

ASX Announcement

Melbourne, Australia, 9 March 2023

Notice under Section 708A(12C)(e) of the Corporations Act 2001 (Cth)

1. Cleansing Notice

This notice (**Cleansing Notice**) is given by Exopharm Limited (ASX: EX1) (the **Company**) under section 708A(12C)(e) of the *Corporations Act 2001* (Cth) (**Corporations Act**) (as notionally inserted by *ASIC Corporations (Sale Offers: Securities Issued on Conversion of Convertible Notes) Instrument 2016/82*).

This Cleansing Notice is important and should be read in its entirety. Neither ASIC nor ASX take responsibility for the contents of this Cleansing Notice.

2. Background

The Company has issued 1,000,000 convertible notes (the **Convertible Notes**) to professional, sophisticated or other exempt investors who are not related parties of the Company (the **Investors**). The Convertible Notes have been issued with a face value of \$1.00 per Convertible Note and an issue price of \$1.00, in respect of which the Company has received \$1,000,000 before costs of the issue.

The issue the Convertible Notes (**Convertible Notes Issue**) was completed on 9 March 2023.

The Convertible Notes have been issued without disclosure under Part 6D.2 of the Corporations Act. This Cleansing Notice is to enable fully paid ordinary shares of the Company (**Shares**) issued on conversion of Convertible Notes to be on sold without disclosure to retail investors.

3. Effect of the Convertible Notes Issue on the Company

The announcement by the Company dated 9 March 2023 sets out information in respect of the Convertible Notes Issue.

The Convertible Notes Issue will have the following key effects on the Company:

- (a) All Convertible Notes issued have been issued at \$1.00 per note with a face value of \$1.00 per note.
- (b) The Company received \$1,000,000 for the issue of the Convertible Notes, before costs of the issue; and
- (c) Investors may (subject to receipt of necessary legal, regulatory and shareholder approvals) convert all or part of the Convertible Notes into Shares as provided for in section 6 below. If the Convertible Notes are converted in whole or in part, this will dilute the existing shareholdings in the Company. The potential effect of conversion on the Company's capital structure is shown in section 5 below.

4. Effect of the Convertible Notes Issue on capital structure

The capital structure of the Company as at the date of this Cleansing Notice is set out in the table below:

Type of Security	Number on issue
Shares	157,211,533
Listed Options	0
Unlisted Options	4,500,000
Convertible Notes*	1,000,000

* These are the Convertible Notes which are the subject of this Cleansing Statement.

The Convertible Notes may (subject to receipt of requisite shareholder approvals) be converted into Shares as set out in section 6 below. If all the Convertible Notes are converted a total of 125 million Shares would be issued to the holders of the Convertible Notes.

Assuming that no additional Shares are issued prior to conversion of the Convertible Notes, the number of Shares on issue would increase to 282,211,533. This does not include any Shares which may be issued upon exercise or conversion of existing options, including options held by the Investors (see below).

The Investors currently hold a total of 15,342,891 Shares and 975,000 unlisted options.

Type of Shareholder	Number of Shares	Percentage if all Notes converted	Number of existing options	Percentage interest if all Notes converted and all existing options exercised
All existing Shareholders other than the Investors	141,868,642	50.27%	3,525,000	50.71%
Shares held by the Investors	15,342,891	5.44%	975,000	5.69%
Investors' new shares issued on Convertible Note conversion	125,000,000	44.29%	0	43.60
TOTAL	282,211,533	100.00%	4,500,000	100.00%

^ Note: The above illustrates the effect of conversion of all the Convertible Notes as described above, and is not a representation that all, or any, of the Convertible Notes will be converted or that any options will be exercised. Other than in the columns referring to existing options it assumes no additional Shares are issued prior to conversion of the Convertible Notes. Conversion of Convertible Notes resulting in any person acquiring or increasing a relevant interest in 20% or more of the Company's then issued voting (ordinary) shares would be subject to compliance with applicable laws at the time of the conversion (and if approvals are not sought or obtained the number of Convertible Notes converted would be limited to the number that would not result in a relevant interest beyond the permitted level being acquired or held).

