

ASX Announcement

Melbourne, Australia, 28 July 2023

Quarterly Activities Report and Appendix 4C

1. Further strengthening of the Board
2. Successful completion of conversion of debt to equity and placement
3. Evaluation of LEAP technology by Sartorius BIA continues
4. Planning for outsourced elastin additive gene therapy exosome experiments
5. Company advised of further US patent for the LEAP technology
6. Further cost reductions and focus

Further strengthening of the Board and resignation of first Chairman

During the quarter the Company appointed Mr Mark Davies as Chair and Independent Non-Executive Director.

Mark is Founder and Managing Director at 1861 Capital and has been an investor in Exopharm since the IPO in 2018. Mark has a Bachelor of Commerce from the University of Western Australia and is Non-Executive Chairman of Neurotech International (ASX: NTI), a drug development company focused on utilising NTI164 in the treatment for paediatric neurological disorders including Autism Spectrum Disorder (ASD).

Mark's appointment to the Board added further financial and equity capital markets experience to the Company, following on from the appointment of Mr Clarke Barlow, another financial markets person, to the Board in February 2023.

Mr Jason Watson had resigned as the Company's inaugural Chair and Independent Non-Executive Director. Jason was appointed Chairman prior to the IPO in 2018 and has helped steer the Company through various stages and challenges since that time.

With these changes the Board continues to comprise three members, to contain costs whilst maintaining the minimum number - Mark Davies, Clarke Barlow and Ian Dixon.

Successful completion of conversion of debt to equity and placement

The Company successfully issued 125m shares to redeem all of the Convertible Notes issued under a Mandate announced on 13 February 2023 that raised \$1m. The Company also issued a further approximately 157m shares under a Rights Issue and Shortfall Placement to raise around \$1.57m (before costs).

At present the Company has around 439m shares on issue.

Evaluation of LEAP technology by Sartorius BIA continues

As announced on 17 November 2022, Sartorius BIA is evaluating the synergy of Exopharm's patented LEAP technology together with BIA's unique Convective Interaction Media (CIM) for potentially improved large-scale exosome production.

This program continues and at this stage further data is expected to support evaluation later in CY '23.

Planning for outsourced elastin additive gene therapy exosome experiments

Exosomes are a potential drug-delivery chassis for additive gene therapies utilising mRNA as a therapeutic product. Exosomes offer potential advantages over other drug-delivery chassis such as lipid nanoparticles (LNPs) for therapeutic products.

Exopharm's early-stage elastin (ELN) program has been previously announced and comprises exosomes derived from HEK293 cells and LOAded with ELN mRNA for topical administration as a potential additive gene therapy product to treat various elastin-deficiency conditions including aging skin, sun exposed skin and wound healing. Initial in vitro test results showed promise.

The present plan is to outsource the manufacture of prototype product and potentially test in an ex vivo human skin experiment.

Company advised of further US patent for the LEAP technology

FPA Patent Attorneys have advised Exopharm of further progress with the US Patent Office in relation to a 3rd US LEAP1 patent. The patent will issue on 6 July 2023 as patent no. 11,666,603.

This further patent specifically covers Exopharm's current commercial LEAP ligands and further protects the 2016 invention of Dr Ian Dixon, Dr Gregor Lichtfuss, Dr Chacko Joseph and Dr Jim Palmer.

The LEAP technology has been further validated and a data-pack on its utility is used in partnering discussions. The LEAP technology has also been used to manufacture the prototype elastin product for testing.

Further cost reductions and focus

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 further reduced from approximately \$430,000 to around \$260,000 per month by further reducing headcount through redundancies and

reducing premises footprint by vacating the Baker Institute premises. Together these initiatives substantially reduce monthly operating costs and extend the cash runway.

Spend on in-house product development has been mainly curtailed as a cost saving measure and future work will potentially be outsourced to commercial contract research organisations (CROs) and Academic Laboratories under paid research agreements.

The Company continues to pursue other cost reduction measures.

The Company continues to secure its Intellectual Property portfolio and continues to seek a financial return from potential licensees and/or commercial partners.

Seeking to maximise shareholder-value, Exopharm is actively exploring potential transactions with third parties, which could unlock the future potential financial value of the Company. These potential opportunities include, but are not limited to, those that may complement its intellectual property.

Post reporting period additional update

In July 2023, the Company submitted its FY2022-23 application for R&D tax incentive registration. After registration, the Company can prepare and lodge its Tax Return with the Australian Taxation office seeking a rebate on eligible R&D expenditure incurred in FY2022-23. It is anticipated the cash rebate will be received by 30 November 2023 unless delayed by an audit or other issues.

As announced on 25 November 2022 and 9 March 2023, the Company had entered into a non-dilutive cash loan facility with Radium Capital (Radium) to provide Exopharm with immediate funds equivalent to 80% of its accrued R&D tax incentive for the periods 1 July 2022 to 30 October and 1 November to 31 December 2022.

The Radium cash advances of \$961,000 and \$430,746 (total \$1,391,746) were based on eligible R&D expenditure that has been verified by an independent accounting firm.

