

ASX Announcement

28 February 2023

Regeneus agrees to settle \$2.0 million loan

Settlement of Paddington St Finance loan facility

Regeneus Ltd (**Regeneus** or **Company**) has reached agreement to settle the \$2.0 million outstanding loan and interest payable to Paddington St Finance in exchange for the transfer from Regeneus to Paddington St Finance of 700,000 shares in Sangui Bio Pty Ltd (**Sangui Bio**) and payment of \$400,000 in cash.

Paddington St Finance is a related entity of Regeneus, by virtue of being an entity controlled by Mr Barry Sechos. Further, the shares in Sangui Bio constitute a "substantial asset" of Regeneus (being an asset with a value of more than 5% of the equity interests of Regeneus) and accordingly finalisation of the settlement will be subject to approval of the disposal of the Sangui Bio shares to Paddington St Finance by the shareholders of Regeneus under Listing Rule 10.1.

Payment of the \$400,000 in cash will occur immediately. The transfer of the Sangui Bio shares will occur within 5 business days of Regeneus receiving the required shareholder approval. The exact timing of Regeneus to call the shareholders' meeting to seek the required approval is not yet determined, but Regeneus expects this will occur within the next 3-6 months.

As reported in the Financial Statements for the Year Ended 30 June 2022, the latest valuation of Sangui Bio shares was \$2.50 per share - based primarily on the issue price for Sangui Bio shares for the capital raising it conducted in July 2021. Paddington St Finance agreed to take Sangui Bio shares despite typical risks, such as low liquidity and higher risk of failure, associated with early stages businesses.

Regeneus' directors (excluding Mr Sechos) believe that the settlement with Paddington St Finance reflects arms'-length terms and that settling the loan mostly with the non-core asset, a minority stake in Sangui Bio, is in the best interests of Regeneus' shareholders.

Disposal of other non-core assets

Regeneus continues exploring opportunities to dispose of other non-core assets to improve the Company's liquidity position. For example, Regeneus has accumulated Good Manufacturing Practices (**GMP**) grade and non-GMP grade donor material in excess of its current, and anticipated future, needs. The Company is in advanced discussions with external parties to sell the donor material (stromal vascular fraction or isolated mesenchymal stem cells). The sale of select donor material is expected to improve the Company's liquidity position.

Financial position of Regeneus

Regeneus had \$811,192 in cash as of 24 February 2023. After the loan settlement, the Company will have \$411,192 in cash. Regeneus undertook further restructuring

measures in February to reduce monthly operating expenses and extend its runway to further explore a strategic transaction in 2023.

In addition, the potential sale of non-core assets will further extend the cash runway. The Company also expects an R&D Tax Incentive rebate after the 30 June 2023 Financial Year closes. At this stage, Regeneus is not considering any equity capital raise.

Update on process with Kyocera Corporation

Discussions with Kyocera Corporation regarding the termination of the licence and collaboration agreement (**Collaboration Agreement**) are ongoing (see announcement of 31 January 2023). Regeneus maintains a position that Kyocera did not exercise commercially reasonable efforts as defined in the Collaboration Agreement and, therefore, that Kyocera does not have any right to terminate the agreement. The dispute resolution process under the Collaboration Agreement is continuing. The Company is not, at this time, incurring material legal expenses and will weigh further legal actions based on the outcome of the dispute resolution process and the expected probability of a successful outcome.

Global search for additional partners for commercialisation of Progenza™

The Company is searching for strategic partners to co-develop Progenza™ for knee osteoarthritis around the globe. Strategic partnering processes in China and other markets are ongoing. Regeneus has also initiated discussions with other potential partners for licensing the Progenza knee osteoarthritis product in Japan.

Strategic transaction

The Company continues exploring various M&A options globally to extract operational, manufacturing, and clinical development synergies. The Company is in merger discussions with US and Japanese biotechnology companies. In the coming months, consummating a strategic transaction remains a priority for the Regeneus Board and the management team.

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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 osteoarthritis, neuropathic pain, 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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