

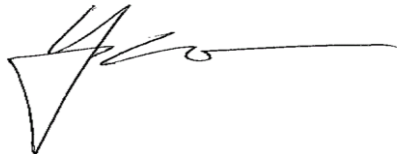
30 August 2019

ASX Ltd  
Level 4, 20 Bridge Street  
Sydney NSW 2000

**Regeneus Ltd (ASX:RGS) – Results for the year ended 30 June 2019**

Attached for immediate release to the market is the Regeneus Ltd Appendix 4E – Preliminary final report for the year ended 30 June 2019

Yours faithfully



Leo Lee  
CEO



**Regeneus Ltd**

**ABN 13 127 035 358**

Appendix 4E

Preliminary final report - unaudited

Year ended 30 June 2019

## Appendix 4E and Unaudited Preliminary Final Report for the year ended 30 June 2019

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## Regeneus Ltd

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 significant unmet medical needs in the human health markets with a focus on osteoarthritis and other musculoskeletal disorders, neuropathic pain and dermatology.

## Appendix 4E Statement

### Reporting Period

Report for the full year to 30 June 2019. Corresponding period is for the full year ended 30 June 2018.

Results for announcement to the market			
	Current	Change	Change
	\$'000	\$'000	%
Revenue from ordinary activities	25	585	(96%)
Loss from ordinary activities after income tax attributable to members	(6,025)	(840)	(16%)
Net loss for the year attributable to members	(6,025)	(840)	(16%)
Cash (outflow) from operating activities	(3,608)	639	15%

	2019	2018
	Cents	Cents
Basic earnings per share	(0.029)	(0.025)
Diluted earnings per share	(0.029)	(0.025)
Net tangible asset backing (liabilities) per ordinary share	(3.06)	1.40

## Review of Operations

### Highlights

- Appointed Leo Lee as CEO (previously non-executive Director) and appointed two new Non-executive Directors; Dr John Chiplin and Dr Alan W. Dunton
- Received \$2.4m by way of R&D Tax Incentive
- Directors provided \$2.5m loan funding and Paddington St \$1.3m debt instrument was extended to the receipt of 2019 R&D Tax Incentive
- Chinese patent for Biomarkers to monitor disease progression for mesenchymal stem cell (MSC) therapy for inflammatory conditions
- Received European Patent office notice of intent to grant European Patent for Progenza
- Monthly cash used in operating activities averages \$301k, excluding R&D tax Incentive falls below \$500k (prior year was \$354k and \$571k respectively)

## Commentary on Results

The Group's operating results for the year was a loss of \$6.0 million (FY18: \$5.2 million). The increased current year loss is reflective of additional Corporate and Finance costs partially offset by reductions in Research and Development expenditure and the associated impact of a reduced R&D Tax Incentive.

In the fourth quarter of the 2019 financial year a strategic review was commenced with the main priority of the review being the focus on the commercialisation of the Group's most mature technology platform – Progenza – and the commencement and completion of a Phase 2 clinical trial for the treatment of osteoarthritis, to bring the Progenza product to market. This strategy recognized the need for significant change in the operations of the Group, to be implemented in the first quarter of the 2020 financial year.

As a preliminary step in this change, the premises lease expired during the year and was not renewed, resulting in the inclusion in the full year accounts of incremental costs of \$155k associated with vacating the premises.

Corporate expenses, in addition to the \$155k provision for the premises, include the following material expenses not in the prior year: options expense of \$100k, provision of \$300k against the shareholder loans (pursuant to AASB 9 fair value definition) and finance costs of \$395k.

The Finance costs of \$395k are predominantly the interest expense on the Paddington St Finance loan and the Directors' loans.

A further contributor to the increased loss is the 'unrealised foreign exchange loss on contract liability' which was the exchange rate impact on AGC's entitlement to convert US\$2.5 million of the upfront and milestone payments previously paid to the Company into ordinary shares in Regeneus.

Significant changes in the Consolidated Statement of Financial Position gave rise to negative net assets. This was primarily the result of an increase in current liabilities.

Other Current Liabilities of \$3.8million (FY18: \$1.0 million) include the R&D loan provided by Paddington St Finance of \$1.3 million and the Directors' loans of \$2.5 million.

Paddington St Finance agreed to extend the repayment of both principal and accrued interest of its R&D loan to the earlier of the end of September 2019 and the receipt of the Company's 2019 R&D Tax Incentive. The drawn amount of the R&D loan of \$1.3 million and accrued interest should be covered by the R&D Tax Incentive, which is anticipated as being received during the current quarter.

The Directors' loans of \$2.5 million advanced to the Company in February 2019 are repayable in March 2020, if not converted as part of the Company's equity raising. In August 2019 it was announced that \$1.4 million of the Directors' loans are to be converted in the capital raising undertaken by the Company in August.