Investor current balances of Number of Shares and Number of Existing Options is based on undertaking a search on the Members Register in the name of the Investors as at the closing of 8 March 2023.

As at the date of this Cleansing Notice the Company has received substantial holders notices from 1 holder. The effect of the conversion of Convertible Notes if converted, would be as follows:

Substantial Holder	Current voting shares	Current relevant interest %	Post conversion relevant interest %
Altnia Holdings Pty Ltd (Dixon Family A/C)	28,258,627	17,97%	10.01%

^ Note: The above illustrates the effect of conversion of all the Convertible Notes as described above, and is not a representation that all, or any, of the Convertible Notes will be converted. It assumes no additional Shares are issued prior to conversion of the Convertible Notes, whether by exercise of existing options or otherwise. Conversion of notes resulting in any person acquiring or increasing a relevant interest in 20% or more of the Company's then issued voting (ordinary) shares would be subject to compliance with applicable laws at the time of the conversion (and if approvals are not sought or obtained the number of Convertible Notes converted would be limited to the number that would not result in a relevant interest beyond the permitted level being acquired or held).

5. Pro-forma Statement of Financial Position

The pro-forma Statement of Financial Position shown in the table below has been prepared on the following basis:

- (a) The 31 December 2022 reviewed Consolidated Balance Sheet has been used as a base position to illustrate the impact of the Convertible Notes Issue.
- (b) The pro-forma financial information is presented in an abbreviated form insofar as it does not include all of the disclosures required by Australian accounting standards. It has been prepared in accordance with the Company's normal accounting policies.
- (c) The issue of 1,000,000 Convertible Notes raising a total of \$1,000,000, (before costs of the issue), with each note issued at an issue price of \$1.00 and with a face value of \$1.00.
- (d) Cash and cash equivalents, trade and trade receivables, and other assets and liabilities have not been adjusted for expenditure and other activities since 31 December 2022, with the exception of material adjustments relating to receipt of the R&D Rebate Loan Advance (as announced to the ASX on 9 March 2023) and payment of employee severance entitlements.

	31 December 2022 (audited)	Adj. 1 ^(a)	Adj. 2 ^(c)	Convertible Note ^(c)	Pro-forma Statement (unaudited)
\$AUD					
Current assets					
Cash and cash equivalents	1,684,682	430,746	(245,674)	1,000,000	2,869,754
Other Current Assets	2,084,498				2,084,498
Security deposit	575,909				575,909
Total current assets	4,345,089	430,746	(245,674)	1,000,000	5,530,161
Non-current assets					
Property, plant and equipment	1,777,393				1,777,393
Right-of-use assets	689,556				689,556
Intangibles	304,687				304,687
Total non-current assets	2,771,636	-	-	-	2,771,636
Total assets	7,116,725	430,746	(245,674)	1,000,000	8,301,797
Liabilities					
Accounts payable and other current liabilities	828,054		(245,674)		582,380
Borrowings	975,415	430,746			1,406,161
Lease liabilities	614,223				614,223
Employee benefits	257,803				257,803
Total current liabilities	2,675,495	430,746	(245,674)	-	2,860,567
Non-current liabilities					
Employee provisions	49,267				49,267
Convertible notes				870,000	870,000
Total non-current liabilities	49,267	-	-	870,000	919,267
Total liabilities	2,724,762	430,746	(245,674)	870,000	3,779,834
Net assets	4,391,963	-	-	130,000	4,521,963
Equity					
Issued capital	34,313,482				34,313,482
Reserves	790,863			130,000	920,863
Accumulated losses	(30,712,382)				(30,712,382)
Total equity	4,391,963	-	-	130,000	4,521,963

Notes:

(a) Adjustment relates to receipt of R&D Advance Loan, announced to ASX on 09 March 2023

- (b) *Adjustment relates to payment of employee severance entitlements accrued at 31 December 2022*
- (c) *Cash and cash equivalents received for Convertible Note excludes approximately \$50,00 in relation to offer costs.*

6. Rights and liabilities attaching to the Convertible Notes

The terms of the notes are set out in the example copy of the Convertible Note Subscription Agreement which was attached to the Company's announcement of the issue of the Convertible Notes released to ASX on 9 March 2023. The following is a summary of key terms of the Convertible Notes.

