

# REX BIONICS Plc

Registered in England and Wales with registered number 06425793

*Directors*

David Macfarlane  
Susan Fraser

*Registered Office*

27/28 Eastcastle Street  
London W1W 8DH

30 November 2018

## LETTER FROM THE CHAIRMAN

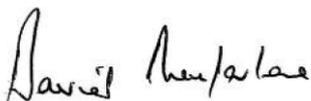
Dear Shareholders,

I am pleased to advise that at the Company's Annual General Meeting which was held at 11.30am on Tuesday 20 November 2018 at the offices of Grant Thornton UK LLP, 30 Finsbury Square, London EC2A 1AG, all resolutions that were contained in the Notice of Annual General Meeting were put to the meeting and duly passed.

It has been pointed out that there was a typographical error in my letter to shareholders of 24 October 2018 that I am now taking the opportunity to correct. In the Shareholder Summary of Rex Bionics Pty given by Charles S. Carignan MD, the CEO of Rex Bionics PTY Limited, there was reference to an anticipated level of fundraising. The letter of 24 October mentioned, in error, a figure of "47.5 million AUD" whereas the letter should have referenced "\$7.5 million AUD". We apologise for this error and I enclose, as Appendix 1 to this letter, the corrected version of the Shareholder Summary of Rex Bionics Pty below from Charles S. Carignan MD, CEO of our Investment, Rex Bionics PTY Ltd.

Further on the subject of the fundraising by Rex Bionics Pty, I would remind shareholders of what I said in my letter of 25 August 2017 about the possibility then of shareholders participating in further financing of Rex Bionics Pty. For ease of reference we enclose as Appendix 2 to this letter a copy of an extract of the relevant part of the letter. Again, subject as mentioned in that letter, the possibility for shareholders who might be interested to invest directly in Rex Bionics Pty continues. So if any shareholder does have such an interest could they inform the Company Secretary (by email to [ianf@mspsecretaries.co.uk](mailto:ianf@mspsecretaries.co.uk)) by not later than 31 December 2018 and arrangements would be made in due course and if permitted by applicable laws for such shareholder to be put in direct contact with Rex Bionics Pty and/or its advisers.

Yours,



David Macfarlane  
*Chairman*

## APPENDIX 1

### Corrected version of Shareholder Summary of Rex Bionics Pty dated 24 October 2018

#### Shareholder Summary of Rex Bionics Pty

##### **Rex Bionics PTY Ltd**

Since the refinancing of the company in late May 2017, there has been a great deal of activity focused on the company's new strategy, activities both to help formulate the strategy as well as to move that strategy forward.

Examples of some of those activities include:

- Identifying potential technology collaborations
- Completing the Multiple Sclerosis study in East Kent and the University of Birmingham
- Obtaining final approval for the next Multiple Sclerosis study
- Ongoing demonstrations in the UK, Australia and US
- Working with Hydrix in Australia on designing a new product that builds off from the current Rex design for a product launch in 2020- McLaren designed product is on hold due to technological complexity
- Finalizing the CFDA approval in China and working on a close collaboration with our Chinese distributor for manufacturing and distributing in China

Continuing to conduct multiple trainings in Australia and conducting demonstrations in Australia and the UK, with the aim of selling 2-3 new systems this fiscal year. We are working to update a number of tests required to meet EU and US updated regulatory requirements. There is growing interest in Rex in the UK and the US so we are actively looking to meet these requirements as soon as possible to continue to ship the current Rex device in advance of the new product becoming available in 2020.

##### **Redesign of REX**

One of the main activities to be undertaken in the coming years is the complete redesign of REX. The goal will be to preserve the functionality of Rex that makes it stand out in the market, including its ability to raise a person from sit-to-stand without the use of the patient's arms, and its ability to allow the patient to move while keeping their arms free for other exercises. The redesign will position Rex solidly in the rehabilitation environment, not the home market, and will add functionality to make it well suited for the post-stroke rehabilitation market, by far the largest market in rehab today.

To accomplish this, the company will undertake the following:

- Hired a new VP of R&D and Manufacturing
- Brought on Hydrix in Melbourne to work closely with the Rex R&D team on the design of a REX that maintains current REX ability to perform sit-to-stand and movement functions without walking aids building off from the detailed user research and competitive market that was conducted by McLaren in 2017
- With the new design, to reduce cost of goods in order to get to a 60% gross margin on an annual run rate of 150 units per year
- Improve reliability and reduce the cost of servicing based on expected utilization of up to 8 times per day/7 days per week
- Assess the market to identify technologies that could enable the necessary functionality in the new product

The goal is to have a product that can be submitted for 510k clearance in 2020

### **Clinical Research**

Another key component of the strategy to continue to build demand for REX is to generate clinical data in support of the use of REX in therapeutic areas including stroke, MS and spinal cord injury.