Should the R&D tax incentive refund be assessed as successful, the Company expects surplus funds of approximately \$1.2M after the Radium loan facility is repaid.

This Radium facility in FY2022-23 followed a similar loan facility for FY2021-22 which was drawn and also fully repaid.

Further reductions to ongoing operating costs and sale of unused equipment are ongoing. Patents are now being pursued in USA, Europe, Japan and China only going forward to further reduce ongoing costs.

Finance and Appendix 4C commentary

Exopharm ended the quarter with cash of \$1.6 million (\$1.8 million at 31 March 2023).

Quarterly operating net cash outflow for the period was \$1.4 million (\$1.7 million cash outflow in the prior quarter).

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

Exopharm announced on 13 February 2023 that it signed a mandate with Brokers Alto Capital and Canary Capital and was 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). During the quarter, Exopharm raised \$0.8M (exc. cost) from subscriptions to the non renounceable rights issue, with a further \$0.8M received under the rights issue shortfall offer. These amounts were in addition to the \$1M (exc. costs) raised from the issuance of Convertible Notes, as announced on 09 March 2023.

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: \$112,977 (including superannuation)

Total payments to related parties and their associates included in items 6.1: \$112,977.

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

[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.

[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

78 163 765 991

Quarter ended ("current quarter")

30 June 2023

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	-	618
1.2 Payments for		
(a) research and development	(180)	(1,626)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(8)	(118)
(d) leased assets	-	-
(e) staff costs	(810)	(5,260)
(f) administration and corporate costs	(410)	(1,929)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	4	17
1.5 Interest and other costs of finance paid	(11)	(205)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	4,126
1.8 Other (provide details if material)	55	356
1.9 Net cash from / (used in) operating activities	(1,360)	(4,021)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	(285)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

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	8	8
	(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	8	(277)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	1,572	1,572
3.2	Proceeds from issue of convertible debt securities	-	1,000
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(108)	(164)
3.5	Proceeds from borrowings	-	1,874
3.6	Repayment of borrowings	-	(3,212)
3.7	Transaction costs related to loans and borrowings	-	(3)
3.8	Dividends paid	-	-
3.9	Other (repayment of lease liability)	(225)	(547)
	Other (bank guarantee and security deposit)	-	575
3.10	Net cash from / (used in) financing activities	1,239	1,095

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,756	4,847
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,360)	(4,021)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	8	(277)

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)	1,239	1,095
4.5	Effect of movement in exchange rates on cash held	-	(1)
4.6	Cash and cash equivalents at end of period	1,643	1,643

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	1,643	1,756
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,643	1,756

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**

113

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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.

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	1,392	1,392
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.

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 against Exopharm's 2023 FY RDTI refund. Repayment is timed to coincide with receipt of Exopharm's 2023 FY RDTI refund.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(1,360)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	1,643
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	1,643
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	1.2
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: No, the Company expects substantially improved cashflows going forward and increased estimated quarters of funding available going forward.

The reasons for this include:

- a) the Net cash from / (used in) operating activities (1.9) for the previous quarter included substantial (approximately \$0.25 million) one-off payments for redundancies and other restructuring costs as announced on 20 December 2022.
- b) expenditure on R&D listed in the Net cash from / (used in) operating activities (1.2(a)) for the previous quarter included expenditure that will not be incurred going forward
- c) the anticipated Net cash from / (used in) operating activities (1.9) for the next quarter is estimated to be approximately 50-60% lower, in line with an anticipated reduction in R&D, employment and Corporate/Administration costs.
- d) the Company has vacated its Baker Institute premises in the past quarter, further reducing ongoing operating costs as it plans to outsource more R&D
- e) the Company can realise additional positive cashflow by the sale of surplus equipment

The Net effect of these changes is anticipated to substantially improve the Company's cashflows 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, Yes, further cash is anticipated. There are several sources of additional cash potentially available to the Company. These include:

• RDTI

The Company has a strong track-record in receiving Research & Development Tax Incentive (RDTI) cash rebates and anticipates an R&DTI cash rebate of approximately \$2.7 million in Q2 or Q3 FY'24. After repayment of the Radium R&DTI facility the Company anticipates a net cash benefit of approximately \$1.2 million (subject to timing of the R&DTI cash rebate).

• 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 back ended income sharing. These payments, if received, could improve net operating cash going forward.

• Sale of surplus equipment

The Company can realise additional positive cashflow by the sale of surplus equipment with the potential benefit of improving net operating cashflow going forward.

• Capital raising or transaction

Exopharm is presently, as previously advised, looking at synergistic projects to add into the Company's activities. It is possible that a synergist project could come with non-dilutive or dilutive funding.

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.

Since listing in December 2018 the Company has sought to build revenue from the commercialisation of innovative technologies and/or products.

The present business objectives are to build revenue from the commercialisation of innovative technologies and/or products.

Consistent with the present financial markets, the Company has substantially reduced ongoing operating costs, headcount and overhead costs.

Despite these changes, the Company has the capabilities and experience of its key people, including a refreshed Board of Directors, and has funds on hand to continue its operations and to meet its present 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.

28 July 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.