OFFER | For the offer to clients of the Lead Manager and Participating Brokers who have received a firm allocation of New Shares from the Lead Manager or their Participating Broker, of up to 30,000,000 New Shares at an offer price of $0.20 per New Share to raise approximately $6,000,000 (before costs), with the ability to accept oversubscriptions of up to an additional 5,000,000 New Shares to raise an additional $1,000,000 (before costs).

No general public offer of New Shares will be made under the Offer or this Prospectus. Members of the public wishing to apply for New Shares under the Offer must do so through the Lead Manager or a Participating Broker.

The Offer is not underwritten.

Refer to section 4.1 of this Prospectus for more information in respect of the Offer.

OPENING AND CLOSING DATES | The Offer opens on 14 November 2018 and closes at 5:00pm (WST) on 4 December 2018.

PROPOSED ASX CODE | EX1

IMPORTANT INFORMATION | This Prospectus and the accompanying Application Form contains important information and should be read in their entirety. If you have any questions about the Offer or this Prospectus, you should speak to your professional advisor. The New Shares offered by this Prospectus should be considered as a highly speculative investment.
DIRECTORS
Mr Jason Watson  
(Non-Executive Chairman)

Dr Ian Dixon  
(Managing Director)

Mr David Parker  
(Non-Executive Director)

COMPANY SECRETARY
Mr David Parker

REGISTERED OFFICE
c/- HMH Advisory  
Level 1, 888 Doncaster Road,  
Doncaster East, Victoria 3109

PRINCIPAL PLACE OF BUSINESS
Level 17, 31 Queen St,  
Melbourne, Victoria 3000  
Telephone: +61 (0)3 9111 0026  
Email: info@exopharm.com

SECURITIES REGISTRY*
Automic Pty Ltd  
trading as ‘Automic Registry Services’  
Level 5, 126 Phillip Street  
Sydney, New South Wales 2000  
Telephone: +61 (0)2 9698 5414  
Email: hello@automic.com.au

INVESTIGATING ACCOUNTANT
HLB Mann Judd (WA Partnership)  
Level 4, 130 Stirling Street  
Perth, Western Australia 6000

AUDITOR*
William Buck Audit (Vic) Pty Ltd  
Level 20, 181 William Street  
Melbourne, Victoria 3000

LEAD MANAGER
Alto Capital  
Ground Level, 16 Ord Street  
West Perth, Western Australia 6005  
AFSL No. 279099  
Telephone: +61 (0)8 9223 9888  
Email: adam@altocapital.com.au

SOLICITORS TO THE OFFER
Jackson McDonald  
Level 17, 225 St Georges Terrace  
Perth, Western Australia 6000  
Telephone: +61 (0)8 9426 6611  
Facsimile: +61 (0)8 9321 2002

PATENT ATTORNEY
FPA Patent Attorneys Pty Ltd  
Level 42, 101 Collins Street  
Melbourne, Victoria 3000

PROPOSED ASX CODE
EX1

WEBSITE
exopharm.com

*Included for information purposes only. This entity has not been involved in the preparation of this Prospectus.
**PROSPECTUS**

This Prospectus is dated 6 November 2018 and was lodged with ASIC on that date. Neither ASIC nor ASX take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

Exopharm will apply to ASX within 7 days following the Prospectus Date for the New Shares offered by this Prospectus to be listed for quotation by ASX.

Exopharm will not issue any New Shares on the basis of this Prospectus later than 13 months after the Prospectus Date.

Before applying for New Shares under this Prospectus, potential investors should carefully read this Prospectus so that they can make an informed assessment of:

- the rights and liabilities attaching to the New Shares;
- the assets and liabilities of Exopharm; and
- Exopharm’s financial position, performance and prospects.

It is important that you read this Prospectus in its entirety and seek professional advice where necessary. The New Shares that are the subject of the Offer should be considered highly speculative.

Exopharm has not authorised any person to give any information or make any representation in connection with the Offer which is not contained in this Prospectus. Any information or representation not contained in this Prospectus should not be relied on as having been made or authorised by Exopharm or the Directors.

**EXPOSURE PERIOD**

This Prospectus is subject to an exposure period of 7 days from the date of lodgement with ASIC pursuant to the Corporations Act. ASIC may extend this period by a further 7 days. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. The examination may result in the identification of deficiencies in this Prospectus, and in such circumstances, any Applications received during the Exposure Period may need to be dealt with in accordance with section 724 of the Corporations Act.

This Prospectus will be available online at Exopharm’s website, exopharm.com, or in hard copy upon request during the Exposure Period. Applications received during this time will not be processed until after the expiration of the Exposure Period and preference will not be conferred on such Applications.

**APPLICATIONS**

If you have received an invitation to participate in the Offer from the Lead Manager or a Participating Broker and you wish to apply for New Shares under the Offer, you should contact the Lead Manager or Participating Broker for information about how to submit your Application Form and for payment instructions in accordance with section 4.9.

The Corporations Act prohibits any person from passing the Application Form to any other person unless it is attached to, or accompanied by, a hard copy of this Prospectus or a complete and unaltered electronic copy of this Prospectus.

The Application Form included in this Prospectus may only be distributed if it is included in, or accompanied by, a complete and unaltered copy of this Prospectus. The Application Form contains a declaration that the investor has personally received the complete and unaltered Prospectus prior to completing the Application Form. Exopharm reserves the right not to accept a completed Application Form if it has reason to believe that the Applicant has not received a Prospectus or that the Application Form has been altered or tampered with in any way.

**PRIVACY**

If you apply for New Shares, you will provide personal information to Exopharm and the Securities Registry. Exopharm and the Securities Registry will collect, hold and use your personal information in order to assess your Application, service your needs as an investor, provide facilities and services that you request and carry out appropriate administration. Corporate and taxation laws require Exopharm to collect some personal information. If you do not provide the information requested, your Application may not be able to be processed efficiently, or at all.

**ELECTRONIC PROSPECTUS**

This Prospectus may be viewed in electronic form at exopharm.com by Australian investors only. If you receive the electronic form of this Prospectus you should ensure that you download and read the entire Prospectus. A paper copy of this Prospectus may be obtained free of charge on request during the Offer Period by calling the Securities Registry. The information on Exopharm’s website, exopharm.com, does not form part of this Prospectus.
IMPORTANT NOTICE

JURISDICTIONAL RESTRICTIONS

Exopharm has not taken any action to register or qualify New Shares or the Offer, or otherwise to permit a public offering of New Shares, in any jurisdiction outside Australia.

The distribution of this Prospectus (including in electronic form) in jurisdictions outside Australia may be restricted by law and therefore persons outside Australia who obtain this Prospectus should seek advice on, and observe, any such restrictions. Any failure to comply with these restrictions may constitute a violation of applicable securities laws. This Prospectus does not constitute an offer or invitation in any jurisdiction in which, or to any person to whom, it would be unlawful to make such an offer or invitation.

RESIDENTS OF THE UNITED STATES OF AMERICA

The New Shares have not been, and will not be, registered under the US Securities Act of 1933 as amended (US Securities Act), and may not be offered, sold or resold:

- in the United States or to, or for the account or benefit of, US Persons (as defined in Rule 902 under the US Securities Act) except in a transaction exempt from the registration requirements of the US Securities Act and applicable United States state securities laws; and
- outside the United States, except to non-US persons in offshore transactions in compliance with Regulation S under the US Securities Act.

RESIDENTS OF THE UNITED KINGDOM

Neither the information in this Prospectus nor any other document relating to the Offer has been delivered for approval to the Financial Services Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended (FSMA)) has been published or is intended to be published in respect of the New Shares.

This Prospectus is issued on a confidential basis to fewer than 150 persons other than to a person who:

- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act; or
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act; or
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act; or
- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act; or
- is a professional investor under the SFO; or
- is an investment manager or a financial advisor within the meaning of clause 36 of Schedule 1 of the FMC Act; or
- is a member of the public other than to a person who:
  - is a director of a person other than an Eligible Company; or
  - is a connected person of a director of an Eligible Company; or
  - is an Eligible Company; or
  - is a Relevant Person.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received in connection with the issue or sale of the New Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to Exopharm.

In the United Kingdom, this Prospectus is being distributed only to, and is directed at, persons who fall within Article 43 (members or creditors of certain bodies corporate) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005, as amended, or to whom it may otherwise be lawfully communicated (together Relevant Persons). The investment to which this Prospectus relates is available only to, and any invitation, offer or agreement to purchase will be engaged in only with, Relevant Persons. Any recipient of this Prospectus who is not a Relevant Person should return it to Exopharm immediately and not take any other action.

