Accountant

BDO Corporate Finance (East Coast) Pty Ltd

Level 11, 1 Margaret Street
Sydney NSW 2000
Australia

New Zealand Legal Adviser

Chapman Tripp

ANZ Centre 23 Albert Street
Auckland CBD
Auckland 1010
New Zealand

Australian Legal Adviser

Mills Oakley

Level 7, 151 Clarence Street,
Sydney NSW 2000
Australia

Share Registry

Boardroom Pty Limited

Level 12, 225 George Street
Sydney NSW 2000

Offer Website

www.aroabiooffer.com.au

AROA