ASX ANNOUNCEMENT/MEDIA RELEASE
27 OCTOBER 2020

AROA BIOSURGERY QUARTERLY ACTIVITIES REPORT & 4C SEPTEMBER 2020

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HIGHLIGHTS

- H1 FY21 product revenues (unaudited) of NZ$9 million down 10% compared to H1 FY20 but ahead of the Company's COVID-19 adjusted planning assumptions. The Company maintains its expectation to deliver revenue growth on H2FY20 (NZ$11.9m), equating to more than NZ$21.0m for FY21 subject to COVID-19 restrictions continuing to ease.
- Cash outflow from operations was modest for the September quarter at NZ$1.6 million, with cash on hand of NZ$38.7 million as at 30 September.
- Received US FDA clearance for Aroa's Symphony™ product in July for complex wounds in patients with severely impaired healing. A reimbursement application has been submitted to support a commercial launch in 2021.
- Received CE Mark approval for Aroa's Myriad™ product in July to allow commercialization to begin in the EU.
- Study published in peer reviewed journal, *PLOS ONE,* provides further insights on the ability of components found within the Aroa ECM platform technology to recruit stem cells from surrounding healthy tissue to support soft tissue repair.

Soft tissue regeneration company Aroa Biosurgery Limited (ASX:ARX, 'Aroa' or the 'Company') is pleased to provide an update on its activities for the quarter ended 30 September 2020. This is the first Appendix 4C Report following Aroa's listing on the ASX on 24 July after raising A$45m.

Financial Commentary

After sales in the April and June quarters were impacted by the COVID-19 pandemic, Aroa has seen an improvement in the September quarter. Recovery from the COVID-19 downturn exceeded Aroa's internal expectations, with H1 FY21 product revenues down 10%, compared to H1 FY20 but ahead of the Company's COVID-19 adjusted planning assumptions.

Despite the recovery in sales from Q1 to Q2, cash receipts for Q2 FY21 (NZ$4.5 million) were lower than Q1 (NZ$5.6 million), due to the timing difference between revenue recognition and cash receipts.

Cash outflow from operations for the September quarter remained modest at NZ$1.6 million, ending the quarter with cash on hand of NZ$38.7 million.

In accordance with ASX Listing Rule 4.7C.3, Aroa advises that an amount of NZ$98k was paid during the quarter to Aroa's Non-Executive Directors in payment of their director fees.

Appendix A provides a summary of actual expenditure, compared to the estimated use of funds set out in the Prospectus, in accordance with ASX Listing Rule 4.7C. Cash expenditure is consistent with the use of funds set out in Aroa's IPO Prospectus.

US FDA Clearance for Symphony™

Aroa announced that it received US Food and Drug Administration (FDA) clearance for its new product Symphony™ in July which is applied as a graft for patients with severely impaired healing.

Symphony™ combines Aroa's ECM with hyaluronic acid and is engineered into a highly perforated, multi-layered device with a high volume and surface area which is rapidly accessible to cells. It combines the advantages of Aroa's ECM with hyaluronic acid which is known to improve in blood vessel formation, cell migration, collagen III production, and reduced scarring.

As a cell and tissue-based product (skin substitute), Symphony™ requires a unique reimbursement code within the U.S. health system. This is expected to be in place by 2021 allowing a limited commercial launch in 2021 and a full launch in 2022 following the completion of clinical studies.

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European Approval for Myriad™

Following its ASX listing, Aroa announced that it had received European regulatory approval (CE Mark) for its Myriad™ product. The Myriad™ approval allows that product to be commercialised in the European Union, where it can be used in dermal soft tissue reconstruction of complex wounds, tissue resections and injuries from trauma. Aroa received formal notification of the approval on 29 July 2020 from its European notified body DEKRA Certification B.V.

Aroa anticipates European market launch of Myriad™ to occur in 2021. Aroa received FDA 510(k) clearance for Myriad™ in June 2017, which led to first sales in early 2020 with a total estimated market size for the product globally of US$350 million.

