

ASX Announcement

31 January 2020

Quarterly Cashflow report – Period ending 31 December 2019

Highlights:

- Termination of AGC agreement paves way for a new commercial partner in Japan
- Completion of rights issue with Japan-based institutional investor taking up shortfall of A\$755,029
- Receipt of \$50K innovation grant from the Department of Industry, Innovation and Science for MSC study with Monash
- Cost containment initiatives continue with net operating outflow anticipated at \$250k per month
- Cash balance as at 31 December 2019 of \$818k

Regeneus Ltd (ASX: RGS) (Regeneus or the Company), a clinical-stage regenerative medicine company, releases its quarterly cashflow report and review of operational activities for the period ending 31 December 2019 (Q2 FY20).

During the quarter, the Company and AGC terminated their exclusive manufacturing licence and joint venture agreement, a mutual decision which provides Regeneus with the flexibility to conclude commercial licence discussions with partners who intend to manufacture and commercialise Progenza OA in Japan. Following termination, AGC is entitled to be issued with 22,794,531 ordinary shares in Regeneus. On issue of the shares, AGC will be the largest single shareholder in Regeneus.

Regeneus' \$5.5 million private placement, first announced in August 2019, was completed during the quarter, with a Japanese-based institutional investor taking up the shortfall of \$775,029. The completion of the non-renounceable rights issue, together with the streamlined operations and the completion of a commercial deal allows Regeneus to be sufficiently funded to commercialisation in Japan. The Company is pleased to complete the rights issue with the support of an institutional investor with significant experience in the Japanese life sciences and regenerative medicine space.

In December, the Company received a \$50K innovation grant from the Department of Industry, Innovation and Science for research into how mesenchymal stem cells (MSCs) can be used in pain management. The study will be conducted in partnership with Monash University and the funding matches the project's spending over 12 months. This study will assist Regeneus with its strategy to address the global neuropathic pain market.

Regeneus continued its various cost containment initiatives over the quarter, which is anticipated to result in reduced future costs of \$250K a month.

Commenting on the activities during the quarter, Regeneus CEO Leo Lee noted, “This was a busy quarter where we completed our private placement and made important decisions regarding our approach to the commercialisation of Progenza OA in Japan.”

“We believe these decisions set us up in a solid position to conclude commercial license discussions with partners who intend to manufacture and commercialise Progenza OA,” he added.

“We are also pleased to bring on AGC and the new Japan-based institutional investor as shareholders, underscoring their belief in our core technologies and ability to execute.”

-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 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

Investor and Media Contact

WE Communications

T: 03 8866 1220

E: WE-AURegeneus@we-worldwide.com

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 December 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) research and development	(94)	(174)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	-	-
(d) leased assets	(3)	(3)
(e) staff costs (including Directors)	(314)	(1,018)
(f) administration and corporate costs	(621)	(1,527)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(58)	(58)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	1,492	1,492
1.8 Other (provide details if material)	-	(782)
1.9 Net cash from / (used in) operating activities	402	(2,070)

1.8 Other includes the redundancies and related costs associated with the implementation of the strategic review and the reduction in staff.

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 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)	-	-
(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	-	5
3. Cash flows from financing activities		
3.1 Proceeds from issues of shares (net of costs)	704	5,282
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	(1,300)	(2,680)
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	(596)	2,628

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 (6 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	1,012	255
4.2	Net cash from / (used in) operating activities (item 1.9 above)	402	(2,070)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	5
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(596)	2,628
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	818	818

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	818	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)	818	818

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 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

Current quarter \$A'000

166

-

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	Amount drawn at quarter end \$A'000
8.1	Loan facilities	1,100	1,100
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.		

The loan facility of \$1.1 million is the balance of the Directors loan, repayable in March 2020. Initially, \$2.5 million loaned to the Company by Directors in February 2019 and \$1.4 million was converted to 17.5 million ordinary shares at 8 cents per share as part of the recent capital raising.

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	-
9.5	Staff costs	(350)
9.6	Administration and corporate costs	(420)
9.7	Other – Business re-organisation costs	-
9.8	Total estimated cash outflows	(880)

10.	Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1	Name of entity		
10.2	Place of incorporation or registration		
10.3	Consideration for acquisition or disposal		
10.4	Total net assets		
10.5	Nature of business		

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: 31 January 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.