

## ASX Announcement

Melbourne, Australia, 27 April 2023

### Quarterly Activities Report and Appendix 4C

- Exopharm and Astellas Institute for Regenerative Medicine (AIRM) successfully complete work under the Master Collaborative Services Agreement that showcased Exopharm's technologies
- The BIA Sartorius collaboration is progressing towards testing a series of LEAP ligands on CIM material
- Elastin additive gene therapy experiments continue using exosomes LOADED with ELN mRNA
- A further United States patent US 11,559,552 has been granted to Exopharm on 24th January 2023 to cover the LEAP technology, and other intellectual property builds
- Board changes brings Australian capital markets expertise to the Company
- Further cost-reductions implemented to extend cash runway and reflect strategic focus
- Additional capital raised via a \$1,000,000 (before costs) Convertible Note facility, and a Rights Issue (and Shortfall Placement) to raise up to around \$1.57m (before costs) is underway

#### **Exopharm and Astellas Institute for Regenerative Medicine (AIRM)**

As announced on 14<sup>th</sup> November 2022, Exopharm had entered Phase 2 of its ongoing collaboration services agreement with the Astellas Institute for Regenerative Medicine (AIRM), a subsidiary of Astellas Pharma Inc.

In the first Phase, conducted at its research facilities in Melbourne, Australia, Exopharm demonstrated its LEAP technology to purify exosomes derived from two proprietary AIRM cell lines.

This second Phase of work, encompassing LEAP technology transfer to AIRM's in-house researchers, enabled AIRM to further evaluate Exopharm's LEAP technology for the isolation of exosomes. In addition, AIRM was able to use two other Exopharm technologies, EVPS and LOAD.

Exopharm is pleased to report revenue of around \$300,000 was received for this work in the Quarter. Following this final payment, AIRM can now determine if it wants to use exosomes in its programs.

#### **Exopharm and BIA Sartorius**

As announced on 17 November 2022, Exopharm entered into a Material Transfer Agreement with Sartorius BIA Separations (Sartorius) and initiated an associated collaborative program under which Sartorius will test the synergy of Exopharm's patented

LEAP exosome purification technology with the unique CIM (Convective Interaction Media) monolith chromatography for improved large-scale exosome purification.

As previously disclosed, BIA and Exopharm expect to have the results from this testing program in H1 CY '23, after which plans for commercialisation could potentially be made.

### **Elastin additive gene therapy exosome experiments continue**

Exosomes are a potential drug-delivery chassis for additive gene therapies utilising mRNA as a therapeutic product. The elastin (ELN) program has been previously announced and work has been progressing to test exosomes derived from HEK293 cells and LOADED with ELN mRNA.

During the Quarter work focused on improving the copy-number of mRNA LOADED into exosomes. Testing has now progressed to in vitro proof-of-concept testing of exo-mRNA in cell models of elastin expression.

An additive gene therapy utilising ELN mRNA as a therapeutic product has potential to treat a number of medical and aesthetic conditions including aging skin, sun exposed skin and wound healing and is potentially a new and novel product.

### **Further United States patent US 11,559,552 for Exopharm's LEAP technology**

A further United States patent US 11,559,552 has been granted to Exopharm on 24th January 2023 for the LEAP technology.

This grant is the second US patent granted for this technology and positions Exopharm's manufacturing technology well for the future.

Numerous other patent applications are progressing towards or are in national phases and potentially towards granted patents in key countries.

### **Board changes add Australian capital markets expertise to the Company**

With the resignation of Dr Jennifer King as a Director announced on 22 February, Mr Clarke Barlow was appointed as a non-executive director of the company.

Clarke is an experienced non-executive director. Based in Perth, Clarke is a Financial Adviser and Capital Markets Specialist with over 20 years' experience in the Financial Services Industry in Australia and the United Kingdom.

Clarke has provided corporate advice to many Australian public companies over a number of years. Previously, Clarke has been responsible for establishing and managing derivatives trading desks for several Australian based stockbroking firms, and has had experience in structuring, operations and risk management of institutional structured products in the United Kingdom.

## **Further cost reductions and focus**

The world equity capital markets have been adverse for biotechnology companies.

The Board of Exopharm has been implementing a strategy that includes reducing running-costs and extending the cash runway for the Company with limited working capital.

Further cost reductions have been made, reducing the size of Exopharm's R&D and corporate team and focusing on the priority activities of the Company. Monthly recurring operating costs of operations have been reduced from approximately \$430,000 to around \$230,000 per month by reducing headcount and reducing premises footprint. Spend on in-house products has been mainly curtailed as an interim measure. The Company continues to pursue further cost reduction measures.