RESIDENTS OF HONG KONG

WARNING: The contents of this Prospectus have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the Offer. If you are in any doubt about any of the contents of this Prospectus, you should obtain independent professional advice.

This Prospectus has not been registered in Hong Kong and it has not been approved by the Securities and Futures Commission of Hong Kong under the Securities and Futures Ordinance (Chapter 571) of Hong Kong (SFO). This Prospectus and any other materials in connection with the offer or sale, solicitation or invitation for subscription, or purchase of New Shares may not be circulated or distributed, nor may the New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Hong Kong, other than to the following:

- to a ‘professional investor’ under the SFO; or
- in circumstances which will not result in this Prospectus constituting a ‘prospectus’ under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance.

By accepting this Prospectus, you agree to be bound by the disclaimers, limitations and restrictions described herein.

RESIDENTS OF NEW ZEALAND

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (FMC Act). The Shares are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act;
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act; or
- is otherwise a wholesale investor within the meaning of clause 3 of Schedule 1 of the FMC Act, and an offer of financial products to that person consequently does not require disclosure under Part 3 of the FMC Act.
RESIDENTS OF SINGAPORE

This Prospectus has not been registered with the Monetary Authority of Singapore. This Prospectus and any other materials in connection with the offer or sale, solicitation or invitation for subscription, or purchase of New Shares may not be circulated or distributed, nor may the New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore, other than to the following (each an Exempt Investor):

• to an ‘institutional investor’ under section 274 of the Securities and Futures Act, Chapter 289 of Singapore (SFA);
• to a ‘relevant person’ pursuant to section 275(1) of the SFA, or any person pursuant to section 275(1A) of the SFA, and, in each case, in accordance with the conditions specified in section 275 of the SFA;
• otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where New Shares are subscribed for or purchased, and if you are an Exempt Investor, you are subject to restrictions on transferability and re-sale. The New Shares may not be transferred or re-sold in Singapore, except as permitted under the SFA. By accepting this Prospectus, you agree to be bound by the disclaimers, limitations and restrictions described herein. This Prospectus is distributed in connection with an offer of New Shares in Singapore that will not be issued to any person other than to a person to whom this Prospectus is sent with the consent of the Company. A person receiving a copy of this document in Singapore may not treat the same as constituting an invitation to that person unless such an invitation could lawfully be made to them without compliance with any registration or legal requirements, or where such registration or legal requirements have been complied with.

FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements which incorporate an element of uncertainty or risk, such as ‘intends’, ‘may’, ‘could’, ‘believes’, ‘estimates’, ‘targets’ or ‘expects’. These statements have been prepared with all reasonable care and attention based on an evaluation of current economic and operating conditions, as well as assumptions regarding future events. These events are, as at the Prospectus Date, 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 Exopharm’s control. They may be affected by matters such as those outlined in section 7.

Exopharm and the Directors cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur. Further, other than by lodgement of a replacement or supplementary prospectus during the Offer Period if required by law, Exopharm may not update or revise any forward-looking statement if events subsequently occur or information subsequently becomes available that affects the original forward-looking statement.

NO PROSPECTIVE FINANCIAL FORECASTS

The Directors have considered the matters outlined in ASIC Regulatory Guide 170. Exopharm will use the proceeds of the Offer for the purposes set out in section 4.3. Given Exopharm is an early-stage company which does not have any trading history, reliable forecasts of any possible revenue and expenses cannot be prepared and accordingly the Directors have not included forecasts in this Prospectus.

PHOTOGRAPHS AND DIAGRAMS

Photographs used in this Prospectus which do not have descriptions are for illustration purposes only and should not be interpreted to mean that any person shown endorses this Prospectus or its content. Diagrams are illustrative only and may not be drawn to scale. The people and assets depicted in photographs in this Prospectus are not employees or assets of Exopharm unless specifically stated.

MEANING OF TERMS

Capitalised terms and certain other terms used in this Prospectus are defined in the Glossary in section 15.

References to “our”, “us” and “we” are references to Exopharm.

References to “I”, “you” and “your” are references to the Applicant.

CURRENCY

References to “$”, “AS”, “AUD”, or “dollar” are references to Australian currency, unless otherwise stated.

TIME

References to time relate to the time in Melbourne, Victoria, unless otherwise stated.
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<th>TARGET DATE</th>
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<td>Lodgement of Prospectus with ASIC</td>
<td>Tuesday, 6 November 2018</td>
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<td>Expiry of Exposure Period</td>
<td>Tuesday, 13 November 2018</td>
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<td>Opening Date of the Offer</td>
<td>Wednesday, 14 November 2018</td>
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<td>Closing Date of the Offer</td>
<td>Tuesday, 4 December 2018</td>
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<td>Issue of New Shares under the Offer</td>
<td>Tuesday, 11 December 2018</td>
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<td>Despatch of Holding Statements</td>
<td>Wednesday, 12 December 2018</td>
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<td>Shares commence trading on ASX</td>
<td>Wednesday, 19 December 2018</td>
</tr>
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</table>

**Notes:** These dates are indicative only and subject to change. Exopharm, acting in consultation with the Lead Manager, may vary these dates without notice, including whether to close the Offer early, extend the Offer, or accept late Applications, either generally or in particular cases, without notification. If you wish to submit an Application, you are encouraged to do so as soon as possible after the Opening Date as the Offer may close at any time without notice. The Opening Date will be affected by any extension of the Exposure Period.

Key Offer Details

<table>
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<tr>
<th>INFORMATION</th>
<th>MINIMUM SUBSCRIPTION ($6,000,000)</th>
<th>MAXIMUM SUBSCRIPTION ($7,000,000)</th>
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<td>Price per New Share under the Offer</td>
<td>$0.20</td>
<td>$0.20</td>
</tr>
<tr>
<td>Total New Shares offered under the Offer</td>
<td>30,000,000</td>
<td>35,000,000</td>
</tr>
<tr>
<td>Cash proceeds of the Offer (before costs)</td>
<td>$6,000,000</td>
<td>$7,000,000</td>
</tr>
<tr>
<td>Existing Shares on issue as at Prospectus Date</td>
<td>45,500,000</td>
<td>45,500,000</td>
</tr>
<tr>
<td>Total number of Shares following completion of the Offer</td>
<td>75,500,000</td>
<td>80,500,000</td>
</tr>
<tr>
<td>Market capitalisation of Exopharm following completion of the Offer (at Offer Price)</td>
<td>$15,100,000</td>
<td>$16,100,000</td>
</tr>
<tr>
<td>Percentage of Exopharm that will be owned by Applicants under the Offer following completion of the Offer</td>
<td>39.7%</td>
<td>43.5%</td>
</tr>
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**Applications for New Shares**

Refer to section 4.9 for details of how to apply for New Shares. Applications under the Offer must be for a minimum of 10,000 New Shares ($2,000) and thereafter in multiples of 1,000 New Shares ($200).
DEAR INVESTOR

On behalf of the Directors of Exopharm Limited, I am pleased to present to you the opportunity to become a Shareholder.

The medical problems associated with aging are challenging to the person affected, their relatives and loved ones and our health-systems. As life span is being extended, many people are experiencing decades of ill-health due to diseases/conditions such as arthritis, age-related macular degeneration, osteoporosis, diabetes, sarcopenia, neurodegeneration and more.

And yet we know that some people – the centenarians – can be fit and active into their late eighties or nineties and then have a relatively short period of ill-health before end of life.

Regenerative medicine seeks to address this challenge and extend the duration of our wellness and capacity.

Whilst there have been numerous companies developing stem cell products for regenerative medicine, their progress to date has not delivered many FDA-approved new stem cell therapies for age-related conditions outside of cancer.

More recently, numerous researchers have demonstrated in small animal studies the advantages of experimental treatments using exosomes – natural nanoparticles derived from adult stem cells or other sources. But larger studies in humans have been mainly held back by a lack of suitable purification technology.

It is against this backdrop of urgent medical need and lack of adequate progress that Exopharm has been created. Our vision is to harness the potential potency of exosomes as a cell free therapeutic product to initially treat conditions such as wounds, osteoarthritis and dry age-related macular degeneration.

Exopharm is the owner of a patent-applied-for technology that potentially solves the purification problem – this technology is called LEAP (Ligand-based Exosome Affinity Purification). With LEAP, Exopharm seeks to manufacture exosomes to enable studies in humans for age-related conditions.

The Board believes that the following combination of factors gives the Company a firm foundation:

- the LEAP Technology is expected to give Exopharm a manufacturing competitive advantage in this emerging field;
- exosome products made using the LEAP Technology have the potential to provide a new class of regenerative medicine for patients and their doctors;
- the Development Program contains a series of key milestones that the Company believes are achievable over the next 24 months; and
- the business plan is proposed to be implemented by a team with a strong track record in biopharmaceuticals and bio-manufacturing.