Contract Liabilities of \$3.6 million reflect the adoption of AASB 15 and the recognition of AGC's entitlement to convert US\$2.5 million of the upfront and milestone payments previously paid to the Company, into ordinary shares in Regeneus. This arrangement is more fully detailed in the December 2018 Half Year Report.

Cash continued to be managed carefully with the full year cash used in operating activities amounting to \$3.6 million (FY18: \$4.3 million). Excluding the R&D Tax incentive receipt, the full year cash used in operating activities was \$6.0 million (FY18: \$6.9 million) reflecting a monthly cash expenditure of less than \$500k compared to the prior year of in excess of \$570k.

In the first quarter of the 2020 financial year restructuring activities, as announced in July, commenced and will result in a reduction in the monthly cash required for operating activities to approximately \$250k.

The 'funding runway' was further enhanced in August 2019 with a successful placement of \$2.34 million worth of ordinary shares and a rights issue raising a further \$0.62 million. Further funding is anticipated through final rights 'shortfall' placements during September 2019.

## Additional Information

### Details of controlled entities

During the financial year ended 30 June 2019, no new subsidiaries were acquired.

### Details of Associates and Joint Venture Entities

During the financial year ended 30 June 2019, no new Associates or Joint Venture Entities were created.

### Dividends

No dividends are being proposed or have been paid in the current year (2018: Nil).

### Accounting Standards

Australian Accounting standards and International Financial Reporting Standards have been used in preparing the information contained in this Appendix 4E.

### Significant Accounting Policies

Accounting policies, estimation methods and measurement bases used in the Appendix 4E are the same as those used in the last annual report and the last half-year report.

### Contingencies

The Group contingencies are broadly in line with those disclosed in the last annual report.

### Audited Annual Accounts

This report is based on the consolidated financial statements that are in the process of being audited by Grant Thornton Audit Pty Ltd. These accounts are not expected to be qualified but are likely to be subject to similar uncertainty as prior year.

### Comparative Information

The comparative financial information has been presented on a consistent basis with the prior year audited Financial Statements.

### Other Significant Information

There is no other significant information requiring disclosure in the preliminary report.

## Consolidated Statement of Comprehensive Income

For the year ended 30 June	2019 \$	2018 \$
Revenue	25,077	610,511
Cost of sales	-	-
<b>Gross profit</b>	<b>25,077</b>	<b>610,511</b>
Other income	1,441,782	2,164,595
Research and development expenses	(2,432,564)	(3,956,639)
Occupancy expenses	(512,311)	(474,939)
Corporate expenses	(3,922,731)	(3,462,416)
Finance costs	(402,800)	(25,862)
Share of loss on investments accounted for using equity method	(40,903)	(39,850)
Unrealised foreign exchange loss on contract liability	(180,150)	-
<b>Profit/(loss) before income tax</b>	<b>(6,024,600)</b>	<b>(5,184,600)</b>
Income tax (expense) / benefit	-	-
<b>Profit/(loss) for the year</b>	<b>(6,024,600)</b>	<b>(5,184,600)</b>
Other comprehensive (expense) / income	-	-
<b>Total comprehensive profit/(loss) for the year</b>	<b>(6,024,600)</b>	<b>(5,184,600)</b>
<b>Earnings per share</b>		
<b>Basic earnings per share</b>		
Earnings per share from continuing operations	(0.029)	(0.025)
<b>Diluted earnings per share</b>		
Earnings per share from continuing operations	(0.029)	(0.025)

## Consolidated Statement of Financial Position

As at 30 June	2019 \$	2018 \$
<b>Current Assets</b>		
Cash and cash equivalents	255,463	1,091,579
Trade and other receivables	-	-
Inventories	8,615	15,336
R&D incentive receivable	1,249,440	2,164,595
Other current assets	871,173	1,041,464
<b>Total current assets</b>	<b>2,384,691</b>	<b>4,312,974</b>
<b>Non-current assets</b>		
Property, plant and equipment	153,448	417,248
Intangible assets	-	1,644
Investments accounted for using the equity method	3,675	41,263
Other non-current assets	-	210,000
<b>Total non-current assets</b>	<b>157,123</b>	<b>670,155</b>
<b>Total assets</b>	<b>2,541,814</b>	<b>4,983,129</b>
<b>Current liabilities</b>		
Trade and other payables	1,055,946	707,209
Provisions	352,677	111,398
Other current liabilities	3,780,000	1,000,000
Contract liabilities	3,564,300	-
<b>Total current liabilities</b>	<b>8,752,923</b>	<b>1,818,607</b>
<b>Non-current liabilities</b>		
Provisions	175,386	242,757
<b>Total non-current liabilities</b>	<b>175,386</b>	<b>242,757</b>
<b>Total liabilities</b>	<b>8,928,309</b>	<b>2,061,364</b>
<b>Net assets</b>	<b>(6,386,495)</b>	<b>2,921,765</b>
<b>Equity</b>		
Issued capital	31,076,819	31,076,819
Accumulated losses	(37,875,379)	(29,774,504)
Reserves	412,065	1,619,450
<b>Total equity</b>	<b>(6,386,495)</b>	<b>2,921,765</b>



