

ASX Announcement
29 April 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 quarterly cashflow report and review of operational activities for the period ending 31 March 2020 (the quarter).

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.

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 report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

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) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	5
(b) businesses (see item 10)	36	36
(c) investments	-	-
(d) intellectual property	-	-
(e) 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 shares (net of costs)	-	3,882
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from shareholder loan	-	26
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
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 quarter/year to date	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 quarter	1,383	1,383

5. Reconciliation of cash and cash equivalents at end of quarter (per 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 directors of the entity and their associates		Current quarter \$A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	251
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

7. Payments to related entities of the entity and their associates		Current quarter \$A'000
7.1	Aggregate amount of payments to these parties included in item 1.2	-
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	
8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>		Total facility amount at quarter end \$A'000
8.1	Loan facilities	4,000
8.2	Credit standby arrangements	-
8.3	Other (please specify)	-
8.4	Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.	
<p>The loan facility of \$4.0 million relates to the following facilities announced on 28 February 2020</p> <ul style="list-style-type: none"> - 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. 		
9. Estimated cash outflows for next quarter		\$A'000
9.1	Research and development	(110)
9.2	Product manufacturing and operating costs	-
9.3	Advertising and marketing	-
9.4	Leased assets	(2)
9.5	Staff costs	(340)
9.6	Administration and corporate costs	(460)
9.7	Other – Business re-organisation costs	-
9.8	Total estimated cash outflows	(912)

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)		Acquisitions	Disposals
10.1	Name of entity		Regeneus Japan Inc
10.2	Place of incorporation or registration		Japan
10.3	Consideration for acquisition or disposal		36
10.4	Total net assets		25
10.5	Nature of business		Japanese JV with AGC Inc
On 12 February Regeneus purchased all outstanding shares in Regeneus Japan Inc from AGC as agreed on 18 December for \$25k. On 27 February Regeneus Japan was sold to CJ Partners Inc for \$37k representing the net assets of cash.			

Notes to be read in conjunction with this report

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.



Sign here:
 Director

Date: 29 April 2020

Print name: Leo Lee

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.