This Prospectus contains detailed information about the Exopharm business, the proposed Development Program and the risks associated with Exopharm progressing an experimental treatment for application in regenerative medicine. The LEAP Technology, the core of Exopharm’s present intellectual property, is at an early-stage of development, and, whilst patents have been applied for, no patents have yet been granted.

Accordingly, an investment in Exopharm involves a number of risks, including risks associated with the underlying LEAP Technology, product risk due to the early-stage of the Development Program, the proposed first in human use studies (safety and efficacy), access to stem cells, blood and blood platelets, registration of intellectual property and potential third party infringement, key management, changes to legislation and government regulations and the Exosome market being in the early-stages of development patents. The key risks are summarised in section 1 and described in further detail in section 7.

Under this Prospectus, the Company is seeking to raise approximately $6,000,000 (before costs) through the issue of 30,000,000 New Shares under the Offer, with capacity to accept oversubscriptions of up to a further $1,000,000 (before costs) through the issue of an additional 5,000,000 New Shares.

Potential investors should consider that an investment in the Company is highly speculative and should consult their professional advisers before deciding whether to apply for New Shares pursuant to this Prospectus. I encourage you to read this document carefully and in its entirety before making your investment decision.

If the Offer closes successfully, and the Company is admitted to the official list of ASX, the Company will have a market capitalisation (at the Offer Price) of approximately $15.1 million, (based upon the minimum subscription).

Yours faithfully,

Jason Watson
Chairman
Exopharm Limited
FOUNDER & MANAGING DIRECTOR'S LETTER
Dear Investor

As the Company’s Founder, it is a pleasure to present the Exopharm Prospectus to you.

Exopharm has a clear purpose – to bring a new type of potential regenerative medicine into clinical use to treat health span related medical conditions.

Succeeding in this aim could be expected to improve on the current treatment options for a range of important medical conditions that impact on health span - such as wound healing, dry age-related macular degeneration, cardiac repair and osteoarthritis. Success may also attract a larger biopharmaceutical company to partner with Exopharm at some point in the future.

As an investor, you have many choices. In the past, stem cell companies have attracted investors based upon the promise of cellular therapy in regenerative medicine. But today Exopharm offers a distinct investment opportunity in the cell free therapy field.

Our aim is to harness as a new class of therapeutic product the biological activity of exosomes. Exosomes are an emerging field, but research points to exosomes being a crucial output of adult stem cells to drive healing and regeneration in our bodies. Recent research by others shows that the concentration of exosomes in our bodies decline with age, so it could make sense to add extra exosomes into patients.

Whilst others also seek to commercialise exosomes derived as a therapeutic product, experts acknowledge that the problem holding back the field has been that of purification – in sufficient scale and with a process suited to making a standardised proprietary biologic-type product.

As described in more detail herein (refer to section 3), we believe that Exopharm has a competitive advantage in the crucial purification step. Exopharm has acquired a patent-applied-for purification technology called LEAP (Ligand-based Exosome Affinity Purification). LEAP is the outcome of more than 3 years of research and development by a Melbourne biotechnology team headed and funded by myself.

Investment into Exopharm will allow us, subject to various regulatory and other restrictions, to conduct the Development Program – covering product manufacture, preclinical testing and then clinical use of exosomes purified using LEAP with human patients.

With LEAP and further funding, Exopharm seeks to accelerate its Development Program – to potentially bring its products into 2 or 3 clinical areas over the next 3 years – with first human use for wound healing anticipated by mid CY ’19 (subject to various factors and risks described in section 7).

Biotechnology is a team activity, and we are building a small but experienced team of individuals who can manage and progress the key areas of our business – in-house product manufacture, preclinical testing programs, clinical testing and understanding the science of how the product best works. Fortunately, my past experience helps with this. Also, Melbourne has a pool of experienced biotechnology and bio-manufacturing people with a track-record of bringing products through the development stages and into partnership deals and/or product registration.

The Board of Exopharm has been configured to provide a compact and yet multidisciplinary body, including a level of independence and significant experience.

The proceeds from the Offer are anticipated to give Exopharm sufficient funding to manufacture initial clinical grade experimental product, conduct preclinical testing and early-stage small-scale clinical use (subject to various factors and risks), supporting research and development activities, investigate Other Leap Technology Opportunities, costs of the Offer, reimbursement of prior LEAP Technology expenses and working capital.

Post the IPO, I will retain a significant long-term shareholding in the Company and will play a key ongoing role in the Company’s growth and development through my role as Managing Director.

As mentioned in the Chairman’s Letter above, an investment in Exopharm involves a number of risks which investors should carefully consider before making a decision to apply for New Shares. The key risks are summarised in section 1 and described in further detail in section 7.

Potential investors should consider that an investment in the Company is highly speculative and should consult their professional advisers before deciding whether to apply for New Shares pursuant to this Prospectus.

I encourage you to read this document carefully and in its entirety before making your investment decision. I look forward to welcoming you as a shareholder of Exopharm.

Yours faithfully,

Ian Dixon
Founder and Managing Director
Exopharm Limited

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1 Am J Respir Crit Care Med. 2009 Dec 1;180(11):1122-30. doi: 10.1164/rccm.200902-0242OC
01

INVESTMENT OVERVIEW
### Topic Summary

| **Who is the issuer of this Prospectus?** | Exopharm Limited (ACN 163 765 991), referred to as “Exopharm” or “Company” in this Prospectus. |
| **Who is Exopharm?** | Exopharm is an Australian unlisted public company. Registered on 15 May 2013 as Exsome Pty Ltd, Exopharm changed its name to Exopharm Pty Ltd on 16 November 2016. On 10 August 2018, Exopharm converted from a proprietary company limited by shares to a public company limited by shares and its name was changed to Exopharm Limited. (Sections 3.2 and 3.15) |
| **What is the purpose of this Prospectus and the Offer?** | The purpose of this Prospectus is:
- to make the Offer to existing and prospective new investors and raise up to $7,000,000 (before costs);
- to satisfy the requirements for the admission of Exopharm to the official list of ASX which will enable efficient trading of Exopharm’s Securities, as well as to increase access to additional future funding after the Offer; and
- to position Exopharm to meet its business objectives, being primarily to fund the Development Program and accordingly the development and commercialisation of the LEAP Technology. (Section 4.1) |

### BUSINESS MODEL

| **What industry does Exopharm operate in?** | Exopharm operates in the healthcare sector, specifically in the regenerative medicine industry. (Section 2) |
| **What does Exopharm do?** | As its primary focus, Exopharm aims to be a leader in the field of clinical human therapeutics using exosomes as regenerative medicine products. Exopharm is an Australian regenerative medicine biopharmaceutical company seeking to develop and commercialise exosomes as therapeutic agents – initially a product called Plexaris™ and later as a product called Exomeres™. These products are exosomes that are derived from human platelets in relation to Plexaris, and adult stem cells in relation to Exomeres, and purified using the LEAP Technology and referred to as biologic products. (Section 3.1) |
| **What are Exopharm’s key assets?** | Exopharm’s key asset is the LEAP Technology (which includes the Patent Applications) and associated know-how. (Sections 3.3 and 3.13) |
| **What is Exopharm’s business model and strategy?** | As its main focus, the Company aims to undertake the development of its LEAP Technology and Plexaris and Exomere products and then pursue a partnership transaction with a larger biopharmaceutical company. (Section 3.8) |
### BUSINESS MODEL