Myriad™ is a highly perforated, thick, multi-layered graft that is engineered to have a high volume and surface area with interstitial spaces that are easily and rapidly accessible to cells. It takes advantage of Aroa's proprietary extracellular matrix (ECM) and its porous structure, secondary molecules and vascular channels to support new tissue growth. Myriad™ grafts enable rapid vascularisation and help build new tissue, which may lead to faster healing, recovery and discharge from hospital.

Aroa ECM Recruits Stem Cells

During the quarter, Aroa gained further validation for its ECM platform technology, with a new preclinical study published in the peer-reviewed journal PLOS ONE. The 'MayDay' protein, which is released from Aroa's ECM during healing, was shown to communicate with stem cells and could play an important role during normal soft tissue repair. Further studies will be ongoing to understand the role that 'MayDay' plays in soft tissue repair. The paper is titled 'A novel chemotactic factor derived from the extracellular matrix protein decorin recruits mesenchymal stromal cells in vitro and in vivo' (https://journals.plos.org/plosone/article?id=10.1371/journal.pone.0235784).

Opportunity Expands in International Markets

Outside of United States and Europe, Aroa is continuing to execute its international market expansion strategy and secure new regulatory approvals and local distributors. In the last quarter Myriad™ has been approved by regulatory authorities in Malaysia, Thailand, and Jordan, while Endoform has been approved in Malaysia and Mexico. In addition, local distributors have been appointed in Italy, Malaysia, Indonesia, Israel, Kuwait, Oman, and Qatar.

Successful ASX Listing

Aroa listed on the Australian Securities Exchange (ASX) on 24 July 2020 following completion of an initial public offering (IPO) that raised A$45 million from investors. This valued the company at A$225 million on listing. The company issued 40 million new shares at $0.75 for A$30 million of primary capital in the IPO, with the remaining A$15 million forming part of a sell down by early investors in the company.

The IPO received good support from institutional investors across Australia, New Zealand and other overseas markets, as well as existing shareholders who subscribed for approximately half of the funds raised. Bell Potter Securities and Wilsons were Joint Lead Managers to the IPO.

COVID-19 Impact

Following the initial postponement of elective surgery and closure of outpatient wound centres the Company is seeing an increasing number of hospitals implementing measures which allow elective surgery and wound centre treatment to resume. Activity continues to be at a lower level than pre-COVID but there is a positive trend towards strengthening sales. The Company maintains its expectation to deliver growth on H2 FY20 product revenue of NZ$11.9 million but remains on watch for a resurgence of COVID-19 cases as the northern hemisphere heads into winter.

Aroa's manufacturing and distribution activities continued uninterrupted through the quarter.

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Authorised on behalf of the Aroa Biosurgery Board of Directors by Brian Ward, CEO.

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About Aroa Biosurgery

Aroa Biosurgery is a soft-tissue regeneration company that develops, manufactures, sells and distributes medical and surgical products to improve healing in complex wounds and soft tissue reconstruction. Committed to 'unlocking regenerative healing for everybody', its products are developed from the Company's proprietary Endoform® technology platform, a novel extracellular matrix biomaterial derived from ovine (sheep) forestomach. Clinically proven with peer reviewed publications, Aroa's products have been used in more than four million procedures to date, with distribution into its key market of the United States by Appulse and Tela Bio. Founded in 2008, Aroa is headquartered in Auckland, New Zealand and is listed on the Australian Securities Exchange (ASX:ARX). www.aroabio.com/

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APPENDIX A

In accordance with ASX Listing Rule 4.7C, Aroa provides the following use of funds information:

