ASX ANNOUNCEMENT

Exopharm Quarterly Activities Report and Appendix 4C

- Worldwide interest in exosomes/EVs is accelerating – deals are being done
- Testing of both Cevaris and Plexaris development products continues
- LOAD™ and EVPS™ technologies in-licensed and strengthen Exopharm's position in the EEV field
- Operations minimally affected by COVID-19

30 July 2020

Melbourne, Australia: Exopharm Limited (ASX:EX1) is a clinical-stage Australian extracellular vesicle (EV) medicine company with investment into development programs across manufacturing, Naïve EVs and Engineered EVs.

Today Exopharm provides an update on our activities and releases the Appendix 4C for the quarter ended 30 June 2020.

Development activities

Exopharm's investment in development supports future the development of Exopharm clinical assets as well as potential partnership deals. These activities are grouped as:

- Technology
- Engineered EVs (EEVs)
- Naïve EVs (NEVs).

Technology

Further progress has been made with our core manufacturing technology LEAP™. The LEAP patent applications are now progressing through national phases in various jurisdictions. The LEAP manufacturing process is being further optimised and scale-up.

Discussions with potential partners confirms the potential value of Exopharm's LEAP technology and the importance of solving the 'manufacturing problem' for the adoption of EV medicines.

In the past quarter, Exopharm announced the exclusive in-licensing of two technologies for EEVs, called LOAD and EVPS.

Exopharm now holds a technology portfolio of exclusive worldwide intellectual property (IP) rights for the design and manufacture of a pipeline of EEV medicines.

Exopharm's IP now includes:

LEAP, wholly-owned IP covering the proprietary isolation and purification of all EVs;

LOAD, IP for the insertion of custom-designed nucleic acids, such as messenger RNA (mRNA), interfering RNA (RNAi), microRNA (miRNA) and silencing RNA (siRNA) – into EVs in-licensed from University at Buffalo, New York, USA; and

EVPS, IP for the attachment of custom proteins to the surface of EVs to enable targeting of EVs to selected cell types, in-licensed from Santa Clara University, California, USA.

LEAP is Exopharm's foundational separation technology for EVs, and it remains the key important enabler of EV medicines development. LOAD and EVPS IP are powerful and complementary tools that enable Exopharm to design and produce a range of important and novel EEV 'precision medicine' products across a variety of therapeutic areas. Together, these three technologies empower Exopharm's recently announced EEV program.

EEVs

EEVs are EVs designed to carry specific medicinal cargos (e.g. small molecules, RNAi, siRNA, mRNA, miRNA) into specific cells and tissue. EVs have unique characteristics making them idea delivery vehicles – including controlling immune response, natural uptake by cells and crossing the blood brain barrier.

In past three months, substantial pre-clinical partnership deals involving EEVs have been announced between Exopharm's peers and major pharmaceutical companies, providing clear validation of the importance of EEVs to the growing 'precision medicine' field. Exopharm's EEV product designs, including Plexodox and Fortrexo CoV, have potential to treat a range of medical conditions with unmet medical needs – including cancer, cardiac disease, rare diseases and conditions (e.g. cystic fibrosis), infectious diseases and neurological conditions.

Discussions with potential partners confirms the interest in EEVs as a way of delivering precision medicine in unique ways, including across the blood brain barrier for neurological and central nervous system (CNS) applications.

Exopharm is continuing to invest in its EEV program and expects further test results in the second half of CY 2020.

Naïve EVs

NEVs are EVs that are naturally produced by sources such as adult stem cells and platelets. Substantial research points to NEVs as a safe and effective form of regenerative medicine, with important economic and logistical advantages over stem cell therapies.

Exopharm is testing its NEV products (Cevaris™ from adult stem cells and Plexaris™ from platelets) in a number of test regimes – aimed at selecting medical conditions for future clinical trials.

Exopharm's PLEXOVAL I (autologous Plexaris) is on hold due to COVID-2 restrictions. But a study design for PLEXOVAL II (allogeneic Plexaris) has been completed and Human Research Ethics Committee (HREC) approval for the study is being sought.

