



ASX Release

26 April 2023

Quarterly Activities Report and Appendix 4C

Melbourne, Australia: Acrux Limited (ASX:ACR, “**Acrux**” or the “**Company**”) is pleased to provide its Appendix 4C and a quarterly update for the period ended 31 March 2023.

The Company reports an increase in cash and cash equivalents of \$4.377 million to \$8.727 million for the quarter ended 31 March 2023.

Material Events

In January Acrux concluded an agreement with Gedeon Richter Plc. to buy out the future royalties of Lenzetto® in contracted territories for EUR4.100 million. Royalty payments from the existing agreement were due to conclude early in 2026. This buyout generated \$6.337 million cash receipts during the quarter ended 31 March 2023.

On 21 December 2022, Acrux, together with our partner Padagis LLC, announced the launch of a generic version of Emla® (prilocaine 2.5% and lidocaine 2.5%) cream in the United States. Prilocaine 2.5% and lidocaine 2.5% cream is indicated as a topical anaesthetic for use on normal intact skin for local analgesia, genital mucous membranes for superficial minor surgery and pre-treatment for infiltration anaesthesia. In 2022 IQVIA reported annual market sales for prilocaine 2.5% and lidocaine 2.5% cream totalling USD39 million.

Outlook

On 23 February 2023, Akorn, Inc. announced it had entered Chapter VII bankruptcy and immediately ceased operations. At the time of this announcement Akorn was the market leader for prilocaine 2.5% and lidocaine 2.5% cream, holding market share exceeding 60%.

Together Acrux and Padagis are working to maximise the opportunity arising from Akorn’s bankruptcy.

In addition to the products which are currently marketed Acrux has 11 products in various stages of development, including 3 products which are currently under evaluation by the FDA. All of these projects continue to be progressed and, subject to receipt of regulatory approval, the company plans to launch several before the end of 2024.

March Quarter Cashflows

Customer receipts for the March quarter totalled \$7.116 million (YTD \$8.356 million) and included \$6.337 million for the buyout of future Lenzetto® royalties. The final quarterly royalties for Lenzetto® were received this quarter as well as the first profit share payment from Padagis for prilocaine 2.5% and lidocaine 2.5% cream in relation to partner sales for the quarter ended 31 December 2022.



As the R&D Tax Incentive rebate, including Overseas Findings, for FY22 was received in full during the December quarter, no further grant funds or tax incentives were received during the current quarterly reporting period.

Total operating payments disclosed at Item 1.2 of the Appendix 4C were similar in value to the previous quarter, totalling \$2.661 million for the current quarter and \$8.950 million for the year to date.

As we are focused on receiving regulatory approval for our later stage development projects that are forecasted to be commercialised in the short term, the value of expenditure on research and development in the March quarter and for the year to date continues to be lower than in previous financial years. The current project-based development activities involve a proportionately greater use of internal resources, including the demonstration of bioequivalence and dossier preparation, rather than the more costly phases where we are developing manufacturing methods and exhibit batches through external contract manufacturers.

Product manufacturing and operating costs reflects purchases of Active Pharmaceutical Ingredients (APIs) which are used in the commercial manufacture of prilocaine 2.5% and lidocaine 2.5% cream.

Staff costs reflect the employment-related expenses for the Company's employees and Non-executive Directors. Cash payments and superannuation related to the remuneration of Non-executive Directors is additionally disclosed as a related party payment at Item 6.

Conclusion

Following the launch of prilocaine 2.5% and lidocaine 2.5% cream as well as conclusion of the Lenzetto[®] royalty buyout during March quarter, the Board and Management is confident that financial reserves are available to support finalisation of current development projects and commercialisation of the next wave of products in our pipeline.

We thank shareholders for their continued support and look forward to sharing future progress on our development projects, including launches, as well as profit share income to be generated from prilocaine 2.5% and lidocaine 2.5% cream.

Approved for release by the Acrux Board of Directors

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About Acruz

Acruz is a specialty pharma company with a successful track record of developing and commercialising a pipeline of topically applied pharmaceutical products. Drawing on 25 years of experience, Acruz has successfully marketed through licensees a number of products worldwide with emphasis on the United States. Acruz is formulating and developing a range of topical generic products by leveraging its highly skilled workforce, on-site laboratories, GMP manufacturing suite, technical, clinical and commercial experience to bring affordable products to market. Acruz encourages collaboration and is well positioned to discuss commercial partnering and product development opportunities.

For further information on Acruz, visit www.acruz.com.au

Appendix 4C

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

Name of entity: Acrux Ltd

ABN	Quarter ended ("current quarter")
72 082 001 152	March 2023

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	7,116	8,356
1.2 Payments for		
(a) research and development	(761)	(3,242)
(b) product manufacturing and operating costs	(316)	(515)
(c) advertising and marketing	(4)	(44)
(d) leased assets	(8)	(33)
(e) staff costs	(1,228)	(3,954)
(f) administration and corporate costs	(344)	(1,162)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	11	36
1.5 Interest and other costs of finance paid	(43)	(126)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	3,731
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	4,423	3,047

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(4)	(7)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
(c) property, plant and equipment	-	-
(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	(4)	(7)
3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	(45)	(138)
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	(45)	(138)
4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	4,350	5,831
4.2 Net cash from / (used in) operating activities (item 1.9 above)	4,423	3,047
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(4)	(7)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(45)	(138)
4.5 Effect of movement in exchange rates on cash held	3	(6)
4.6 Cash and cash equivalents at end of period	8,727	8,727

Appendix 4C
Quarterly cash flow report for entities subject to Listing Rule 4.7B

5. Reconciliation of cash and cash equivalents	Current quarter \$A'000	Previous quarter \$A'000
at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		
5.1 Bank balances	725	1,348
5.2 Call deposits	8,000	3,000
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	2	2
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	8,727	4,350

6. Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to related parties and their associates included in item 1	47
6.2 Aggregate amount of payments to related parties and their associates included in item 2	-

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.

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>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.</i>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other	120	10
7.4 Total financing facilities	120	10
7.5 Unused financing facilities available at quarter end		110
7.6 <i>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.</i>		
Credit Card facility, ANZ Bank		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	4,423
8.2 Cash and cash equivalents at quarter end (item 4.6)	8,727
8.3 Unused finance facilities available at quarter end (item 7.5)	110
8.4 Total available funding (item 8.2 + item 8.3)	8,837
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A

Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.

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

8.6.1 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

8.6.2 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

8.6.3 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

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

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: 26 April 2023

Authorised by: The Board of Directors, Acrux Ltd

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.