<table>
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<tr>
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| **What are Exopharm's key activities to support its business model and strategy?** | Exopharm's key activities to achieve this goal are to implement the Development Program (being split into the Initial Development Program and the Longer Term Development Program) and, as a secondary focus, to pursue the Other LEAP Technology Opportunities. *Initial Development Program*  
The Company's main objectives for the 12 month period following completion of the Offer are to complete the following stages of its Development Program using the funds raised from the Offer:  
- manufacturing - make and supply clinical grade autologous Plexaris product and development of the Exomere manufacturing process;  
- clinical use - completing animal studies, pre-clinical testing and initial small-scale clinical studies of autologous Plexaris in wound healing; and  
- supporting research and development activities - conducting research activities to support the ongoing Development Program and the development of related intellectual property.  
*Longer Term Development Program*  
Exopharm has planned a staged Longer Term Development Program, to follow the Initial Development Program (in years 2 and 3 following completion of the Offer) to combine derisking, communication and partnering. Exopharm intends to allocate a portion of funds raised under the Offer to this program, however the activities below are dependent on the success of the Initial Development Program and may require substantial funding in the future:  
- further human clinical studies using Plexaris in two other medical indications – dry age-related macular degeneration and osteoarthritis;  
- additional studies conducted using allogeneic Plexaris product (from commercial clinical grade platelets) and allogeneic Exomere product (from secretions of adult stem cells) if initial studies are successful;  
- conversion of the LEAP Manufacturing Process into a Good Manufacturing Practice (GMP) compliant manufacturing process; and  
- ongoing research activities to explain the science of the Plexaris and Exomere products, specifically how Plexaris and Exomeres might improve regeneration and healing in patients.  
*Other LEAP Technology Opportunities*  
Over the next two years following completion of the Offer, Exopharm intends to allocate a portion of funds raised from the Offer to invest in the development of further intellectual property using the LEAP Technology. Other potential applications of the LEAP Technology include:  
- diagnostic Tools: Using the LEAP Technology as a part of a diagnostic tool;  
- commercial products: Investigate the sale of research grade or clinical grade Plexaris and Exomeres; and  
- other products: Developing other therapeutic products using the LEAP Technology. | Sections 3.4, 3.5, 3.6 and 3.7 |
Exopharm holds registered trade marks in the United States protecting the use of the words “Exomere” and “Exopharm”, and has applied for a trade mark in the United States protecting the use of word “Plexaris”. Exopharm has also recently applied to register trade marks protecting the use of each of the words “Exomere” and “Exopharm” in Australia and the European Union.  
Exopharm may determine to apply for additional trade mark protection in other countries in the future. | Section 3.13  
Patent Attorney’s Report (Section 8) |
### BUSINESS MODEL

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<tr>
<td>Is the industry in which Exopharm operates regulated?</td>
<td>The healthcare sector and the regenerative medicine industry are highly regulated and controlled. Exopharm is seeking to develop and commercialise its Plexaris and Exomere products as regenerative medicines, which are regulated as biopharmaceuticals or biologic products. Biologic products are highly regulated and controlled. The testing of experimental products on animals and humans, sale of biologic product and use of human cells and tissue (including human blood), are regulated both in Australia and overseas. The process of obtaining patent rights in relation to biopharmaceutical technologies is also complex and regulated.</td>
<td>Section 3.12</td>
</tr>
<tr>
<td>What are Exopharm's key dependencies?</td>
<td>As an early-stage company, the Company’s business model is highly dependent upon achieving technical development milestones and commercial outcomes. In particular, Exopharm’s business is largely dependent upon: • access to stem cells, blood and blood platelets: Exopharm gaining or being granted access to suitable stem cells, blood, blood platelets or exosomes; • key personnel: the retention of its key personnel, including Dr Ian Dixon (Managing Director) and Dr Gregor Lichtfuss (Chief Operating Officer); • legal regime: the legal and regulatory regime in Australia (and potentially overseas) for biotechnology related businesses not being amended to prohibit or substantially impede any activities currently being conducted, or proposed to be conducted, by Exopharm, including in relation to its Development Program that would make compliance cost prohibitive; • manufacture of clinical grade product: the successful application of the LEAP Manufacturing Process to manufacture clinical grade products; • clinical program success: the results and timeliness of the clinical program and validation of the Plexaris and Exomere products as therapeutic treatments; and • obtaining required funding: successfully securing additional funding on terms suitable to Exopharm as needed to meet its ongoing operational requirements.</td>
<td>Section 3.10</td>
</tr>
<tr>
<td>What material contracts has Exopharm entered into?</td>
<td>Exopharm is party to the following contracts: • the IP Assignment Deed with Altnia Operations; • the Royalty Deed with Altnia Operations; • a master research services agreement with Altnia Operations; • the Lead Manager Mandate with the Lead Manager; • executive employment agreements with each of Dr Ian Dixon (Managing Director) and Dr Gregor Lichtfuss (Chief Operating Officer); • Non-Executive Director engagement letters with each Non-Executive Director; • a deed of indemnity, insurance and access with each Director and Company Secretary; and • a professional services agreement with Cobblestones Corporate (an entity controlled by Mr David Parker) for provision of Mr Parker’s services as Company Secretary.</td>
<td>Sections 3.17 and 11</td>
</tr>
<tr>
<td>Topic</td>
<td>Summary</td>
<td>Further information</td>
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| **What are the perceived investment highlights and benefits?** | The Directors consider that an investment in Exopharm is advantageous for the reasons set out below.  
- **Solving the manufacturing bottleneck:** The potential therapeutic use of exosomes is presently limited by the manufacturing problem described in section 2.6. The LEAP Technology seeks to address limitations of existing methods of purification of exosomes. The LEAP Technology (if proven to be successful) has the potential to be an early proprietary commercial scale manufacturing process for exosomes.  
- **First in class treatment:** The market for exosomes as a therapeutic treatment is emerging and Exopharm’s products have the potential to be a first in class treatment in the regenerative medicine field.  
- **Potentially strong intellectual property position with proprietary products (Plexaris and Exomeres) made using a proprietary process (LEAP):** The present Patent Applications may progress to granted patents in key jurisdictions. Granted patents can be expected to provide Exopharm with exclusive rights to the LEAP Technology and preclude other companies using the LEAP Manufacturing Process to make commercial products. Exosome products made by other processes should not be able to rely upon Exopharm’s clinical trial results.  
- **Potential broad clinical application:** Exopharm believes that multiple medical conditions could potentially benefit from the use of Plexaris or Exomeres as a therapeutic agent, if Exopharm’s Development Program is successful.  
- **Cell free:** The proposed use of Plexaris and Exomeres as a cell free treatment may potentially overcome many of the risks and issues associated with the use of cellular therapy in regenerative medicine.  
- **Experienced and qualified management team and employees:** The Company’s executive management and employees are experienced in the development of biopharmaceuticals and are suitably qualified. | Sections 2.6 and 3.9 |
| **What are the key investment risks?** | The key risks of investing in Exopharm are set out below. These risks are not an exhaustive list. Further details of specific risks and general investment risks are set out in section 7.  
- **Technology risk – LEAP Technology:** There is a risk that the LEAP Technology will not perform as expected or that GMP compliance may be unsuccessful or take longer than expected. There is also a risk that the purity, sterility, consistency, yield or throughput of exosomes purified using the LEAP Technology will be inadequate.  
- **Technology risk – Plexaris and Exomere products:** Exopharm’s Plexaris and Exomere products are at an early stage in development and have not yet been the subject of first in human studies. The failure rate of early-stage experimental therapeutic agents is high. The Company cannot be certain that the proposed Development Program will result in an acceptable therapeutic agent, or that the therapeutic agent(s) arising from the Development Program will be approved by regulatory authorities.  
- **Clinical trials:** If the Company commences clinical trials, there is a risk that such trials may fail or be suspended at any time. Failure can occur for a variety of reasons at any stage of the clinical trial process. Suspension or failure of a clinical trial may require the Company to either abandon its Development Program or repeat earlier activities. The Company may not have adequate resources to withstand these setbacks.  
- **Future capital requirements:** Exopharm’s ongoing activities are likely to require substantial further financing in the future, in addition to amounts raised pursuant to the Offer. Such financing may be dilutive to Shareholders, undertaken at lower prices than the Offer Price or involve restrictive covenants which may limit Exopharm’s operations and business strategy. If Exopharm is unable to obtain additional funding, it may be required to reduce, delay or suspend its operations which may have a material adverse effect on Exopharm’s activities and its ability to continue as a going concern.  
- **Access to stem cells, blood and blood platelets:** Exopharm’s Development Program is dependent upon Exopharm gaining or being granted access to suitable stem cells, blood, blood platelets or exosomes. There is a risk that Exopharm’s Development Program may be adversely affected if Exopharm is unable to source stem cells, blood or blood platelets that are suitable for Exopharm’s intended uses. | Section 7 |
## INVESTMENT HIGHLIGHTS AND RISK