The Company continues to build its Intellectual Property portfolio and continues to seek a financial return from potential licensees and/or commercial partners. Exopharm is actively exploring potential transactions with third parties, and which could unlock the potential financial value of the Company's assets. These activities include, but not limited to, licensing or partnering its intellectual property, know-how and other intangible assets.

Seeking to maximise shareholder-value, Exopharm is also actively evaluating other programs and acquisition opportunities including, but not limited to, those that may complement its intellectual property.

## **Additional capital raised**

To continue priority operations, the Company needed to raise additional capital, as announced on 13 February 2023. The announced plan was to raise up to \$2.1m (before costs) via the combination of a Convertible Note facility and a Rights Issue/Shortfall Placement.

With the support of long-term Brokers Alto Capital and Canary Capital, the Company has successfully raised \$1,000,000 (before costs) as a Convertible Note (details provided in previous announcements).

The Company has also announced a Rights Issue (details provided in previous announcements and the Prospectus) to raise up to a further approximately \$1.57m (before costs). Under a Mandate Agreement with the Brokers (announced on 13 February 2023), a shortfall in subscriptions to the Rights Issue may be placed by the Brokers as a Shortfall Placement.

Other amounts have been received during the Reporting Quarter, including a \$0.4 million prepayment of R&DTI and \$0.6 million from the expiration of Bank Guarantees.

The funds raised will support the redundancy costs from reducing staff numbers and the priority operations of the Company at a much-reduced running-cost per month.

## **Post reporting period additional update**

As announced on 26 April 2023, the Company has raised around \$0.802 million before costs from subscriptions to the non-renounceable rights issue.

## **Finance and Appendix 4C commentary**

Exopharm ended the quarter with cash of \$1.8 million (\$1.7 million at 31 December 2022).

Quarterly operating net cash outflow for the period was \$1.7 million (\$1.7 million cash inflow in the prior quarter).

Cash outflow for the period predominately related to R&D costs and staff costs, including redundancy costs associated with cost cutting initiatives.

Exopharm continued to receive income from the existing Astellas research collaboration agreement, with a total of AU\$0.3M received during the quarter (\$0.1M received in prior quarter).

During the quarter, Exopharm entered into a non-dilutive funding agreement with Radium Capital, providing \$0.4M in prepayment of the Company's FY23 R&D tax incentive claim. This funding is in addition to the R&D loan received from Radium Capital in the prior quarter totalling \$0.9M.

Additionally, during the quarter, Exopharm received \$0.6M from the expiration of Bank Guarantees.

Exopharm announced on 13 February 2023 that it has signed a mandate with Brokers Alto Capital and Canary Capital seeking to raise around \$2.1M (exc. costs) via a combination of Convertible Note and an Entitlement Issue to eligible shareholders (including a placement of any shortfall). As announced on 09 March 2023, Exopharm raised \$1M (exc. cost) via the issuance of Convertible Notes. Additional funds are expected to be raised under the Entitlement Issue and will be announced in due course.

Exopharm continues to manage its business costs and incoming cash carefully.

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 to executive and non-executive directors, as follows:

- Total Gross salaries to directors: \$118,630 (including superannuation)
- Total payments to related parties and their associates included in items 6.1: \$118,630

*This announcement has been authorised for release by the Board.*

## [About Exopharm](#)

Exopharm (ASX:EX1) is a leader in advancing Genetic Medicines and other exosome-based medicines using exosomes or extracellular vesicles (EVs) as a chassis for improved and non-viral drug-delivery.

Exosomes can be loaded with a variety of active pharmaceutical ingredients (APIs) and can be targeted to selected cell-types and tissue types, improving the safety-profile of the APIs and providing better treatments. Exosomes can be used to deliver small molecule drugs, mRNA, DNA and other types of APIs.

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.

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.

Exopharm is also seeking to develop important exosome medicines itself.

## Appendix 4C

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

**Name of entity**

EXOPHARM LIMITED

**ABN**

78 163 765 991

**Quarter ended ("current quarter")**

31 March 2023

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	255	618
1.2 Payments for		
(a) research and development	(343)	(1,446)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(12)	(110)
(d) leased assets	-	-
(e) staff costs	(1,086)	(4,450)
(f) administration and corporate costs	(554)	(1,519)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	13
1.5 Interest and other costs of finance paid	(8)	(194)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	4,126
1.8 Other (provide details if material)	69	301
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,678)</b>	<b>(2,661)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(132)	(285)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 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)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(132)</b>	<b>(285)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	1,000	1,000
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(56)	(56)
3.5	Proceeds from borrowings	431	1,874
3.6	Repayment of borrowings	-	(3,212)
3.7	Transaction costs related to loans and borrowings	(1)	(3)
3.8	Dividends paid	-	-
3.9	Other (repayment of lease liability)	(67)	(322)
	Other (bank guarantee and security deposit)	575	575
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>1,882</b>	<b>(144)</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	1,685	4,847
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,678)	(2,661)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(132)	(285)

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,882	(144)
4.5	Effect of movement in exchange rates on cash held	(1)	(1)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>1,756</b>	<b>1,756</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	1,756	1,685
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,756</b>	<b>1,685</b>

**6. Payments to related parties of the entity and their associates**

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter  
\$A'000**

119

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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.



