ASX ANNOUNCEMENT

Quarterly Activities Report and Appendix 4C

- Second commercial collaboration for Exopharm's unique LEAP technologies underway with global manufacturer Showa Denko
- Exopharm's LEAP patent application has been allowed by the USPTO and is progressing towards 'grant'
- Dr Jennifer King joins the Board as Non-Executive Director, helping to build the company
- Mr David Franks becomes Company Secretary and Ms Elizabeth McGregor continues as Non-Executive Director
- Dr Johannes Mühl and Mr David Oxley join as Senior Vice President – Finance and President – International. Exopharm's senior executive team is further strengthened with international focus

27 October 2021

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

Exopharm provides this update on activities and the Appendix 4C for the quarter ended 30 September 2021.

Second commercial collaboration for Exopharm's unique LEAP technologies

Global manufacturer and regenerative medicine company Showa Denko is evaluating Exopharm's LEAP technologies under a formal Feasibility Study Agreement. If the research project is successful there is potential for a further future commercial agreement with Showa Denko.

Business development activities are gathering momentum and interest in Exopharm is building.

LEAP patent progressing to grant

The United States Patent and Trademark Office (USPTO) has upgraded the LEAP patent application (Application 17/147,033) to 'Notice of Allowance Mailed', indicating that the Examiner has accepted recent amendments to the Application, sees the Application as meeting its requirements and is ready to issue the requested patent (subject to some further steps and payment of fees).

The Company has applied for a patent for its Ligand based Exosome Affinity Purification (LEAP) technology in 12 jurisdictions, including the United States. The LEAP patent has been granted in Russia, as announced on 3 June 2021.

Key appointments and roles

In July 2021 Exopharm appointed Mr David Oxley as President – International and Key Management Personnel (KMP). David's appointment extends the company's reach to a growing network of global and regional strategic partners and international capital markets.

In August 2021 Exopharm appointed Dr Jennifer King as an independent Non-Executive Director (NED). Jennifer is based in the USA and has over 20 years of operating experience in the biopharmaceutical industry with a focus on cutting edge technologies and orphan indications. Jennifer received her B.S. in Biology from the Massachusetts Institute of Technology, earned a Ph.D. in Developmental Biology at the Stanford University School of Medicine, and was awarded her MBA by Northeastern University.

In September 2021 Exopharm appointed Dr Johannes Mühl as Senior Vice President – Finance and KMP. Johannes is based in Switzerland and has a vast network in the life sciences industry and is also a successful private investor in the biotech sector. At Exopharm Johannes is building the profile of the Company in the investment community and helping to shape Exopharm's pipeline products and associated strategy and finance plan.

In September 2021 Exopharm appointed Mr David Franks as Company Secretary through Automic. Ms Elizabeth McGregor continues to serve as a Non-Executive Director.

The Exopharm Board now comprises Mr Jason Watson (Chairman), Ms Elizabeth McGregor (NED), Dr Jennifer King (NED) and Dr Ian Dixon (Managing Director).

Operational and Investment Update

The Company continues a pipeline-driven platform strategy.

Building financial value two ways

Exopharm is a leader in the exosome field. It is one of the few companies in the world with the capability to harness exosomes as a targeted delivery technology for therapeutic payloads such as gene therapy, RNA, small molecules and proteins.

Exopharm is developing its own exosome medicines as well as helping other companies use exosomes for their own pipelines and solve their drug-delivery problems.

Exopharm's financial value will build in two ways:

- in the value of exosome medicine products that we develop ourselves (our Pipeline Products); and

- through multiple deals we do with partners and licensees (our Non-Dilutive Funding)

Pipeline Products

Investing in our own products is a core focus of Exopharm and the reason Exopharm was formed – to harness the unique and important properties of exosomes to build better medicines and help many people.

Exopharm is developing a pipeline of products for disease areas with high unmet medical need.

Steady progress in main activity areas

As a platform technology company, Exopharm invests in the development and protection of its Intellectual Property (IP) and business development activity.

Over the past quarter Exopharm has strengthened this position by making advancements across two main activity areas:

- building value via exosome medicines for partnering
- building value via exosome technologies for licensing

Building value via exosome medicines for partnering

Exopharm's Business Development team is actively engaging with potential industry partners interested in exosome medicine programs.

Exopharm is developing a new type of drug product called exosome medicines.

Across the pharmaceutical industry, exosomes are being recognised as a different and particularly important means for delivery of gene therapies, gene editing constructs, transcription factors, viral vectors and more. This is an exciting and growing class of medicine that could solve the medical problems of millions of people. Although clinical trials of nucleic acid therapeutics have accelerated in the past five years; safe and targeted delivery is a major challenge for this type of drug.

Exosomes can overcome some limitations of alternative delivery vehicles used for nucleic acids, such as lipid nanoparticles (LNPs) and viral vectors. Exosomes have low immunogenicity and the potential to increase cargo encapsulation, enhance delivery to cells and target specific organs.