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| What are the key investment risks?         | • **Patents and trade secrets:** Exopharm’s commercial success is, to a large extent, reliant upon its intellectual property being suitably protected and providing the Company with enforceable rights (i.e. through the registration of patents or trade marks). There cannot be any assurance that the Patent Applications will be granted or that any intellectual property created in the future will be able to be successfully protected.  
  • **Third party infringement:** There is a risk that third parties may object to the grant of one or more of the Patent Applications on grounds which may include alleged infringement of their patents or other intellectual property rights. A third party may claim that the LEAP Manufacturing Process or the Patent Applications infringe that third party’s patent or other intellectual property rights.  
  • **Reliance on key personnel:** Exopharm’s success depends to a significant extent upon its key management personnel, as well as other employees and technical personnel including sub-contractors and consultants. The loss of the services of Exopharm’s key personnel, in particular Dr Ian Dixon as Managing Director or Dr Gregor Lichtfuss as Chief Operating Officer, could have an adverse effect on Exopharm at this early-stage of development, particularly as finding effective replacements may be difficult.  
  • **Partnership and service provider risks:** Exopharm’s business model seeks to pursue a partnership transaction with a larger biopharmaceutical company. There can be no guarantee that an appropriate partner will be identified, nor that the terms of any proposed partnership arrangement will be suitable to Exopharm. Exopharm has not yet entered into contracts for a number of services required to progress its Development Program, nor does it have binding contracts in relation to such items and their performance. There is a risk that Exopharm may be unable to secure such contracts for the provision of required services on commercially suitable terms at the appropriate time, which may have a negative impact on Exopharm’s Development Program.  
  • **Changes in legislation and government regulation:** Given the nature of Exopharm’s business and proposed activities, all aspects of Exopharm’s operations are subject to government regulation to some extent. Laws and regulations which currently apply or may apply to Exopharm’s activities may change, which may impact Exopharm’s Development Program, future earnings and the perceived attractiveness of an investment in Exopharm.  
  • **Liquidity and volatility:** On listing on ASX, Exopharm will be considered a small company in terms of its market capitalisation. Investment in its Shares will be regarded as highly speculative and Exopharm will have a narrow Shareholder base. Accordingly, there is a risk that there will not be a highly liquid market for Exopharm’s Shares or that the price of Exopharm’s Shares may decrease considerably. There may be relatively few buyers or sellers of securities on ASX at any given time and the market price may be highly volatile.  
  • **Competition:** The pharmaceutical and biopharmaceutical industries are highly competitive. Some competitors may have greater financial, technical, manufacturing, marketing and intellectual property resources than Exopharm. Such competition could potentially render the Company’s technology and/or products uncompetitive, obsolete or less attractive to customers and/or potential partners than those of the Company’s competitors.  
  • **No profit to date and limited operating history:** Exopharm has incurred losses since its inception and does not have a significant history of business operations. The Directors anticipate making further losses in the foreseeable future. There can be no certainty that Exopharm will achieve or sustain a positive financial return from its activities for Shareholders.  
  • **Emerging exosomes market:** The stem cell exosome market is early-stage and still developing. Long-term patient outcomes for exosome-based and vesicle-based therapeutic treatments are unknown and uncertain.                                                                                   | Section 7           |
## FINANCIAL INFORMATION

**What is Exopharm's financial position?**

Exopharm has limited operating history and historical financial information on which an assessment of its financial prospects can be made.

- Exopharm has completed special purpose financial statements for the financial years ended 30 June 2016, 30 June 2017 and 30 June 2018 that have been audited. These financial statements are available on Exopharm’s website (exopharm.com).
- Exopharm has not yet generated any revenue or profit from its business activities, and is unable to provide any meaningful key financial ratios, whether relating to market performance, profitability or financial stability. Exopharm does not have any material debt financing or borrowings.
- Given the significant amount of research, testing, refinement and regulatory requirements that must be completed, drug development companies like Exopharm can often face long delays before any revenue is generated.

Further financial information regarding Exopharm is contained in the Financial Information at section 9 and in the Investigating Accountant’s Report at section 10.

**How will Exopharm generate revenue?**

Exopharm does not intend to generate any revenue in the near future as it will initially be operating as a biotechnology company with well-defined objectives and activities to bring its technology towards a partnership transaction with a larger biopharmaceutical company. A partnership transaction may precede a shift to revenue, and could result in joint funding for additional clinical trials.

In addition, Exopharm may determine to sell its research grade Plexaris and Exomeres (and clinical grade Plexaris and Exomeres if such products are able to be successfully produced) to third parties for a fee. As at the Prospectus Date, Exopharm only intends to produce Plexaris and Exomeres for its own business activities and does not intend to supply to third parties. However, Exopharm will review this position on an ongoing basis.

**Will Exopharm pay dividends?**

Exopharm’s primary focus in the short to medium term is to continue development and commercialisation of the LEAP Technology, and pursue its Development Program. Accordingly, Exopharm does not have any plan or intention to pay a dividend in the immediate future.

## DIRECTORS AND KEY MANAGEMENT

**Who are the Directors and key management of Exopharm?**

The Directors and key management of Exopharm are:

- Mr Jason Watson – Non-Executive Chairman;
- Dr Ian Dixon – Company Founder, Technology Co-Founder and Managing Director;
- Mr David Parker – Non-Executive Director and Company Secretary; and
- Dr Gregor Lichtfuss – Technology Co-Founder and Chief Operating Officer.

Biographies of the Directors and key management personnel are set out in section 5.

**What are the interests of Directors and their Related Parties in Exopharm?**

**Interests in Securities**

Some Directors hold direct and indirect interests in the Securities of Exopharm. These interests are detailed in section 13.2.

**Participation in the Offer**

The Directors may participate in the Offer by subscribing for New Shares on the same terms and conditions as other Applicants, as described in section 13.3.
### DIRECTORS AND KEY MANAGEMENT

What payments and benefits are to be made or given to Directors?

The Directors are to receive the following key payments and benefits:

- annual salary of $220,000 (inclusive of superannuation) to be paid to the Managing Director Dr Ian Dixon, under his executive employment agreement with Exopharm;
- Directors’ fees to be provided to the Non-Executive Directors; the initial remuneration for Mr Jason Watson as Non-Executive Chairman is $96,000 per annum including superannuation and other costs (if applicable); the initial remuneration for Mr David Parker as Non-Executive Director is $30,000 per annum including superannuation and other costs (if applicable);
- a professional services fee to be provided to Cobblestones Corporate (an entity controlled by Mr David Parker) for company secretarial services provided by Mr Parker or another employee of Cobblestones Corporate;
- the benefit of an indemnity from Exopharm in respect of certain liabilities that the Directors may incur acting in that capacity; and
- liability insurance premiums which are paid for by Exopharm.

Further information:
- Sections 11.6, 11.8, 11.9, 11.10 and 13.1

### OVERVIEW OF THE OFFER

What is the Offer?

The Offer is an offer to clients of the Lead Manager and Participating Brokers who have received a firm allocation of New Shares from the Lead Manager or their Participating Broker, of up to 30,000,000 New Shares at an offer price of $0.20 per New Share to raise $6,000,000 (before costs), with the ability to accept oversubscriptions of up to an additional 5,000,000 New Shares to raise an additional $1,000,000 (before costs).

Is the Offer underwritten?

The Offer is not underwritten.

What Securities being offered?

The Offer is an offer of fully paid ordinary shares in Exopharm (i.e. New Shares).

How will the Offer affect the capital structure of Exopharm?

If the Offer closes successfully, the number of Shares on issue will increase from 45,500,000 to a minimum of 75,500,000 and a maximum of 80,500,000.

Further information:
- Section 4.1(a)
- Section 4.1(d)
- Section 4.1(a)
- Section 4.5
## OVERVIEW OF THE OFFER

### How will funds raised from the Offer be used?

Exopharm intends to use the funds raised from the Offer as follows:

- to implement the Development Program, including:
  - **manufacture**: the manufacture of clinical grade autologous Plexaris product, allogeneic Plexaris product and allogeneic Exomere product;
  - **clinical programs**:
    - pre-clinical programs: undertaking selected animal studies and other pre-clinical studies;
    - clinical programs in Year 1 include initial small-scale clinical studies of autologous Plexaris in wound healing;
    - subject to the success of Year 1 activities, clinical programs in Year 2 include:
      - small-scale dry-AMD clinical program possibly with autologous Plexaris; and
      - additional small-scale wound healing programs – possibly with allogeneic Plexaris (based on the maximum raise);
  - **supporting research & development activities**: to fund other research activities and expenditure on intellectual property;
- to fund Other LEAP Technology Opportunities to seek to commercialise the ownership of the LEAP Technology across other areas;
- for reimbursement of prior expenses incurred in relation to the LEAP Technology;
- for general working capital purposes; and
- to pay for the costs of the Offer.

These intended uses may be affected by new circumstances and financial requirements that arise. The Board reserves the right to vary the way in which funds are applied. Refer to section 4.3 for a more detailed budget for Exopharm’s use of funds.

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### Will the New Shares be quoted on ASX?

Exopharm will apply for quotation of the New Shares under the ASX code “EX1”.

### Is there a minimum subscription requirement for the Offer?

The minimum subscription amount for the Offer is $6,000,000. New Shares will not be issued unless and until Applications for this amount are received.

### What are the expenses of the Offer?

The cash expenses of the Offer will be approximately:

- $588,000 if only the minimum subscription is raised under the Offer; and
- $654,000 if the full oversubscription amount of the Offer is raised.

