

ASX Announcement

28 February 2020

Half-Year Results & Business Update

Operational and clinical highlights:

- Implemented revised strategy to divest non-core assets and focus on commercialising lead platform technology to address the global neuropathic pain market
 - Focused on commercial licence discussions with partners to manufacture and commercialise Progenza OA in Japan, US & Europe
 - AGC has option to become largest shareholder in RGS
 - Secured Japanese institutional investor support for rights issue
- Positive pre-clinical results of Progenza in treating neuropathic pain

Financial highlights:

- Costs containment initiatives and streamlined operations reduce operating costs
- Receipt of A\$1.5m in R&D Tax Incentives from the Australian Tax Office
- \$50K grant from Australia's Department of Industry, Innovation and Science provided to study mesenchymal stem cells (MSCs) in pain management
- Cash balance and cash equivalents as at 31 December 2019 of \$818k

Regeneus Ltd (ASX: RGS) (Regeneus or the Company), a clinical-stage regenerative medicine company, today released its Half-Year Financial Results and Appendix 4D for the period ended 31 December 2019 (H1 FY20).

At the beginning of the financial year, the Company announced its revised strategic direction to address the global pain market, with a focus on commercialising its lead platform technology, Progenza for Osteoarthritis (OA) in Japan.

During the six months, Regeneus focused on implementing the necessary operational and financial activities to support the new corporate strategy. This included the termination of Regeneus and AGC's exclusive manufacturing licence and joint venture agreement. This mutual decision provided the Company with the flexibility to conclude commercial licence discussions with partners who intend to manufacture and commercialise Progenza OA in Japan.

As part of the termination arrangements, AGC has elected to convert US\$2.5 million of their upfront and milestone payments into equity ownership in Regeneus of ordinary shares at a fixed subscription price of A\$0.16 per share. This represents a 100 per cent premium to Regeneus' share price as of 19 December 2019. On issue of the shares AGC will become the largest shareholder in the Company, holding 8%.

Additionally, the Company completed a \$5.5 million private placement and rights issue, with a Japanese-based institutional investor taking up the initial shortfall. This investor has significant experience in the Japanese life sciences and regenerative medicine sector. Regeneus believes this particular investor's support in the raise underscores their belief in Progenza OA's commercialisation plan.

As part of its revised focus, Regeneus has streamlined operations and implemented cost-containment initiatives which have reduced operating outflows by 50 per cent targeting \$250k a month. This includes restructuring executive packages to align compensation with shareholder value and relocating to smaller corporate premises to realise significant savings.

In the period, Regeneus received \$1.5m in R&D Tax Incentives for the 2019 financial year. Monash University and Regeneus were awarded 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, which will be conducted in partnership with Monash University, will assist the Company in developing research for the neuropathic pain market.

In terms of clinical development, 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. The study demonstrated a single injection of Progenza completely reversed the symptoms of allodynia. These results, while early stage, are encouraging and support the Company's growth strategy to target the pain market.

Commenting on the activities in the first half of the 2020 financial year, Regeneus CEO Leo Lee said, "The last six months has been a critical period for the Company as we introduced corporate changes aligned with our revised strategy to focus on the unmet need in the global pain market."

"We have already seen our cost-containment initiatives implemented and brought on a new institutional investor. We also terminated the agreement with AGC, a mutual decision which allows us to focus on concluding commercial licence discussions with partners who intend to manufacturing and commercialise Progenza OA in Japan."

"We look forward to updating shareholders and the market on development on this front."

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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 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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