ASX ANNOUNCEMENT

Exopharm Shareholder Update: Revenue Focus in 2021

- Interest in exosome medicines is building worldwide as part of a US$170 billion pa drug delivery systems and services market
- The importance and value of Exopharm's LEAP technology is becoming clear
- Engineered EV (EEV) exosome therapeutics are the main area of interest in partnering discussions so Exopharm is concentrating its investment in EEVs
- Exopharm promotes Dr Chris Baldwin as Deputy CEO in addition to CCO role
- Exopharm issues 1,017,866 Performance Rights to employees under the Performance Rights Plan approved by shareholders in 2020

8 April 2021, Melbourne, Australia: Exopharm Limited (ASX:EX1) is a clinical-stage company at the forefront of developing transformative exosome therapeutics.

Interest in exosome medicines is building around the world

Increasing numbers of partnering meetings give us a good view of how the exosome medicines field is developing and what potential partners are looking for from us.

Exosomes are seen by the biopharma industry as a highly differentiated platform with the potential to enhance tissue delivery for a variety of payloads like mRNA and proteins – part of the global market for drug delivery systems growing at a compound annual growth rate (CAGR) of 5% and valued at around US$170 billion in 2021.

For some medicines, exosomes are seen as alternative and superior means for delivery inside the body – alongside technologies such as lipid nanoparticles (LNP), cell penetrating peptides, viral vectors and liposomes.

Over the past 36 months there have been six billion dollar deals done by a few exosome therapeutics companies – each deal delivering cash upfront payments of around $70m each, and each based upon only preclinical exosome therapeutics.

The importance and value of Exopharm's LEAP technology is becoming clear

Increased manufacturing scale will be required as the demand for exosome medicines increases over coming years. A lack of manufacturing scale has been holding the whole field back.

Exopharm's LEAP purification technology has been demonstrated to be the most scalable exosome therapeutics purification technology available, pointing to the potential for multiple partnership deals to enable exosome product development by others.

Discussions are underway for licensing LEAP to companies already active in the bioprocessing industry. The collaboration with the Finnish Red Cross Blood Service is an early example.

Engineered EV (EEV) exosome therapeutics are the main area of interest in partnering discussions

Potential pharma partners are seeking exosome therapeutics that have 'tropism' ie. exosomes that preferentially target selected tissue types (eg. glial cells in the brain). Such targeting would allow selective delivery of medicines – improving the safety profile and efficacy of the treatment.

Exopharm's EVPS technology (US patent issued) provides targeting and can be adapted to hundreds or thousands of variations, so multiple partnering deals are possible.

Partners are also looking for enhanced loading of nucleic acids (eg. mRNA, siRNA or miRNA) into exosome therapeutics. Exopharm's LOAD technology also provides that.

Business model and revenue streams identified

As a platform technology company and one of the few exosome therapeutics companies worldwide, Exopharm now has exosome-related technologies with the potential to make hundreds of exosome medicine variants using LOAD and EVPS, and later purified at high scale and low cost using LEAP. Exopharm is positioned as a viable and credible partner as the field booms.

Here in April 2021 we see that near-term revenue will start to come from two streams:

- Licensing: multiple non-exclusive deals from out-licensing our LEAP technology to allow others to purify EVs; and
- Partnering: multiple deals allowing our partners to use our exosome medicines (incorporating LOAD and EVPS) to make transformative exosome therapeutic products.

Our main investment areas for CY 2021 onwards support these streams:

Investment, commercialisation and development focus 2021-onwards	
Exosome Technology (including LEAP technology and Exoria™)	Licensing LEAP technology and the Exoria exosome labelling technology, alongside Exopharm's expert bioprocessing know-how to: • Empower contract manufacturing organisations to serve exosome companies • Integrate LEAP into the GMP processes of biotechnology companies including blood plasma fractionators, blood services and emerging exosome companies
Exosome Medicines (including our LOAD and EVPS technology)	Using exosomes to deliver transformative medicines: • Enabling pharma companies to deliver new and existing drug candidates in novel ways • Designing and evaluating entirely new exosome medicines that we can own and invest in

Our aim is to move towards generating revenue and then become cashflow positive. We have also engaged international experts in partnership deals and partnering. In this light the Board and senior management have been assessing our ongoing activities, focus and investment areas.

Exopharm is now adjusting its spending (and activities) to support generation of near-term revenue and to focus our investment into programs of interest to most potential partners.

Prior deals by other exosome therapeutics companies (including EVOX Therapeutics and Codiak Biosciences) have been struck on preclinical exosome therapeutics ie. exosomes that have not made it into clinical trials yet. So, there is the potential for Exopharm to do partnership deals with its preclinical exosome medicine products such as Fortrexo and Cognevo.

We expect that some exosome medicine products will be partnered/out-licensed as preclinical assets while other products will be developed by us in clinical trials and towards registration before partnering.

Our Fortrexo SARS-2 product is progressing towards animal studies later in CY 2021. Our Cognevo neurological product is progressing towards animal studies in later CY 2021 or early 2022. Other exosome medicine products are being designed and tested in our laboratories.

Exopharm is positioned to be an important and valuable part of the biopharma industry as exosome therapeutics become a part of mainstream medicine.

Investment into clinical development & commercialisation of naïve EV (NEV) products will be left to partners

Given the focus on LEAP and EEV transactions, we will not invest further into animal studies or clinical trials of our blood or stem cell derived exosome programs (Plexaris and Cevaris). Instead, the aim is to partner these products out and leave investment into the development and commercialisation of these NEV products with partners.

Exopharm does not intend to run future clinical trials using Plexaris or Cevaris in wound healing or osteoarthritis.

Potential partners for the Plexaris product include the blood products companies.

Dr Chris Baldwin promoted to Deputy CEO

Dr Chris Baldwin joined Exopharm as Chief Commercial Officer (CCO) in November 2019 and has become a key part of the executive team.

The Board recently appointed Dr Baldwin to the new role of Deputy CEO in addition to his ongoing CCO role.

Exopharm issues 1,017,866 Performance Rights to employees under the Performance Rights Plan

In October 2020 Shareholders approved a Performance Rights Plan (PRP) allowing the issue of up to 9,891,960 Performance Rights under the PRP during the 3-year period following approval – around 3.3m Performance Rights (PRs) per annum was anticipated. Remuneration rates were held static in CY 2020.

The Company has today issued 1,017,866 PRs to senior staff. The PRs are subject to performance hurdles based on the EX1 share price. If the performance hurdles are met, then the PRs convert to ordinary fully paid shares.

Full details are provided in the Appendix 3G lodged with ASX on 8 April 2021.

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 and generate revenue from multiple partnership deals.

Exosomes are seen by the Biopharma industry as a highly differentiated platform with the potential to enhance tissue delivery for a variety of payloads like mRNA and proteins – part of the global market for drug delivery systems which is growing at a compound annual growth rate (CAGR) of 5% and valued at around US$170 billion in 2021.

For some medicines, exosomes are an alternative and superior means for delivery inside the body, alongside technologies such as lipid nanoparticles (LNP), cell penetrating peptides, viral vectors and liposomes.

Exopharm's LEAP technology solves 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 technology improves loading of nucleic medicines into exosomes and the EVPS technology allows 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.

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.