- (a) The face value and issue price of each Convertible Notes is A\$1.00 (1 dollar).
- (b) The Convertible Notes are unsecured, do not accrue interest, and the Company does not intend to apply for listing of the Convertible Notes on ASX.
- (c) There are no participating rights or entitlements inherent in the Convertible Notes and a Convertible Note holder will not be entitled to participate in new issues of capital offered to the Company's shareholders during the term of the Convertible Notes until Shares are issued pursuant to the conversion of the relevant Convertible Notes.
- (d) The Convertible Notes will not give any right to participate in dividends until Shares are issued pursuant to the conversion of the relevant Convertible Notes.
- (e) Subject to the Company having obtained all necessary legal, regulatory and shareholder approvals having been obtained, the Convertible Notes may be converted by the holder during the period commencing on 1 May 2023 and ending at 5.00pm WST on the day that is three (3) months before the maturity date (being 9 December 2023) by written notice to the Company. Conversion of Convertible Notes resulting in any person acquiring or increasing a relevant interest in 20% or more of the Company's then issued voting (ordinary) shares would be subject to compliance with applicable laws at the time of the conversion (and if approvals are not sought or obtained the number of Convertible Notes converted would be limited to the number that would not result in a relevant interest beyond the permitted level being acquired or held).
- (f) The conversion price of the Convertible Notes is A\$0.008 (0.8 cents) each (the **Conversion Price**).
- (g) All Shares issued upon the conversion of the Convertible Notes will rank equally in all respects with the Company's then issued Shares. The Company will apply to ASX for all Shares issued pursuant to the conversion of the Convertible Notes to be admitted to quotation within the time period specified in the Listing Rules (or if no period is specified, promptly).
- (h) Subject to paragraph (e), above, the Convertible Notes will automatically convert upon the completion of the entitlement issue consisting of a pro rata offer to shareholders to raise a minimum of \$1,500,000 as announced to ASX on 13 February 2023 and includes issues of shares from shortfall (if any) in acceptances

and application for additional shares by eligible shareholders where permitted by the Listing Rules, or of a material capital raise by way of a placement (or a combination of an entitlement issue and placement) to raise a minimum of \$1,500,000.

- (i) In the event of any reorganisation of the capital of the Company (including consolidation, subdivisions, reduction or return) prior to the Expiry Date the rights of a Convertible Note holder will also be reconstructed in the same proportion and manner as the reorganisation of the capital of the Company.
- (j) The Convertible Notes not previously converted or redeemed will be automatically redeemed on the maturity date, 9 March 2024 (being 12 months after the date on which the Convertible Notes were issued), or on the sale of the Company's main undertaking or major asset.
- (k) The Convertible Notes are transferable, subject at all times to the requirements of the *Corporations Act 2001* (Cth) and any other applicable law or regulation.
- (l) Note terms may be amended, or any term thereof waived, on the written consents of both the issuer and the holders of a majority of the Convertible Notes (by the total face value on all issued Convertible Notes).
- (m) Any proceedings in respect of subscription for the Convertible Notes shall be governed by the non-exclusive jurisdiction of the courts of Western Australia.

The terms of the Convertible Notes include provisions of the kind commonly found in agreements of this type, including undertakings, covenants, representations, warranties and indemnities by the Company. The above is by its nature a summary and as between the Company and each Investor alter or affect the application or interpretation of the terms of the Convertible Notes.