- Need to engage KOLs to create need for REX in rehab and generate demand for new REX- currently working in the UK on MS studies and about to start working with Old Dominion University in the US on new REX trials.
- Need to generate podium presence to generate conversation and buzz about REX in the clinical community
- Need to submit steady stream of manuscripts to enable key publications in advance of product launch
- Need evidence to support regulatory and reimbursement approvals
- Identify criteria for patient selection where REX can have the advantage over competitor products

### **China**

China represents a large market opportunity for rehabilitation robotics and there is strong interest in moving the current Rex into the Chinese market. Efforts for this were begun last year and are continuing at an accelerated pace.

We are now completing CFDA regulatory process through MaxHealth. We have completed the majority of the testing required and are now working through the final submission questions before it goes in for final review. Approval is expected in Q1 2019.

We are also working through an agreement for MaxHealth to manufacture REX in China. We hope to have the agreement finalized in the next few months.

### **Fundraising**

We are in the process of looking to raise \$7.5 million AUD to support the ongoing R&D efforts and to support the launch of REX in China, as well as the ongoing commercial activities in other markets. The plan is to try and complete this fundraising in Q1 2019.

We remain excited about the opportunities for Rex as we move forward with this new strategy and thank the shareholders for their ongoing support.

On behalf of the Rex Bionics management team,

Regards,



**Charles S. Carignan, MD**  
*CEO, Rex Bionics PTY Limited*  
24 October 2018

## APPENDIX 2

### Extract from Chairman's letter to shareholders dated 25 August 2017

#### "Rex Pty

You will be aware that pursuant to the restructuring and further financing of the business of the company, which shareholders approved on 22 May 2017, the business of the company was sold to Rex Pty and that funds managed by Bioscience Managers Limited (the "BML funds") subscribed for capital. As a result, the company owns approximately 36 per cent of the issued share capital of Rex Pty and the BML funds own, collectively, the balance.

The company continues in existence with the only business objective of holding long-term the investment in Rex Pty and exercising its influence (but not control) over Rex Pty. In this regard, I also have pleasure in enclosing a report from Chuck Carignan, the chief executive of Rex Pty, in relation to its business. Future such reports, approximately quarterly, from Rex Pty will appear on the company's website and, in the interest of saving cost will not be circulated to shareholders in hard copy.

Whilst in other circumstances it might have appeared natural to have wound the company up and to have distributed the investment in Pty to the shareholders of the company, in this case this was not possible. Such a distribution and the consequent direct holding of shares in Rex Pty by all of the shareholders of the company would have caused, under Australian securities laws, Rex Pty to become a public company in which the BML funds would have been unwilling to invest. As a result, the BML funds and Rex Pty have required the company to continue in existence for three years from the date of the restructuring and to that end have agreed to fund the cost of maintaining the company and administering it on a minimum cost basis, but no more.

In May 2017 the BML funds invested Aus\$7.5 million and agreed subject to the achievement of a certain milestone to invest a further Aus\$2.5 million (the "second instalment"). The Board believes that it is likely that the second instalment will be drawn down and subscribed for in October 2017. Upon subscription of the second instalment the interest of the company in Rex Pty would be, without any further investment by the company, thereby diluted to approximately 24 per cent.

Under the subscription agreement (the "subscription Agreement") entered into with the BML funds, the company has the right to maintain its percentage interest in Rex Pty by subscribing "or procuring subscribers connected with the company and approved by the BML funds" ("connected Persons") for further shares in Rex Pty on the same terms as the BML funds. The aggregate subscription funds required to maintain the interest of the company and connected Persons at its current level would be approximately Aus\$1.4 million.

#### **The Company does not however have the resources to make any further investment in Rex Pty without recourse to outside funding.**

The Board has concluded that it is not practical or affordable to seek funding for this purpose, even from the only likely source, you, its existing shareholders. Any fundraising incurs costs which the company is not in a position to bear.

However, if there were any appetite, Rex Pty has confirmed the position stated in the subscription Agreement that it would entertain investment direct from any shareholders of the company as connected Persons. Any such investment would be subject to a number of matters, including approval by the BML funds, compliance with all applicable laws, and minimum size of investment. There would also be a limit on the numbers of subscribers for the reasons mentioned above.

If any shareholder has an interest in considering a possible direct investment in Rex Pty please could they inform the company secretary by email prior to the Annual general Meeting and arrangements will be made in due course and if permitted by applicable laws for such shareholder to be put in direct contact with Rex Pty and/or its advisers."