NEVs could be applied to conditions such as acute respiratory distress syndrome (ARDS), graft versus host disease (GvHD), osteoarthritis (OA), critical limb ischemia (CLI) and cardiac repair.

Corporate activities

Over the past quarter Exopharm's team has moved into the new laboratory at Baker Institute in Commercial Road Melbourne. The laboratory has been fully functioning during the COVID-19 situation and work by the team continues in a manner fully-aligned with governmental restrictions as well as Exopharm's OHS policy. The opening ceremony has been postponed until after COVID-19 restrictions are lifted.

Bio2020 was held as a virtual meeting in June 2020, involving over 7,000 Pharma/Biotechnology participants from over 60 countries. Exopharm had more than 40 'meetings' during Bio2020 and follow-up meetings are progressing discussions with some.

On 16th June the Company appointed Ms Sinead Teague of Automic Group as Company Secretary. Sinead is a governance and compliance professional at the Automic Group, with over ten years of company secretarial experience across a range of industries and ASX listed companies. Sinead is also an associate member of the Governance Institute of Australia.

Exopharm has appointed Bio101, a Melbourne specialist accounting and financial services firm to look after accounting, financial and administrative tasks.

Exopharm ran a Webinar for shareholders and interested people on Friday 29th May 2020.

Appendix 4C Commentary

The Company continues to conservatively manage its cash and, as announced previously, has reduced some expenditure on testing and equipment purchases.

The Company completed the quarter with around $1,743,000 in cash as detailed in the Appendix 4C report that accompanies this announcement.

The Company is finalising its FY 2019-2020 application for the Research and Development Rebate which is due to be lodged within the September quarter and is expected to result in a refund of greater than $1.5m.

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 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: $101,500
- Total consulting fees for corporate, secretarial and accounting services paid to related parties: $86,187
- Total payments related parties and their associates included in items 6.1: $187,687

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 extracellular vesicle (EV) medicine company with investment into development programs across manufacturing, Naïve EVs and Engineered EVs .

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.

EVs can also be used to deliver targeted 'novel' drugs as potential precision medicines.

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 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.

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	30 JUNE 2020

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (12 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) research and development	(1,106)	(3,190)
	(b) product manufacturing and operating costs	-	-
	(c) advertising and marketing	(52)	(156)
	(d) leased assets	(27)	(116)
	(e) staff costs	(841)	(2,854)
	(f) administration and corporate costs	(235)	(1,308)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	4	61
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	50	555
1.8	Other (GST)	59	271
1.9	**Net cash from / (used in) operating activities**	**(2,148)**	**(6,737)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(230)	(632)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	(278)

Consolidated statement of cash flows		Current quarter $A'000	Year to date (12 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**	**(230)**	**(910)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	5,540
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	-	(363)
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)	(125)	(206)
3.10	**Net cash from / (used in) financing activities**	**(125)**	**4,971**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	4,246	4,419
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,148)	(6,737)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(230)	(910)

Consolidated statement of cash flows		Current quarter $A'000	Year to date (12 months) $A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(125)	4,971
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**1,743**	**1,743**

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	1,243	1,746
5.2	Call deposits	500	2,500
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)**	**1,743**	**4,246**

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	188
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 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.

Not applicable.

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (Item 1.9)	(2,148)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	1,743
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	1,743
8.5	**Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**	**0.81x**

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:

Yes. The Company expects to have the current level of net operating cash flows for the time being.

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:

Yes. The Company has activities underway to fund its operations. The Company expects to receive an R&D Rebate of more than $1.5m in the second half of CY 2020.

The Company can also potentially add to its working capital by the issuance of shares under its existing Capacity to raise capital. The Company also seeks to generate licensing revenues. The Company is presently debt free and could consider debt funding to cover short term cash flow needs.

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:

Yes. The Company continues to manage its operations according to a detailed cash flow projection. The forecast indicates the Company can continue its operations and meet its business objectives.

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: .....30 July 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.