### Will any New Shares be subject to escrow restrictions?

**New Shares**

New Shares issued under the Offer will not be subject to any escrow restrictions.

**Existing Securities**

Exopharm anticipates that approximately 38,625,000 Existing Shares issued prior to this Prospectus will be subject to escrow restrictions as a condition of Exopharm being admitted to the official list of ASX.

### Are there any taxation consequences?

The acquisition and disposal of New Shares may have tax consequences for Applicants depending on their individual taxation circumstances and affairs. Each Applicant should consult their own taxation advisor for advice about any taxation consequences associated with subscribing for and disposing of New Shares. Neither Exopharm, the Directors nor the Lead Manager have given any advice regarding the taxation consequences of subscribing for New Shares.

To the extent permitted by law, Exopharm, the Directors and Exopharm’s advisor and officers, do not accept any responsibility or liability for any taxation consequences for persons subscribing for New Shares.
## INVESTMENT OVERVIEW

### APPLYING FOR NEW SHARES

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<tr>
<td>Who can apply for New Shares under Offer?</td>
<td>Persons who have received an invitation from the Lead Manager or a Participating Broker may apply for New Shares under the Offer.</td>
<td>Sections 4.1(a) and 4.9</td>
</tr>
<tr>
<td>What is required to apply for New Shares?</td>
<td>If you have received an invitation to participate in the Offer from the Lead Manager or a Participating Broker and you wish to apply for New Shares under the Offer, you should contact the Lead Manager or Participating Broker for information about how to submit your Application Form and for payment instructions in accordance with section 4.9.</td>
<td>Section 4.9, Application Form</td>
</tr>
<tr>
<td>Can the Offer be withdrawn?</td>
<td>Exopharm reserves the right to withdraw the Offer at any time before the issue of New Shares to Applicants. If the Offer is withdrawn, Application Money will be refunded to Applicants in full without interest.</td>
<td>Section 4.1</td>
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### FURTHER INFORMATION

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<tr>
<td>How can further information be obtained?</td>
<td>A person considering applying for New Shares under the Offer should read this Prospectus in full and should consult their own qualified investment advisors if they have any questions. Certain information referred to in this Prospectus, including copies of Exopharm’s corporate governance charters and policies, is available on Exopharm website at exopharm.com.</td>
<td>Corporate Directory</td>
</tr>
</tbody>
</table>
| How can Exopharm be contacted? | Exopharm’s contact details for enquiries regarding the Offer or this Prospectus are as follows:  
By telephone: +61 (0)3 9111 0026  
By email: info@exopharm.com  
By post: Level 17/31 Queen St, Melbourne, Victoria 3000  
Attention: Company Secretary | Corporate Directory |
| How can the Lead Manager be contacted? | The Lead Manager’s contact details are as follows:  
By telephone: +61 (0)8 9223 9888  
By email: adam@altocapital.com.au; tony@altocapital.com.au  
By post: Ground Level, 16 Ord Street, West Perth, Western Australia 6005  
By website: www.altocapital.com.au  
Attention: Adam Belton or Tony Locantro | Corporate Directory |
02

INDUSTRY AND MARKET OVERVIEW
2.1 INTRODUCTION

Exopharm aims to be a leader in the field of clinical human therapeutics using exosomes as regenerative medicine products. Exopharm is initially targeting the manufacturing and biologic therapeutic segments of the exosomes market as its primary focus. Information about the global regenerative medicine industry and the emerging exosomes market are described in this section.

Many diseases are due to a deficit in healthy, fully functioning cells caused by injury, trauma, infection, aging or congenital deficiencies. Cell based regenerative medicine describes the restoration of lost function by the application of medicines based on cells including stem cells. Stem cells are seen as a key tool in the future of medicine, for their abilities to regenerate damaged tissue, replace missing tissue and repair the effects of disease or injury. However, advancing knowledge in stem cell therapy is demonstrating that positive medical outcomes can be achieved without using the stem cells themselves as the therapeutic agent. Instead some see the essential therapeutic components are the cell-secreted exosomes.

Although exosomes were discovered more than 30 years ago, it was not until recently that the scientific community began to give credit to exosomes for a range of promising traits relevant to regenerative medicine. Today, exosomes are rapidly gaining momentum as a means to access the therapeutic effects of stem cells without the risks and difficulties of administering the cells to patients.

Studies have shown that exosomes can be as potent as adult stem cells in promoting regeneration and functional recovery in experimental animal models of human diseases including stroke, traumatic brain injury, pulmonary hypertension and wound healing. These findings point to exosomes as a potential next-generation regenerative medicine product to address many medical problems and problems associated with aging.

As its main focus, Exopharm is seeking to commercialise exosomes as therapeutic agents by investing in the clinical development of exosomes – by conducting clinical studies in a number of medical areas (including skin, eye and joints) as well as developing its manufacturing technology to support the clinical studies and future sales and supportive scientific and research activities.

Exosomes as therapeutic agents (in comparison to cells) have the potential to streamline the therapeutics value chain, including manufacturing, storage, delivery and clinical use.

2.2 EXOSOMES – A NATURAL PART OF OUR CELL BIOLOGY

Exosomes are nano-sized vesicles ranging from 30–400 nanometre in size and facilitate a range of important cellular functions. They are membranous bilayer lipid vesicles secreted by a variety of cell types (including stem cells and platelets) into the blood circulation and other bodily fluids.

Exosomes are effective communication vehicles that transfer bioactive proteins and genetic material (DNA and RNA) between cells to alter the function of the targeted cells, including complex regenerative and healing programs within the body.

Cells produce exosomes naturally. Exosomes are commonly found in blood, placenta, urine and milk among other biological fluids.

Exosomes contribute to functions including tissue repair, neural communication and immune modulation. Another attribute that makes exosomes powerful are the large quantity found within living systems - it is estimated that there are 1000 times more exosomes than stem cells within the human body.

Stem cell exosomes are versatile in that they can alter the function of nearby cells via paracrine signalling or cells that are further away via endocrine signalling.
Stem cell exosomes have the potential to be used in a wide range of applications, including as therapeutics, diagnostic tools, and research products. There is also the potential to incorporate exosomes into cosmeceuticals (cosmetic products that have or claim to have medicinal properties) or nutraceuticals (functional foods).

2.3 EXOSOMES ARE POTENTIALLY IMPORTANT TO OUR HEALTH SPAN

A person's health span is the length of time that a person is healthy – not just alive. The health span of people can be significantly shorter than their life span – so they endure many years of poor health.

The scientific and medical community are looking for ways to increase health span – and regenerative medicine is part of this quest. Exosomes have the potential to play an important role in regenerative medicine and increasing health span.
2.4 REPAIR AND HEALING EFFECTS OF EXOSOMES

As key messengers within the human body, exosomes are able to exert powerful effects on the actions and behaviours of cells that they associate with. Recent research shows that exosomes are potent, broad acting, have effects that are both long-term and short-term and play key roles in many important mechanisms involved in regeneration, including:

- creation of new blood vessels;
- increased cell proliferation;
- prolonged cell survival;
- reduced inflammation;
- increased pool of stem cells;
- improved cell energy; and
- improved response to stress.

A combination of these effects has the potential to make exosomes a versatile treatment for a number of important health span related medical problems.

Positive therapeutic effects of exosome-based experimental materials have been shown (mainly in rodent animal models of human diseases) for a range of medical conditions, including cancer, myocardial dysfunction, kidney injury, muscle degeneration, bone degeneration, joint conditions such as arthritis, and neurological conditions such as nerve degeneration, multiple sclerosis (MS), Alzheimer’s disease and Parkinson’s disease.

As at the Prospectus Date, the Company is not aware of any exosome therapeutic regenerative medicine product that has been approved by regulatory agencies for commercial sale.

2.5 ADVANTAGES OVER STEM CELL THERAPY

Over the past 3 decades researchers have treated patients with adult stem cells as a form of experimental regenerative medicine. However, stem cells have been challenging to harness as a commercial therapeutic product for regenerative medicine.

Key challenges to cellular therapy have included:

- stem cells have problems in transport, storage and thawing before use;
- unmatched stem cells can be rejected by the patient’s immune system if given multiple times;
- stem cells can become fibroblasts and cause problems; and
- the injected stem cells are typically short-lived (most are gone in days), uncontrolled and possibly variable in their effects.

There are few cellular therapies that have been approved by regulatory authorities for commercial sale in the regenerative medicine industry.

Using exosomes instead as a therapeutic agent has the potential to overcome many of these risks and issues associated with the use of stem cells - exosomes are easier to store and preserve than the stem cells that release them and exosomes cannot transform into other cell types (e.g. fibroblasts).

