

ASX Announcement
5 May 2020

Quarterly Cashflow report – Period ending 31 March 2020

Highlights:

- MOU agreement signed with Japanese multinational manufacturer Kyocera Corporation for exclusive negotiation rights for Progenza in Japan
- Milestone payment of A\$1.6M received from Kyocera
- New key patent for Progenza to be granted by U.S. Patent and Trademark Office
- \$4M loan facility from Directors to support Licence and commercialisation negotiations for Progenza
- Cash balance of \$1.4M as at 31 March 2020

Regeneus Ltd (ASX: RGS) (Regeneus or the Company), a clinical-stage regenerative medicine company, today released its updated quarterly cashflow report and review of operational activities for the period ending 31 March 2020 (the quarter).

Due to an administrative oversight, the previous Appendix 4C lodged on the 29 April was lodged using the prior ASX template. Attached is the Appendix 4C in the updated template.

Operational highlights

During the quarter, the Company made significant progress on its commercialisation strategy for its lead stem cell platform technology Progenza for Osteoarthritis (Progenza OA) in Japan by signing a non-binding Memorandum of Understanding (MOU) with Kyocera Corporation. As part of the MOU, Regeneus received JPY100M (A\$1.6M) upfront milestone payment from Kyocera.

Kyocera is a diversified multinational manufacturer; their life sciences business operates as one of the major producers of medical and dental products in Japan, including artificial joints for the knees and hips.

Under the MOU, Kyocera will conduct due diligence on Progenza OA. Upon completion of this, Regeneus will receive formal notification from Kyocera and Kyocera will have exclusive negotiation rights for Progenza OA in Japan until the end of July.

During the quarter, the Company also strengthened its intellectual property (IP) portfolio, with the U.S. Patent and Trademark Office (USPTO) issuing a notice of allowance for a new key patent for Progenza in the U.S.

The new patent to be granted covers the treatment of inflammatory conditions with the combination of stem cells and secretions. This includes inflammatory conditions caused by arthritis, heart disease, autoimmune conditions, respiratory diseases, asthma, Crohn's disease and other gastrointestinal diseases.

Financial Update

In February, the Board of Directors put in place a \$4 million loan facility to support the Company's funding runway to commercial licensing negotiations, CEO and Executive Director Leo Lee and Paddington St Finance Pty Ltd, a company associated with Independent Chairman Barry Sechos, have both provided facilities of \$2 million.

The Company believes these funding arrangements provided by related parties on 'arm's length terms' demonstrate the Directors' commitment to Regeneus and confidence in the management team's ability to conclude commercial licensing arrangements for its lead platform technology in Japan.

The aggregate payment to related parties was \$290K during the quarter and included Executive Directors' salaries and fees, Non-Executive Directors' fees and interest and loan charges.

Regeneus' cash balance as of 31 March was \$1.4 million. Receipts for the quarter totalled \$1.6 million, representing the milestone payment from Kyocera. Net operating cash outflows for the quarter was \$1.1 million, mainly related to operational costs, IP filing and R&D-related expenditure and expenditure associated with securing the Kyocera arrangements.

Regeneus continued its cost containment initiatives over the quarter. It is anticipated that the cash at end of March of \$1.4 million and the undrawn facilities of \$2.9 million will provide adequate cash to fund operations until Kyocera arrangements are finalised.

Outlook

Regeneus CEO and Executive Director Leo Lee said the Company has made positive progress towards its revised strategic direction this quarter.

"The MOU with Kyocera Corporation was a critical milestone in our commercialisation pathway for Progenza OA in Japan. We look forward to the completion of Kyocera's due diligence on Progenza OA and updating the market on this front," said Mr Lee.

-ENDS-

About Regeneus

Regeneus Ltd (ASX:RGS) is a Sydney-based clinical-stage regenerative medicine company using stem cell technologies to develop a portfolio of novel cell-based therapies. The regenerative therapies seek to address unmet medical needs in human health markets, focusing on neuropathic pain, including osteoarthritis and various skin

conditions, with its platform technologies Progenza and Sygenus. Visit www.regeneus.com.au for more information.

Authorisation & Additional information

This announcement was authorised by the Board of Directors of Regeneus Ltd

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Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Regeneus Ltd

ABN

13 127 035 358

Quarter ended ("current quarter")
31st March 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,639	1,639
1.2 Payments for		
(a) research and development	(88)	(262)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	-	-
(d) leased assets	(1)	(4)
(e) staff costs (including Directors)	(320)	(1,338)
(f) administration and corporate costs	(624)	(2,151)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(77)	(135)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	1,492
1.8 Other (provide details if material)	-	(782)
1.9 Net cash from / (used in) operating activities	529	(1,541)

- 1.2 Receipts from Customers is the non-refundable milestone payment received from Kyocera Corporation of Japan
- 1.8 Other includes the redundancies and related costs associated with the implementation of the strategic review and the reduction in staff that were undertaken in quarter 1

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	36	36
	(b) businesses	-	-
	(c) property, plant and equipment	-	5
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	36	41

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	3,882
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options (including proceeds from shareholder loan)	-	26
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	(1,280)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	2,628

- 3.1 Proceeds from issue of shares is the capital raising of \$5.28 million net of the \$1.4 million of Directors loans converted to equity
- 3.6 Repayment of borrowings – in early October Regeneus received the 2019 R&D Tax Incentive which was used to pay down the Paddington St Finance debt in full

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	818	255
4.2	Net cash from / (used in) operating activities (item 1.9 above)	529	(1,541)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	36	41
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	2,628
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,383	1,383

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	1,383	818
5.2	Call deposits		-
5.3	Bank overdrafts		-
5.4	Other (provide details)		-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,383	818

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current
quarter
\$A'000**

290

-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

- 6.1 Aggregate payments includes quarterly Executive Directors salary and fees \$111k, Non-executive Director Fees \$63k and 12 months interest and loan charges \$116k.

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	4,000	1,100
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	4,000	1,100

7.5 Unused financing facilities available at quarter end	2,900
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7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

The loan facility of \$4.0 million relates to the following facilities announced on 28 February 2020

- Mr Leo Lee has provided a \$2.0m facility, currently drawn down by \$1.1m under terms which include rights to security over Regeneus' assets.
- Paddington St Finance an entity related to Mr Barry Sechos also provided a \$2.0m facility to be drawn upon only once Mr Lee's facility is fully drawn. It also includes rights to security of Regeneus' assets.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9) (net of receipt)	(1,110)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	1,383
8.3 Unused finance facilities available at quarter end (Item 7.5)	2,900
8.4 Total available funding (Item 8.2 + Item 8.3)	4,283
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	3.9 qtrs

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: ..5 May 2020.....

Authorised by: ...By the board.....
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.