ASX ANNOUNCEMENT

Exopharm Quarterly Activities Report and Appendix 4C

- EV medicines continue to attract partnering interest
- PLEXOVAL II safety study, first-in-human, off-the-shelf Plexaris™ follow-ups complete, database is locked
- Exosome Tx conference session demonstrating LEAP™ technology and its economic benefits has led to multiple partnership leads
- EVPS™ patent granted in US; further patent filings anticipated in 2021
- Additional receipts through RTI and EMDG programs expected in FY Q3
- Swiss entity being established to facilitate partnering in Europe

29 January 2021

Melbourne, Australia: Exopharm Limited (ASX:EX1) is a clinical-stage company at the forefront of developing transformative medicines based upon exosomes (EVs).

Exopharm provides an update on our activities and the Appendix 4C for the quarter ended 31 December 2020.

Achievements and recognition

CY 2020 finished with Exopharm delivering on five out of six of its key milestones, and the sixth milestone is now achieved.

In the past quarter the promise of EV medicines has had further support in the USA and elsewhere.

Over the past quarter, Exopharm has made important advances that strengthen its pioneering position in the international EV medicines field.

Exopharm continues to build value:

- Engineered EVs: success loading EVPS targeting protein on EV surfaces and adding target RNA into EVs using LOAD
- Naïve EVs: PLEXOVAL II clinical work is complete with no adverse events reported
- EV Technology portfolio: Exopharm now has five intellectual property (IP) families, up from one last year
- Corporate: the public markets listing of a second exosome medicine company has provided a tangible comparator for Exopharm to investors

Engineered EVs (EEVs) – *proving the performance*

Exopharm has further increased investment in its EEV programs and products. Exopharm's in-licensed exclusive technologies, LOAD and EVPS, support the design and manufacture of a range of proprietary EEVs that could solve important medical problems.
We have demonstrated the EVPS cell targeting technology with cells engineered to produce EVs with the SARS-CoV-2 spike protein on the outside surface as part of our Fortrexo product development.

EVs are being used to deliver nucleic acid medicines – an emerging type of 'precision medicines'. We have recently demonstrated that our LOAD technology significantly increased the number of RNA molecules loaded into EVs, increasing the potency of Exopharm's EEVs. Exopharm's Fortrexo EEVs with over 20 candidate siRNAs modified with the LOAD tag are currently being tested for use against the SARS-CoV-2 virus within infected cells.

Naïve EVs (NEVs) – *PLEXOVAL II clinical work is complete*

Exopharm is leading the world in human clinical trials for NEVs. In September 2020, Exopharm was granted Human Research Ethics Committee approval to commence the Plexoval II Phase I study under the Australian Clinical Trials Notification (CTN) scheme. The study assesses the safety, biological activity and benefits of allogeneic (off-the-shelf) Plexaris product for wound healing. All dosing and follow-ups with the 11 participants have been completed, and final analysis of the data by an independent third party is underway. We expect that the Plexoval II results will be available and announced around March 2021.

EV Technologies – Exopharm's *patent portfolio is expanding*

In biotechnology, intellectual property (IP) is critical to success. IP can be patent applications, granted patents and know-how. Exopharm is building an important portfolio of EV-related IP through in-house innovation and in-licensing.

Exopharm has been making further improvements to its manufacturing technology including its LEAP technology and downstream processing. Exopharm's in-licensed EVPS technology now has a granted US patent, marking the first of a number of anticipated granted patents in the portfolio.

During 2020, Exopharm's IP portfolio expanded from LEAP alone to a portfolio of 5 technologies which now include EVPS, LOAD, Fortrexo, and, most recently, Exoria.

Exopharm announced the filing of a provisional patent for Exoria EV tagging in December 2020, with external expert testing demonstrating its value in the research setting.

We expect that the IP portfolio will continue to expand in 2021.

Corporate activities – *progress, peers and partnering*

Early in 2020, Exopharm management committed to six major milestones in the three program areas (Technology, Engineered EVs and Naïve EVs) for CY2020. In spite of the

challenges from COVID-19, five of these major milestones were fully achieved, with the sixth having been achieved in January '21.