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

**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.*

	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1 Loan facilities	1,392	1,392
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 <b>Total financing facilities</b>	-	-

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.

**Financing facilities – additional notes 7.1**

The loan facility in 7.1 is with Radium Capital and is an advance on 80% of the Company's estimated R&D Tax Incentive (RDTI) for the period 1 July 2022 – 31 December 2022.

The loan was received in two Tranches, with the first Tranche (Tranche 1) of \$961,000 received in Q2 FY23 and the second Tranche (Tranche 2) of \$430,746 received in Q3 FY23.

The interest rate for the loan facility is 14% per annum for Tranche 1 and 15% per annum for Tranche 2. The facility is secured. Repayment is timed to coincide with receipt of Exopharm's 2023 FY RDTI refund.

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	(1,678)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	1,756
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	1,756
8.5 <b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	<b>1.0</b>

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

- 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: No, the Company expects to have improving net operating cashflows going forward.

There are two components to this expectation:

- On the cash-in side, Exopharm announced on 13 February 2023 that it has signed a mandate with Brokers Alto Capital and Canary Capital seeking to raise around \$2.1m (exc. costs) via a combination of Convertible Note and an Entitlement Issue to eligible shareholders (including a placement of any shortfall). As announced on 09 March 2023, Exopharm raised \$1M (exc. cost) via the issuance of Convertible Notes.
- On the cost-side, the Company has implemented further cost reductions (as announced on 20 December 2022). These reductions in expenditure will have a beneficial effect on net operating cashflows going forward. Expenditure on R&D has included some costs which will not be incurred going forward.

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, further cash is anticipated. There are several sources of additional cash potentially available to the Company. These include:

- **RDTI loans**  
The Company previously has brought cashflow forward by securing loans on estimated future RDTI cash rebates, to fund its operations.
- **Operating income from new potential collaboration agreements and paid feasibility studies**  
If the company builds operating income from additional collaborative research agreements and paid feasibility studies, operating revenue could lift and provide additional cash to improve net operating cash going forward. Agreements for collaborative research and paid feasibility studies may include upfront payments in US\$. These payments, if received, could improve net operating cash going forward.
- **Operating income from potential licensing deals**  
The Company has a number of proprietary technologies and is engaged in discussions with organisations seeking to use exosome technologies for their own operations. In biotechnology it is not unusual to license technologies for a mixture of upfront fees, milestone fees and then backended income sharing. These payments, if received, could improve net operating cash going forward.
- **Other non-dilutive funding sources that may support product development**  
Exopharm invested in a detailed review of potential product opportunities and has identified some particular exosome medicines that show promise and fit with Exopharm's focus on genetic medicines. Exopharm is uniquely positioned to apply its 'toolchest' of exosome technologies to transformative genetic medicines to address areas of particular unmet medical needs. Non-dilutive funding is being sought to support the development of some key products that are attractive to industry partners and Patient Advocacy Organisations (PAOs). These payments, if received, could have the benefit of improving net operating cash going forward.
- **Capital raising**  
Exopharm announced on 13 February 2023 that it has signed a mandate with Brokers Alto Capital and Canary Capital seeking to raise around \$2.1m (exc. costs) via a combination of Convertible Note and an Entitlement Issue to eligible shareholders (including a placement of any shortfall). As announced on 09 March 2023, Exopharm raised \$1M (exc. cost) via the issuance of Convertible Notes. Additional funds are expected to be raised under the Entitlement Issue and will be announced in due course.

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 business activities to support its business objectives.

As described above, the commercial activities of the Company have started to generate operating income, and the plan is that this operating income and net cashflow could improve and grow into the future if more agreements are entered into.

Since listing in December 2018 the Company has invested into its technologies and capabilities to meet its business objectives – namely enabling exosome medicines to become a reality and generating operating revenue from partnering agreements. The present plan is that this prior investment may convert into further potentially revenue-generating research collaboration agreements and other cashflow in FY23. There is a range of options to address funding needs, to support operations and to meet its business objectives. See answers to item 8.6 question 2.

## 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.

27 April 2023

Date: .....

By order of the Board

Authorised by: .....  
(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.