## Consolidated Statement of Changes in Equity

For the year ended 30 June	Share capital \$	Share option reserve \$	Retained earnings\$	Total attributable to parent owners \$	Total equity \$
<b>Balance at 1 July 2017</b>	<b>31,076,819</b>	<b>1,652,773</b>	<b>(24,629,684)</b>	<b>8,099,908</b>	<b>8,099,908</b>
Reported loss for the year	-	-	(5,184,600)	(5,184,600)	(5,184,600)
Reported other comprehensive income (expense)	-	-	-	-	-
Employee share-based payment option expense	-	6,457	-	6,457	6,457
Transfer from reserves to retained earnings for options forfeited	-	(39,780)	39,780	-	-
<b>Balance at 30 June 2018</b>	<b>31,076,819</b>	<b>1,619,450</b>	<b>(29,774,504)</b>	<b>2,921,765</b>	<b>2,921,765</b>
<b>Balance at 1 July 2018</b>	<b>31,076,819</b>	<b>1,619,450</b>	<b>(29,774,504)</b>	<b>2,921,765</b>	<b>2,921,765</b>
Restatement for adoption of accounting standard AASB 15	-	-	(3,384,150)	(3,384,150)	(3,384,150)
<b>Restated balance at 1 July 2018</b>	<b>31,076,819</b>	<b>1,619,450</b>	<b>(33,158,654)</b>	<b>(462,385)</b>	<b>(462,385)</b>
Reported loss for the year	-	-	(6,024,600)	(6,024,600)	(6,024,600)
Reported other comprehensive income (expense)	-	-	-	-	-
Employee share-based payment option expense	-	100,490	-	100,490	100,490
Transfer from reserves to retained earnings for options forfeited	-	(1,307,875)	1,307,875	-	-
<b>Balance at 30 June 2019</b>	<b>31,076,819</b>	<b>412,065</b>	<b>(37,875,379)</b>	<b>(6,386,495)</b>	<b>(6,386,495)</b>

## Consolidated Statement of Cash Flows

For the year ended 30 June	Note	2019 \$	2018 \$
<b>Operating activities</b>			
Receipts from customers		-	616,216
Payments to suppliers and employees		(5,866,152)	(7,458,867)
Interest received		19,077	13,250
Grant Received		6,000	-
R&D incentive refund		2,356,937	2,608,223
Finance costs		(124,358)	(25,862)
<b>Net cash provided by / (used in) operating activities</b>		<b>(3,608,496)</b>	<b>(4,247,040)</b>
<b>Investing activities</b>			
Payments for investments		-	-
Purchase of property, plant and equipment		(7,620)	(150,966)
Receipts from sale of property, plant and equipment		-	-
<b>Net cash (used in) by investing activities</b>		<b>(7,620)</b>	<b>(150,966)</b>
<b>Financing activities</b>			
Proceeds from related party loan		4,660,000	1,000,000
Repayment of related party loan		(1,880,000)	-
Receipts from shareholder loan		-	354,449
<b>Net cash provided by financing activities</b>		<b>2,780,000</b>	<b>1,354,449</b>
Net change in cash and cash equivalents held		(836,116)	(3,043,557)
Cash and cash equivalents at beginning of financial year		1,091,579	4,135,136
<b>Cash and cash equivalents at end of financial year</b>		<b>255,463</b>	<b>1,091,579</b>

## Corporate Directory

### Registered Office and Principal Place of Business

25 Bridge Street  
Pymble, NSW 2073

### Board of Directors

Barry Sechos (Non-executive Chairman)  
Leo Lee (Executive Director)  
Professor Graham Vesey (Executive Director)  
Dr. Glen Richards (Non-executive Director)  
Dr John Chiplin (Non-executive Director)  
Dr Alan W. Dunton (Non-executive Director)

### Company Secretary

Sandra McIntosh

### Website

[regeneus.com.au](http://regeneus.com.au)

### Lawyers

Dentons Australia Pty Ltd  
77 Castlereagh Street  
Sydney NSW 2000

### Auditors

Grant Thornton Audit Pty Ltd  
Level 17, 383 Kent Street  
Sydney NSW 2000

### Patent Attorneys

Spruson & Ferguson  
Level 35, 31 Market Street  
Sydney, NSW 2000

### Share Registry

Link Market Services Limited  
Level 12, 680 George Street  
Sydney, NSW 2000

### Stock Exchange Listing

Australian Stock Exchange  
ASX Code: RGS