2.6 THE CURRENT PROCESS BOTTLENECK – PROPRIETARY EXOSOME PRODUCT MANUFACTURE

Despite the logic and promise of administering exosomes as a cell free treatment, the therapeutic exosome market is currently primarily held back by one key technological challenge: an efficient proprietary exosome extraction and purification process technology that would enable manufacture of a proprietary exosome product at clinical and then pharmaceutical grade and scale.

Exosome isolation (step 4 below) is the bottleneck of current manufacturing processes.
A small number of clinical studies have been performed to evaluate the therapeutic effect of exosomes in humans. However, the techniques that have been used to isolate the exosomes used in these studies are limited by some or all of the following factors:
- cannot produce exosomes in sufficient quantity for a commercial biologic product;
- do not selectively and positively purify lipid vesicles (purification techniques such as ultracentrifuge, tangential flow filtration and size-exclusion chromatography are non-specific);
- are potentially damaging to lipid vesicles;
- do not include a proprietary step or technique in the manufacturing process; and
- produces exosomes that are heterogeneous (poorly standardised) and in some cases contaminated.

The absence of a bio-manufacturing technology capable of supporting manufacture of exosome product at clinical grade and scale is holding back clinical evaluation of exosomes and presents a commercial opportunity to Exopharm. Exopharm owns the intellectual property rights to the LEAP Technology (which includes the Patent Applications). For further information about the Patent Applications and patents generally refer to the Patent Attorney's Report at section 8.

The LEAP Technology provides a key step in the downstream manufacturing process to isolate and purify exosomes from adult stem cells and other sources. The LEAP Manufacturing Process has been developed to address the existing limitations in exosome purification processes and gives Exopharm the opportunity to unlock the potential of exosomes as a new generation therapeutic product for regenerative medicine.

2.7 GLOBAL REGENERATIVE MEDICINE INDUSTRY

The size of the global regenerative medicine industry was estimated to be US$16 billion in financial year (FY) 2017 and is expected to grow. The major factors driving the growth of this market include government and private funding to support the development of new regenerative medicines, rising prevalence of chronic diseases and genetic disorders, increase in global healthcare expenditure, and rapid growth in the aging population.

2.8 THE GLOBAL EXOSOME MARKET

The use of exosomes is an emerging market with opportunities for companies to introduce proprietary therapeutics, diagnostics, research products and cosmeceuticals as well as novel manufacturing methods to support exosome production.

Exosome-related technologies and applications have been developing over the past few years as they are integrated into the fields of liquid biopsy, precision medicine and regenerative medicine.

The size of the global stem cell exosome market was estimated to be US$137 million in FY 2017 and is expected to grow.

<table>
<thead>
<tr>
<th>Research products</th>
<th>Diagnostic tools</th>
<th>Manufacturing</th>
<th>Biologic therapeutics</th>
<th>Cosmeceuticals &amp; nutraceuticals</th>
</tr>
</thead>
<tbody>
<tr>
<td>The sale of exosomes as research materials and tools to support research involving diseases and exosomes.</td>
<td>Using bio-markers present in isolated exosomes from a patient to perform diagnostics or preventative medicine.</td>
<td>Contract services pertaining to the manufacture and supply of exosomes for research or clinical applications.</td>
<td>The development of human treatments that involve exosomes - products that are regulated by authorities such as the FDA, EMA and TGA. Can be administered by injection, infusion, inhalation or topically. Derived from human cells.</td>
<td>Cosmeceuticals or nutraceuticals containing exosomes that make health claims but are not regulated by authorities such as the FDA, EMA and TGA. Can be taken orally or topically. Can be derived from plant or animal sources (e.g. milk).</td>
</tr>
</tbody>
</table>

Figure 5: Five segments of the market for stem cell exosomes

The market for stem cell exosomes is composed of five segments, as shown in Figure 5 below:

---

1 Research estimate provided by BioInformant Worldwide LLC.
2 The information in this section 2.8 has been prepared having regard to the industry report “The market for stem cell exosomes” published in 2018 by BioInformant Worldwide LLC, a market research firm that specialises in the stem cell industry.
Exopharm's primary focus is in the use of exosomes as a regenerative medicine and it is initially targeting the manufacturing and the biologic therapeutic segments of the exosomes market.

**Global FY 2017 market for stem cell exosomes**

![Pie chart showing market segments for stem cell exosomes: Research products 33%, Diagnostic tools 28%, Manufacturing 8%, Biologic therapeutics 25%, Cosmeceuticals and nutraceuticals 6%]

The estimated market share of each of the 5 segments in FY 2017 is shown above.

The number of participants in the global stem cell exosome market is presently limited and sales of exosomes are at a low level.

As an emerging market the following factors have been identified as the key opportunities that will drive growth in the global stem cell exosome market:

- increasing investment into scientific research involving stem cell exosomes and a corresponding increase in scientific publications;
- increasing recognition of the role of exosomes in how stem cells exert their therapeutic effect - research carried out by the regenerative medicine industry and academia in the field of exosomes will improve understanding of various diseases in terms of their underlying pathology and how exosomes could potentially mediate beneficial effects;
- an aging population and expanding range of disease indications that could be potentially addressed by exosome-based therapeutics will drive interest in exosome related applications;
- growing interest among companies in securing intellectual property related to exosomes; and
- investment and funding into the exosome market and the regenerative medicine industry generally.

Exopharm believes there is significant opportunity for growth in the emerging exosomes market.

Information about Exopharm, the LEAP Technology and Exopharm’s plans for the development of therapeutic products are provided in the next section 3.
COMPANY AND BUSINESS OVERVIEW
3.1 EXOPHARM – EXTENDING HEALTH SPAN

Exopharm is an Australian biopharmaceutical company that is seeking to develop and then commercialise exosomes as therapeutic agents – initially a product called Plexaris and later as a product called Exomeres - both being exosomes that are purified and manufactured using the LEAP Technology owned by Exopharm.

Plexaris product is derived from human platelets, whilst Exomeres are derived from adult stem cells. Both of these products are presently experimental therapeutic agents.

Despite the potential for exosomes to be used as a therapeutic agent there have been very few clinical studies conducted to date due to the absence of a process for the isolation and purification of proprietary clinical grade exosomes at scale (see section 2 for information about the market for exosomes). The Company believes that its LEAP Technology allows it to address this opportunity.

Exopharm proposes to undertake a Development Program with the ultimate aim to establish both Plexaris and Exomeres as leading regenerative medicines to treat health span related medical conditions:

- manufacturing clinical grade Plexaris and then later Exomeres suitable for Exopharm’s clinical programs;
- conduct clinical programs to demonstrate safety and efficacy of Plexaris and then later Exomeres as treatments for human use; and
- pursue commercial partnerships or transactions for further clinical validation, regulatory approval, marketing and distribution. Any future commercial arrangement may involve Exopharm receiving licensing or other up-front payments as well as royalties on sales. Exopharm has not yet commenced discussions with any biopharmaceutical or other companies and cannot guarantee success in identifying and successfully negotiating such an arrangement on favourable terms.

Exopharm has planned an initial 12 month Development Program for the further development of Plexaris, Exomeres and the LEAP Technology and proposes to apply the majority of the funds raised by the Offer towards this program. See section 3.5 for more details.

In addition, Exopharm will use a portion of the funds raised by the Offer to pursue other uses of the LEAP Technology, including diagnostic tools, research products and potentially other therapeutic agents.

3.2 EXOPHARM’S HISTORY

Exopharm was founded in 2013 by Dr Ian Dixon to potentially increase health span by using exosomes.

With experience in the stem cell and cell therapy fields, Dr Dixon was aware of the growing body of research around the potential use of exosomes as a new way of treating patients. Research was indicating that if exosomes could be isolated from the secretions of stem cells, then there could be a more direct and standardised product to harness the regeneration benefits of stem cells without the numerous challenges of cell therapy. While stem
cells cultured in a bioreactor produce large numbers of exosomes, the exosome purification techniques being used at the time were recognised as being unsuited to the manufacture of a proprietary biopharmaceutical-grade biologic product (see section 2 for information about the market for exosomes).

Dr Dixon realised that the invention of a proprietary technology that could properly and efficiently purify exosomes from the other substances in the secretions of the cells would provide a significant commercial opportunity. Dr Dixon implemented a research and development project to solve that problem. This project was developed and funded by Altnia Operations, a private research company that is associated with Dr Dixon.