Exopharm's exosome medicines are well-suited to delivering nucleic acid therapeutics using our LOAD technologies to load the molecules into the exosomes, and using our EVPS technologies to target the exosomes and their payload to the cells where the drugs are needed.

Using combinations and variations of LOAD and EVPS, Exopharm can design and build powerful medicines for a range of diseases and partnerships.

As one of a small number of companies with these capabilities, Exopharm is well-placed for partnership with pharmaceutical and biotechnology companies aspiring to use exosomes to deliver their assets inside the body.

Building value via exosome technologies for licensing

While exosomes have many potential advantages over some other drug-delivery technologies, there are real challenges in developing exosome medicines. These challenges include:

- efficient and scalable purification of clinical-grade exosomes from the cells that produce them
- formulation to enable exosome medicines to fit inside the normal medicines supply-chain
- analytical tools to track, count and qualify nanoscale exosomes in the factory and beyond

A lack of purification and manufacturing scale has been holding back the whole exosome field. Exopharm's LEAP purification technologies were developed to overcome this bottleneck; it has been demonstrated to be the most scalable exosome therapeutics purification technology available and has been clinically proven for GMP-compatible exosome purification.

As a leader in the exosome field, Exopharm continues to build its 'toolbox' of exosome-related technologies.

These technologies presently include **Formulation H** for maintaining the activity of exosome medicines in the normal medical supply chain and **Exoria**™ dye for exosome labelling and analytics. These products could provide Exopharm with an early source of revenue.

Appendix 4C commentary

Exopharm ended the quarter with cash of $9.0 million ($12.7 million at 30 June 2021). Quarterly operating cash outflows for the period was $3.2 million ($2.9 million in the prior quarter).

Cash outflow for the period was predominately R&D costs – product development, manufacture and testing programs and R&D related salary costs – all aimed at supporting Exopharm's development and commercialisation activities.

Exopharm received an R&D Tax Incentive rebate for the 2020/2021 financial year of $3.9 million after the quarter end, which is not reflected in the 4C Quarterly Cashflow.

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, fees to executive and non-executive directors and company secretarial fees, as follows:

- Total Gross salaries to directors: $129,688 (including superannuation)
- Total consulting fees for company secretarial services paid to related parties: $28,262 (Automic Pty Ltd)
- Total payments to related parties and their associates included in items 6.1: $157,950

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 to deliver a new class of transformative medicines funded with near-term revenue generated via partnerships and technology licensing.

As nature's delivery platform for DNA, RNA, and proteins, exosomes are highly differentiated from synthetic drug delivery systems such as lipid nanoparticles (LNPs). The drug delivery industry is growing at an annual growth rate (CAGR) of 5% and currently valued at around US$175 billion.

Exosomes are an alternative means of drug delivery inside the body, alongside technologies such as lipid nanoparticles (LNP), cell penetrating peptides, viral vectors and liposomes. In some uses, exosomes have superiority, including delivering DNA and other medicines into the nucleus of the cell, as is required for the rapidly advancing gene therapy market.

Exopharm's LEAP technologies solve the challenge of purifying clinical-grade exosomes at large scale and low cost.

Exopharm also has two exclusive proprietary technologies that allow advanced customisation of exosomes – the LOAD technologies improve loading of active ingredients (e.g. DNA, RNA, small molecules and proteins) into exosomes and the EVPS technologies allow exosomes to be directed towards selected cell types.

Exopharm uses variations and combinations of LOAD and EVPS to enable its Biopharma partners to improve delivery of their drug candidates and help them design and test new exosome medicines aimed at treating a wide scope of medical problems including neurological disease, infectious disease, cancer, and fibrosis.

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.

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 September 2021

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (3 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) research and development	(858)	(858)
	(b) product manufacturing and operating costs	-	-
	(c) advertising and marketing	(219)	(219)
	(d) leased assets	-	-
	(e) staff costs	(1,548)	(1,548)
	(f) administration and corporate costs	(602)	(602)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	4	4
1.5	Interest and other costs of finance paid	(19)	(19)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	185	185
1.9	**Net cash from / (used in) operating activities**	**(3,057)**	**(3,057)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(344)	(344)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 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**	**(344)**	**(344)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
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	-	-
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)	(182)	(182)
	Other (bank guarantee and security deposit)	(110)	(110)
3.10	**Net cash from / (used in) financing activities**	**(292)**	**(292)**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	12,723	12,723
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,057)	(3,057)

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(344)	(344)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(292)	(292)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**9,030**	**9,030**

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	9,030	8,023
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (term desposit)	-	4,700
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**9,030**	**12,723**

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	158
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 and company secretarial 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)	(3,057)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	9,030
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	9,030
8.5	**Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**	**3.0**

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: N/A

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

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

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 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.