Use of funds	Prospectus Estimate NZ$m	Actual Funds Used NZ$m	Actual as a % of Estimate	Note
Investment in sales and marketing	$5.0	$0.0	0%	1
Investment in additional manufacturing capacity, investment in new products, plant and equipment and other general corporate capital expenditure	$5.0	$0.0	0%	2
Working capital, other operating costs	$5.0	$1.6	32%	3
Repayment of borrowings	$13.1	$0.0	0%	4
Offer costs	$3.8	$3.9	104%	5
Total	**$31.9**	**$5.5**	**17%**	

Notes:

1. Commencing Q3 FY21.
2. Commencing Q3 FY21.
3. Net operating cash outflows for the current quarter, excluding cash outflows relating to the investment in sales & marketing (Nil).
4. Maturing 31 March 2022.
5. Includes cash outflows prior to IPO.

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Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

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Name of entity	
Aroa Biosurgery Limited	
ABN	**Quarter ended ("current quarter")**
ARBN 638 867 473	30 September 2020

Consolidated statement of cash flows		**Current quarter $NZ'000**	**Year to date (6 months) $NZ'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	4,477	10,125
1.2	Payments for		
	(a) research and development	(398)	(762)
	(b) product manufacturing and operating costs	(619)	(2,078)
	(c) advertising and marketing	(1,491)	(3,598)
	(d) leased assets	(3)	(9)
	(e) staff costs	(2,634)	(5,219)
	(f) administration and corporate costs	(1,426)	(2,403)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	2	3
1.5	Interest and other costs of finance paid	(2)	(853)
1.6	Income taxes paid	399	314
1.7	Government grants and tax incentives	67	1,453
1.8	Other (rent received)	50	55
1.9	**Net cash from / (used in) operating activities**	**(1,578)**	**(2,972)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(281)	(463)
	(d) investments	-	-
	(e) intellectual property	(49)	(172)
	(f) other non-current assets	-	-

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Consolidated statement of cash flows		Current quarter $NZ'000	Year to date (6 months) $NZ'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) 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**	**(330)**	**(635)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	32,212	32,574
3.2	Proceeds from issue of convertible debt securities	-	19,804
3.3	Proceeds from exercise of options	-	2,255
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(2,580)	(4,355)
3.5	Proceeds from borrowings	-	265
3.6	Repayment of borrowings	(112)	(12,570)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (lease liability payments)	(213)	(302)
3.10	**Net cash from / (used in) financing activities**	**29,307**	**37,671**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	10,991	3,850
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,578)	(2,972)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(330)	(635)

Consolidated statement of cash flows		Current quarter $NZ'000	Year to date (6 months) $NZ'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	29,307	37,671
4.5	Effect of movement in exchange rates on cash held	293	769
4.6	**Cash and cash equivalents at end of period**	**38,683**	**38,683**

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter $NZ'000	Previous quarter $NZ'000
5.1	Bank balances	18,683	10,991
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (term deposits >90 days)	20,000	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**38,683**	**10,991**

6.	Payments to related parties of the entity and their associates	Current quarter $NZ'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	98
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

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7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**Total facility amount at quarter end $NZ'000**	**Amount drawn at quarter end $NZ'000**
7.1	Loan facilities	11,524	9,909
7.2	Credit standby arrangements	486	113
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	**12,010**	**10,022**

7.5	**Unused financing facilities available at quarter end**	**1,988**

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

Includes the following:

1. an unsecured loan of NZ$9.9m from Hollister Incorporated at 6.25% p.a. with a maturity date of 31 March 2022; and
2. a secured facility of NZ$1.6m with the Bank of New Zealand at 5.3% p.a., which remained undrawn as at 30 September 2020.

8.	**Estimated cash available for future operating activities**	**$NZ'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,578)
8.2	Cash and cash equivalents at quarter end (item 4.6)	38,683
8.3	Unused finance facilities available at quarter end (item 7.5)	1,988
8.4	Total available funding (item 8.2 + item 8.3)	40,671
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	**25.8**

Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.

8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

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8.6.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
Answer: N/A	

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

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.

Date: 27 October 2020

Authorised by: By the board
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow 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 cash flow 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.

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

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