

ASX Announcement 28 February 2020

Directors provide \$4M loan to support commercial license discussions

Regeneus Ltd (ASX: RGS) (Regeneus or the Company), a clinical-stage regenerative medicine company, today announced its Board of Directors has put in place loan facilities totaling \$4 million to extend the Company's funding runway to support negotiations to license and commercialise Progenza for knee osteoarthritis (Progenza OA) in Japan.

This funding has been led by CEO and Executive Director Leo Lee and Barry Sechos. Of the \$4 million loan facilities to be made available to the Company, a \$2 million facility has been provided by Mr Lee, with \$1.1 million of this facility used to refinance the loan provided by Mr Lee in February 2019 (refer to announcement on 28 February 2019). This loan facility contains new terms, including Mr Lee's rights to security over Regeneus' assets to secure all amounts owing under the loan.

In addition, Paddington St Finance has agreed to extend a new \$2 million loan facility to Regeneus. Paddington St Finance is an entity related to the Company's Independent Chairman Barry Sechos. This loan facility may be drawn upon once the \$2 million loan facility provided by Mr Lee is fully drawn. The Paddington St Finance loan will also be secured over assets and undertaking of Regeneus. That security will rank equally with the security granted to Mr Lee.

Both loans contain the same repayment terms: repayment within 12 months from the date of the signed loan agreement; or five business days after Regeneus receives an upfront payment in connection with a licensing transaction to commercialise Progenza in Japan; or immediately upon an event of default occurring. The interest rate for both loans is 12% per annum.

Regeneus' believes the above funding arrangements provide the fairest value to shareholders. Regeneus tested the market and was not able to secure equivalent funding at an equivalent cost. The Company's decision to obtain financial accommodation from related parties demonstrates the Directors' commitment and confidence in the management team's ability to conclude commercial license arrangements for Progenza OA in Japan.

The ASX has granted Regeneus waivers from Listing Rule 10.1 to the extent necessary to enable Regeneus to grant security over its assets to both Leo Lee and Paddington St Finance without obtaining shareholder approval. The decision to grant the waiver is on the following terms:

DECISION

Waiver Decisions

1. *Based solely on the information provided, ASX Limited ('ASX') grant Regeneus Ltd (the 'Company') a waiver from listing rule 10.1 to the extent necessary to permit the Company to grant security over the assets and undertaking of the Company in favour of:*
 - a. *Mr Leo Yao Lee ('Lender') (the 'Security') to secure the Company's*

obligation under the loan facility provided by the Lender for an amount up to \$2,000,000, with loan term ending 31 March 2021 or earlier if conditions for repayment are met, with a loan interest rate of 1% per month and the facility held in the name of the Lender and drawn down by the Company as required (the 'Loan Facility') provided by the Lender without obtaining shareholder approval; and

- b. Paddington Street Finance Pty Ltd (the 'Security') to secure the Company's obligation under the loan facility provided by the Lender for an amount up to \$2,000,000, with loan term ending 31 March 2021 or earlier if conditions for repayment are met, with a loan interest rate of 1% per month and the facility held in the name of the Lender and drawn down by the Company as required (the 'Loan Facility') provided by the Lender without obtaining shareholder approval,

on the following conditions:

- 1.1. the material terms of the transaction and of the waiver are announced to the market;
- 1.2. the announcement includes a description of the reasons why the entity has chosen to obtain the financial accommodation from the 10.1 party rather than a lender that is not a 10.1 party and the steps the board of the entity (or, in the case of a listed trust, the RE of the trust) has taken to satisfy itself that the transaction is being entered into on arm's length terms and is fair and reasonable from the perspective of the holders of the entity's ordinary securities;
- 1.3. the security documents expressly provide that:
 - 1.3.1. the security is limited to the funds due under the financial accommodation
 - 1.3.2. the security will be discharged when the funds due under the financial accommodation have been repaid in full;
 - 1.3.3. in the event the security is enforced, the assets can only be disposed of to the 10.1 party or an associate of the 10.1 party if the disposal is first approved by the entity's security holders under Listing Rule 10.1; and
 - 1.3.4. otherwise, if the holder of the security exercises, or appoints a receiver, receiver and manager or analogous person to exercise, any power of sale under the security, the assets must be sold to an unrelated third party on arm's length commercial terms and the net proceeds of sale distributed to the 10.1 party in accordance with their legal entitlements;
- 1.4. any variation to the terms of the financial accommodation or the Security which:
 - 1.4.1. advantages the Lender in a material respect;
 - 1.4.2. disadvantages RGS in a material respect; or

- 1.4.3. *is inconsistent with the terms of the waiver,*
 - 1.4.4. *must be subject to security holder approval under Listing Rule 10.1;
and*
 - 1.5. *for each year while they remain on foot, a summary of the material terms
of the financial accommodation and the security is included in the related
party disclosures in the entity's audited annual accounts.*
2. *ASX has considered Listing Rule 10.1 only and makes no statement as to the
Company's compliance with other listing rules*

-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 with a focus 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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