ASX ANNOUNCEMENT

Shareholder Update

26 March 2020

Melbourne, Australia:

- Exopharm consolidates main laboratory and manufacturing facility at the Baker Institute in Melbourne
- Overall operations are affected by COVID-19 – development programs are being revised but are ongoing in reduced form with a focus on the core program
- Recent testing program has yielded valuable insights with more test results anticipated from two ocular studies in CY20
- Additional non-core test spending has been postponed
- Planning for the first-in-human allogeneic Plexaris safety study – PLEXARIS OS is progressing, but the PLEXOVAL I study is being affected by the COVID-19 situation
- Currently assessing how to bring new exosomes therapies forward to treat Acute Respiratory Distress Syndrome (ARDS)
- 2018/19 R&D Grant received for $500,000

Exopharm Limited (ASX:EX1) is a clinical stage Australian company using exosomes from cells to generate a new class of cell-free medicines. Programs and operations are continuing although are being hampered by the COVID-19 situation.

However, Exopharm is pressing forward including consolidating its main laboratory and manufacturing facility under one roof at the Baker Institute in Commercial Road Melbourne.

Autologous PLEXOVAL study (PLEXOVAL I)

The previous timeframes around the PLEXOVAL I wound healing study are not being met and progress has been affected by a number of factors outside of our control. At this stage we are not sure when or if the PLEXOVAL study will be completed. It is likely that (i) numbers of participants may be reduced, (ii) Cohort 1 may not fully recruit and (iii) the study report will be delayed.

However, early results from initial testing from the Cohort 2 group (up to 5 participants) may be available in the coming months.

Allogeneic Plexaris study – PLEXARIS OS

Exopharm is planning the first-in-human allogeneic (off-the-shelf) Plexaris safety study, to be called PLEXARIS OS.

Exopharm's commercial objective is to develop off-the-shelf exosome medicines, so a Phase 1 allogeneic Plexaris safety study is the next major clinical step to demonstrate product safety and tolerability and an off-the-shelf logistics chain.

Exopharm has secured a source of blood platelets. A larger source of blood platelets has allowed us to scale up manufacturing operations and build the capacity of the LEAP process.

Exopharm continues to invest in its core business of manufacturing in preparation for clinical trials to test for safety, tolerability and efficacy of exosome products.

Non-clinical testing in 2020

Two ocular animal studies are underway and are expected to be reported in coming months. These studies fit with our interest in sensory disability and the treatment of dry age-related macular degeneration (AMD). These studies are in addition to the recently announced BioMap, Erectile Dysfunction (ED) and Bladder control studies. Testing has the primary purpose of generating data to support approvals for planned clinical programs across our core indications.

Other non-core non-clinical studies have been planned and scheduled, but recent events have led to postponement of the start times.

Other in vitro testing and development work is being progressed by the team and will be conducted subject to further workplace restrictions due to COVID-19 requirements.

Work on engineered exosomes continues.

Partnering activities

There is continued activity in building relationships with potential commercial partners although travel restrictions are constraining this to some extent.

ARDS - Acute Respiratory Distress Syndrome and exosomes

COVID-19 and its cause, SARS-CoV-2, can lead to acute respiratory conditions which include ARDS. ARDS has a high mortality rate and no really good treatment options. The use of adult stem cells such as MSCs is showing promise as a new way to treat ARDS. Exosomes from MSCs are also showing such promise – and EVs/exosomes have numerous advantages as a cell-free medicine over cellular therapies using MSCs. Exopharm is currently assessing how to bring new exosomes therapies forward to treat ARDS and is seeking to work with industry and government on this matter.

2018/19 R&D Grant received for circa $500,000 additional cash

Exopharm has had it's FY 2018/2019 R&D grant approved by AusIndusty and has received back circa $500,000 from the ATO. Work has commenced on the FY 2019/20 grant which is expected to be lodged shortly after the end of the financial year end.

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

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ABOUT EXOPHARM

Exopharm Limited (ASX:EX1) is a clinical-stage Australian regenerative medicine company developing therapeutic exosome products as alternatives to stem-cell therapies.

Exosomes are small particles naturally produced by cells, which deliver therapeutic 'cargoes' to other cells to reduce inflammation and promote regeneration. Exosomes are plentiful in our youth but decline with age. Recent research points to exosomes as a way to extend the number of healthy, functional years (extending health span).

Exosomes secreted by stem cells could be used instead of stem-cell therapy with equal or greater benefit – and without the problems of stem-cell therapies. They could be used to deliver targeted 'novel' drugs and have potential as diagnostics.

While trillions of exosomes are produced by stem cells, the real challenge is to 'purify' them as drug products. Exopharm owns a purification technology called Ligand-based Exosome Affinity Purification (LEAP). LEAP technology and associated know-how places Exopharm at the forefront of this emerging field worldwide. Exopharm is at clinical stage with pending and current trials for wound healing, dry aged-related macular degeneration and osteoporosis.

Exopharm was founded in 2013 by Dr Ian Dixon, co-founder of the ASX-listed stem-cell therapy developer Cynata Therapeutics. He was also a director of Cell Therapies, which produced adult stem cells for ASX-listed stem cell company Mesoblast. Exopharm listed on the ASX in December 2018.

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.