Codiak Biosciences (Boston, US) listed on the NASDAQ (CDAK), becoming the second EV medicine company to go public (after Exopharm in December 2018). Codiak's listing has provided investors with a way to value the emerging EV medicine field.

Partnering discussions continue to accelerate at Exopharm

Over the past quarter, Exopharm has continued to increase its visibility in the biopharmaceutical industry.

Discussions mainly centre around licensing of LEAP technology and EEVs.

During the quarter, Dr Chris Baldwin, Chief Commercial Officer of Exopharm, presented at the Exosome Based Therapeutic Development Summit and provided insights into Exopharm's manufacturing capability and technologies. This presentation triggered a number of discussions with industry peers and potential partners.

Exopharm's commercial team has participated in eight conferences, either presenting its work or engaging with potential partners. This pace is expected to continue to grow.

To support potential partners with operations in Europe, Exopharm is establishing a wholly-owned Swiss entity, Exopharm GmbH, in Basel, Switzerland and locating two of its commercial team in Europe.

In FY Q3, Exopharm anticipates the receipt of an additional $161,698 from the R&D Tax Incentive program for FY 2019-20 following an overseas finding, as well as approximately $60,000 from the Export Market Development Grant scheme.

Appendix 4C commentary

Exopharm ended the quarter with cash of $7.9 million ($5.8 million at 30 September 2020). Quarterly operating cash outflows for the period was $0.8 million ($1.8 million in the prior quarter).

The decrease in total cash outflow for the quarter relative to the prior period was a result of receipt of $4.1 million of Tranche 2 funds from the successful $10 million capital raise announced 27 August 2020 ($5.9 million Tranche 1 funds received in prior quarter). Additionally, Exopharm received an R&D tax incentive rebate of $2.1 million.

Cash outflows for the period was predominately R&D costs – investment in manufacture and testing programs equipment purchases and salary costs - aimed at supporting Exopharm's development and commercialisation activities.

In accordance with Listing Rule 4.7C, payments made to related parties and their associates included in items 6.1 of the Appendix 4C includes gross salaries, superannuation, bonuses

and fees and benefits to executive and non-executive directors, company secretarial fees, reimbursements paid and corporate fees, as follows:

- Total Gross salaries to directors (inc. bonus): $202,476
- Total consulting fees for corporate, secretarial and accounting services paid to related parties: $83,338
- Total payments related parties and their associates included in items 6.1: $285,813

Use of Funds

Exopharm was admitted to the official list of the ASX on 14 December 2018 following completion of an IPO raising $7.0 million. The December 2020 quarter is included in a period covered by a Use of Funds statement in the IPO prospectus lodged with ASX under Listing Rule 1.1 Condition 3.

A comparison of the Company's actual expenditure since admission to 31 December 2020 against estimated expenditure in the Use of Funds statement is set out below in accordance with ASX Listing Rule 5.3.4. The table also shows the Company's expenditure for the December 2020 quarter, as required by ASX Listing Rule 5.3.1:

	Per Prospectus (1 Dec. 2018 to 31 Dec. 2020) (A$)	**Actual Expenditure (1 Dec. 2018 to 31 Dec. 2020) (A$)**
Development Programmes		
Manufacture	1,845,000	5,016,388
Clinical Programs	1,973,500	4,156,716
Supporting R&D activities	927,000	2,681,748
Other LEAP Technology Opportunities	250,000	44,132
Reimbursement of prior LEAP Technology expenses	250,000	275,000
Costs of the Offer	654,000	964,254
General working capital	1,500,000	4,403,083
Total	**7,399,500**	**17,541,320**

Exopharm continues to progress its development programs across manufacturing, Engineered EVs and Naïve EVs. Actual expenditure differs from estimated use of funds per the prospectus due to the accelerated investment and progress made by Exopharm and the evolution of the opportunities emerging within the EV medicine field.

By the Board - this announcement has been authorised for release by the board.

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ABOUT EXOPHARM

Exopharm (ASX:EX1) is a clinical-stage biopharmaceutical company using exosomes (extracellular vesicles (EVs)) from cells to generate a new class of transformative medicines.

Various Exopharm EV products harness the powerful natural ability of EVs to efficiently target cells and transfer selected materials into cells and across barriers.