7. Rights and liabilities attaching to the Shares issued on conversion of the Convertible Notes

Shares issued on conversion of the Convertible Notes will be fully paid ordinary shares ranking equally in all respects with other Shares on issue. Application will be made for quotation on ASX. The following is a summary of key rights attaching to the Shares.

Variation of rights	The rights of Shares may only be varied by a special resolution passed at a general meeting of shareholders.
General meetings and notice	Each shareholder has the right to receive notice of and to attend and vote at general meetings of the Company.
Dividends	Dividends may be paid to shareholders as declared by the Board at its discretion.
Rights on winding up	If the Company is wound up, the Shares attract the right to participate equally in the distribution of the assets of the

	Company (both capital and surplus), subject to unpaid amounts on the Share.
Transfer	Shareholders may transfer Shares subject to the requirements of the Corporations Act, the ASX Listing Rules or the ASX Settlement Operating Rules. The Board may do anything it considers necessary or desirable and which is permitted by the Corporation Act, the ASX Listing Rules or the ASX Settlement Operating Rules to facilitate the participation by the Company in any computerised or electronic system established or recognised by the Corporations Act, the ASX Listing Rules or the ASX Settlement Operating Rules for the purposes of facilitating dealings in Shares. The Board may refuse to register any transfer of Shares if permitted or required to do so by the ASX Listing Rules.
ASX Listing Rules	To the extent of any inconsistency, the ASX Listing Rules prevail over the Company's constitution.

8. Compliance with continuous disclosure

The Company is a disclosing entity under the Corporations Act and is subject to regular reporting and disclosure obligations. These obligations require the Company to notify ASX of information above specified events and matters as they arise for the purposes of making that information available to the market.

As at the date of this Cleansing Notice, the Company has complied with:

- (a) the provisions of Chapter 2M of the Corporations Act, as they apply to the Company; and
- (b) section 674 of the Corporations Act, as it applies to the Company.

Copies of any documents in relation to the company which are lodged with ASIC may be obtained from, or inspected at, an ASIC office. The Company will provide a copy of the following to any person on request free of charge:

- (a) the annual financial report most recently lodged with ASIC by the Company;
- (b) any half-year report lodged with ASIC after lodgement of that annual financial report and before lodgement of this Cleansing Notice; and
- (c) any continuous disclosure notices given after the lodgement of that annual financial report and before lodgement of this Cleansing Notice.

9. No excluded information

As at the date of this notice, other than as set out in this Cleansing Notice, there is no information that:

- (a) has been excluded from a continuous disclosure notice in accordance with the listing rules of the prescribed financial market whose operator was given the notice; and
- (b) is information that investors and their professional advisers would reasonably require for the purpose of making an informed assessment of:
 - (i) the assets and liabilities, financial position and performance, profits and losses and prospects of the body; and
 - (ii) the rights and liabilities attaching to the Convertible Notes or Shares.

ENDS

On behalf of the Board

Dr Ian Dixon
Managing Director
Exopharm Limited

By the Managing Director - this announcement has been authorised for release by the Managing Director.

COMPANY AND MEDIA ENQUIRIES:

Join our mailing list to receive updates:

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ABOUT EXOPHARM

Exopharm (ASX:EX1) is a leader in exosome technology and holds a portfolio of intellectual property and know-how related to exosomes and the manufacture of exosomes.

Exosomes could be an alternative means of drug-delivery inside the body, alongside technologies such as lipid nanoparticles (LNP), cell-penetrating peptides, viral vectors and liposomes.

Exopharm's exosome technologies solve important needs for the success of exosome medicines – **LEAP** manufacturing technology, **LOAD** API loading technologies and **EVPS** tropism technologies.

Exosome-based medicines could improve the treatment of many chronic or inherited medical conditions.

Exopharm is making its proprietary technologies available to pharmaceutical and biotechnology companies that want to harness exosome-delivery for their own products.

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.