

ASX Announcement

31 October 2019

Quarterly Cashflow report – Period ending 30 September 2019

Highlights:

- New strategy to address global pain market
- Positive preclinical data for Progenza to treat neuropathic pain
- Company restructure and cost containment initiatives implemented
- Recent \$5.5m capital raise strengthens cash position and supports the revised strategic direction
- \$1.5m in R&D Tax Incentives received for FY19
- Net operating outflow costs of \$250k per month
- Cash balance as at 30 September of \$1m

Regeneus Ltd (ASX: RGS) (Regeneus or the Company), a clinical-stage regenerative medicine company, today released its quarterly cashflow report for the period ending 30 September 2019 (Q1 FY20).

During the quarter, the Company outlined its revised strategic direction to address the global pain market with a focus on its lead platform technology, Progenza. Activities to support this are underway, including ongoing negotiations for a commercial licensing partnership for Progenza to treat osteoarthritis (OA) in Japan, and discussions with universities to further develop and commercialise the Company's core platform technologies (Progenza and Sygenus).

In July, Regeneus announced Progenza demonstrated positive preclinical results in treating allodynia, a skin pain condition caused from non-painful stimulation of the skin, such as a light touch. A single injection of Progenza showed a complete reversal of the symptoms of allodynia. The early results are encouraging and support the Company's growth strategy to target the pain market.

During the period, Regeneus successfully completed a \$5.5m capital raise with strong support from investors and Directors. The Company believes the additional funds, combined with the cost containment initiatives - which have already reduced operating costs by 50 per cent - strengthen its cash position and provides a sufficient runway to secure the aforementioned Japan commercialisation partnership.

While lying outside the period, the October receipt of \$1.5m in R&D tax incentive rebate has reduced the Company's borrowings from \$3.8m at 30 June 2019, down to \$1.1m currently of Directors' loans.

Regeneus CEO Leo Lee, noted the quarter was focused on the implementation of financial and operational activities to support the revised strategic direction.

"The Company has made positive progress in the new financial year by taking important first steps to execute the revised strategic direction," said Mr Lee.

"Our recent restructure places us in a strong financial and operational position to deliver on our next major milestone: securing a commercial licensing partnership for Progenza to treat osteoarthritis (OA) in Japan. We look forward to updating investors on this as well as our progress across other indications."

-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 osteoarthritis and neuropathic pain with its platform technologies Progenza and Sygenus. Visit www.regeneus.com.au for more information.

Investor and Media Contact

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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")

30th September 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) research and development	(80)	(80)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs (including Directors)	(703)	(703)
(f) administration and corporate costs	(907)	(907)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	(782)	(782)
1.9 Net cash from / (used in) operating activities	(2,472)	(2,472)

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 (3 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	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	5

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares (net of costs)	4,578	4,578
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from shareholder loan	26	26
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	20	20
3.6 Repayment of borrowings	(1,400)	(1,400)
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	3,224	3,224

3.6 Repayment of borrowings – this amounts to the part of the Directors loan which was converted to shares at 8 cents per share.

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 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	255	255
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,472)	(2,472)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	5	5
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,224	3,224
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	1,012	1,012

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	1,012	1,012
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)	1,012	1,012

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

250

-

The payment to Directors includes fees accrued for May and June 2019.

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	2,400	2,400
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.		

In Q1 FY20, as part of the underwriting of non-renounceable rights issue, \$1.4 million loaned to the Company by Directors in February 2019 (and which was repayable in March 2020), has been converted to 17.5 million ordinary shares, to be issued to these participating Directors (or related parties) at 8 cents per share.

In early October Regeneus received the 2019 R&D Tax Incentive which was used to pay down the Paddington St debt in full.

These two events have resulted in the significant reduction in borrowings from \$3.8 million at 30 June 2019 to presently only \$1.1 million of Directors' loans.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	(80)
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing	-
9.4 Leased assets	-
9.5 Staff costs	(400)
9.6 Administration and corporate costs	(250)
9.7 Other – Business re-organisation costs	-
9.8 Total estimated cash outflows	(730)

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 October 2019

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.