Exopharm has two exclusive proprietary technologies that extend the utility of EVs into engineered EV medicines (EEVs): the LOAD technology improves loading of nucleic medicines into EVs, and the EVPS technology allows EVs to be directed towards selected cell types. Exopharm uses combinations of LOAD and EVPS to develop a pipeline of EEV products aimed at treating a wide scope of medical problems including neurological diseases, infectious diseases, cancer, and fibrosis.

Exopharm's LEAP technology solves the challenge of purifying EVs at large scale. With LEAP, Exopharm is also developing naïve (or natural) EVs (NEVs) from adult stem cells and platelets as regenerative medicine products. NEVs have the potential to deliver the regenerative benefits of cells without the challenges of administering cells to patients. NEV products target a broad range of medical problems including osteoarthritis, autoimmune conditions, acute injury and chronic injury.

FORWARD LOOKING STATEMENTS

This announcement contains forward-looking statements which incorporate an element of uncertainty or risk, such as 'intends', 'may', 'could', 'believes', 'estimates', 'targets', 'aims', 'plans' or 'expects'. These statements are based on an evaluation of current corporate estimates, economic and operating conditions, as well as assumptions regarding future events. These events are, as at the date of this announcement, expected to take place, but there cannot be any guarantee that such events will occur as anticipated or at all given that many of the events are outside of Exopharm's control or subject to the success of the Development Program. Furthermore, the Company is subject to several risks as disclosed in the Prospectus dated 6 November 2018.

INHERENT RISKS OF INVESTMENT IN BIOTECHNOLOGY COMPANIES

There are a number of inherent risks associated with the development of biopharmaceutical products to a marketable stage. The lengthy clinical trial process is designed to assess the safety and efficacy of a drug prior to commercialisation and a significant proportion of drugs fail one or both of these criteria. Other risks include uncertainty of patent protection and proprietary rights, whether patent applications and issued patents will offer adequate protection to enable product development, the obtaining of necessary drug regulatory authority approvals and difficulties

caused by the rapid advancements in technology. Companies such as Exopharm are dependent on the success of their research and development projects and on the ability to attract funding to support these activities. Investment in research and development projects cannot be assessed on the same fundamentals as trading and manufacturing enterprises. Therefore, investment in companies specialising in drug development must be regarded as highly speculative. Exopharm strongly recommends that professional investment advice be sought prior to such investments.

Appendix 4C

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

Name of entity

EXOPHARM LIMITED

ABN	**Quarter ended ("current quarter")**
78 163 765 991	31 December 2020

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (6 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) research and development	(954)	(1,523)
	(b) product manufacturing and operating costs	-	-
	(c) advertising and marketing	(74)	(158)
	(d) leased assets	-	-
	(e) staff costs	(1,197)	(2,036)
	(f) administration and corporate costs	(734)	(1,078)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	1	3
1.5	Interest and other costs of finance paid	(10)	(21)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	2,136	2,161
1.8	Other (provide details if material)	(17)	26
1.9	**Net cash from / (used in) operating activities**	**(849)**	**(2,626)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(946)	(996)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter $A'000	Year to date (6 months) $A'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**	**(946)**	**(996)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	4,079	10,000
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(122)	(122)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (repayment of lease liability)	(63)	(145)
3.10	**Net cash from / (used in) financing activities**	**3,894**	**9,733**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	5,755	1,743
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(849)	(2,626)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(946)	(996)

Consolidated statement of cash flows		Current quarter $A'000	Year to date (6 months) $A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,894	9,733
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**7,854**	**7,854**

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 $A'000	Previous quarter $A'000
5.1	Bank balances	7,854	5,755
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**7,852**	**5,755**

6.	Payments to related parties of the entity and their associates	Current quarter $A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	286
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

The payments to directors or their associates in 6.1 include gross salaries, superannuation, bonuses and fees and benefits to executive and non-executive directors, company secretarial fees, reimbursements paid and corporate fees.

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 $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	-	-

7.5	**Unused financing facilities available at quarter end**	-

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.

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (Item 1.9)	(849)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	7,854
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	7,854
8.5	**Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**	**9.3**

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

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:

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:

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:

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: 29.01.2021

Authorised by: Board of Directors
(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.