Years of research by Dr Dixon and his team led to the discovery of a way to isolate exosomes using affinity chromatography. Affinity chromatography is a well-known scientific method for separating one type of molecule from another. Affinity chromatography makes use of specific binding interactions between molecules so that when a complex mixture is passed over a column, the target molecules are specifically and reversibly bound by a complementary binding substance (ligand). Unbound material is then washed out of the column and the bound molecule is isolated and recovered. The invention by Dr Dixon and his team was a family of synthetic affinity ligands that could be used in affinity chromatography to purify exosomes. This process is called Ligand-based Exosome Affinity Purification (or LEAP).

LEAP Ligands are able to selectively bind to exosomes and enable the extraction and isolation of vesicle products (including Plexaris and Exomeres) (see figure 9 and section 3.3 for information about the manufacturing process using the LEAP Technology).

From 2013 until 1 May 2018, Altnia Operations undertook all research and development activities (including applying for the Patent Applications) relating to Plexaris, Exomeres and the LEAP Technology.

In 2017 an end-to-end manufacturing plant incorporating the LEAP Technology was established at Parkville in Melbourne (R&D Plant). Headed by Dr Lichtfuss the R&D Plant established laboratory procedures to produce Plexaris and Exomeres at a research grade.

Exopharm has acquired all of the intellectual property rights to the LEAP Technology, Plexaris, Exomeres and associated know-how from Altnia Operations under an IP Assignment Deed (see section 11.2 for further information about the IP Assignment Deed). Prior to acquiring all of the intellectual property rights in the LEAP Technology, Exopharm had a licence, effective 1 May 2018, to use and commercialise the LEAP Technology pursuant to a patent & know-how licence agreement (License Agreement) which was terminated by the IP Assignment Deed.

As the owner of the LEAP Technology, Exopharm has the exclusive world-wide rights to use and commercialise the LEAP Technology across all uses.

Since May 2018, Exopharm has funded all ongoing research and development of the LEAP Technology and all operating costs for the Development Program.

In 2018 Exopharm has hired additional staff, including experienced biologics manufacturing experts.

**LEAP Manufacturing Process using adult stem cells**

**UPSTREAM PROCESS (USP)**

1. Select stem cells for culture
2. Culture stem cells in xeno-free and serum-free media - media is enriched in exosomes from cells

**DOWNSTREAM PROCESS (DSP)**

3. Collect media from cell culture
4. Purify media using LEAP Technology and isolate exosomes
   - 4a. Filtration step
   - 4b. LEAP affinity step
   - 4c. Final processing and formulation

5. Validate exosome product, package and transport to sites

**Figure 8: A schematic of the 5 step LEAP Manufacturing Process for Exomeres**
3.3 OVERVIEW OF THE LEAP TECHNOLOGY

The LEAP Technology is a process for isolating and purifying exosomes from fluids such as stem cell and platelet secretome. The LEAP Manufacturing Process uses affinity chromatography with a patent-applied-for family of synthetic ligands (LEAP Ligands), some of which have shown utility to selectively bind and release exosomes. The LEAP Manufacturing Process has been designed to utilise existing pharmaceutical-style bio-manufacturing processes and equipment. The LEAP Ligands can be added to standard affinity chromatography columns (or similar equipment) as a familiar bio-manufacturing step in biologic product manufacture.

The affinity chromatography step of exosome purification using LEAP is a three-step process as follows:

**Bind:** a solution containing exosomes and contaminates is passed through a column which contains the LEAP Ligands bound to a substrate. During this step the exosomes bind to the ligand whilst many other components of the solution (including the contaminates and fluids) do not bind to the ligands.

**Wash:** a fresh inert solution is used to flow through and out of the column washing the unbound components out and leaving mainly the exosomes bound to the affinity ligands.

**Elute:** a salt or other elution solution is used to release (elute) the vesicles from the affinity ligands.

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**Figure 9: Schematic representation of the binding step of LEAP Ligand affinity chromatography**
The central feature of the LEAP Technology is the selective binding of the vesicles to the LEAP Ligands in a relatively gentle and selective process.

Exopharm considers that, based on recent test results, the LEAP Technology could potentially enable both the production of clinical grade exosomes at sufficient quantities for human clinical studies, and future large-scale production for an off-the-shelf therapeutic product for the reasons outlined below.

<table>
<thead>
<tr>
<th>Advantage</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Biologic-type product yields</td>
<td>The LEAP Manufacturing Process uses affinity chromatography – a process used to manufacture other biologic products with acceptable yields. Yield is important if product cost is to be managed.</td>
</tr>
<tr>
<td>Scalable</td>
<td>Affinity chromatography is suitable for micro-litre bench-scale to multi-litre scale bioprocessing applications.</td>
</tr>
<tr>
<td>Specificity and selectivity</td>
<td>Other separation technologies, such as the ultracentrifuge, tangential flow filtration (TFF) and size-exclusion chromatography (SEC) are non-specific, and other materials are co-isolated resulting in a heterogeneous product. By contrast the LEAP Manufacturing Process includes an affinity purification step with specificity and selectivity for the material it purifies – this enables isolation of a more homogenous product.</td>
</tr>
<tr>
<td>Gentle</td>
<td>Exosome extraction using the LEAP Technology under physiological conditions should retain more of the natural biological properties of vesicles than processes such as ultracentrifugation (UC).</td>
</tr>
<tr>
<td>Familiar process</td>
<td>The LEAP Technology uses standard bio-manufacturing equipment and processes.</td>
</tr>
<tr>
<td>Flow through and throughput</td>
<td>The LEAP Technology is a flow through process that is completed in hours.</td>
</tr>
<tr>
<td>Less contamination</td>
<td>The LEAP Technology is expected to deliver a product with less contamination than simple filter processes.</td>
</tr>
</tbody>
</table>

3.4 EXOPHARM’S KEY ACTIVITIES AFTER THE OFFER

Exopharm’s key activities after the Offer are:

- primarily the Development Program
  - Initial Development Program (see section 3.5); and
  - Longer Term Development Program (see section 3.6); and
- secondly by pursuing the Other LEAP Technology Opportunities (see section 3.7).

3.5 DEVELOPMENT PROGRAM: INITIAL DEVELOPMENT PROGRAM OVER THE NEXT 12 MONTHS

Over the next 12 months, the Company’s main objectives on completion of the Offer are to complete the next stages of its Development Program being:

- manufacturing - make and supply clinical grade autologous Plexaris product and development of the Exomere manufacturing process;
- clinical use - completing animal studies, pre-clinical testing and initial small-scale clinical studies of autologous Plexaris in wound healing; and
- supporting research and development activities - conducting research activities to support the ongoing Development Program and development of related intellectual property.

Exopharm’s primary business operations and the key activities proposed on completion of the Offer are set out below. This section sets out the goals and aims of Exopharm but does not represent any forecast or projection as to future revenue or profitability or success of proposed clinical programs. While the proposed Development Program is current as at the Prospectus Date there cannot be any guarantee that such events will occur as anticipated or at all due to intervening events or changes in Exopharm’s circumstances.

Exopharm’s business is at a relatively early-stage of development (see section 3.8 and 3.12 for more information) and does not currently generate revenue.
(a) **Manufacturing over the next 12 months**

Exopharm intends to allocate funds from the Offer to progress its manufacturing capability to produce clinical grade Plexaris using the LEAP Manufacturing Process. Initial product will be autologous (i.e. matched to patient).

Product will undergo analytics and testing to ensure it is suitable for human therapeutic use before being released for clinical studies.

Exopharm intends to allocate funds from the Offer for development of the Exomere manufacturing process.

Exopharm has recently employed additional experts in the field of bio-manufacturing. Exopharm has negotiated access to a bio-manufacturing facility in Melbourne and has engaged a consulting firm with expertise in biologics manufacturing to provide advice and assistance.

(b) **Clinical programs over the next 12 months**

Exopharm proposes to allocate funds from the Offer to complete the following clinical activities (where required):
- animal studies for both Plexaris and Exomere products;
- pre-clinical testing to show safety and efficacy of Plexaris product; and
- initial small-scale clinical studies of autologous Plexaris in wound healing.

Clinical trials are undertaken by drug development companies to determine if experimental treatments are safe and effective and could eventually be approved for commercial use and sale.

Exopharm has engaged regulatory consultants and a Contract Research Organisation (CRO) to help it undertake these activities on a fee-for-service basis.

**Non-clinical and pre-clinical testing**

Exopharm intends to allocate funds from the Offer to conduct testing of Plexaris and Exomere product in one or more animal studies to be conducted by a CRO under a fee-for-service arrangement. This testing will likely involve issues such as dosing amounts, routes of administration, safety, efficacy and formulation.

For some clinical studies, Exopharm may be required to complete pre-clinical testing to show safety before it can be tested in humans. If required, Exopharm has engaged a CRO to plan and then help it conduct pre-clinical testing of Plexaris.

(c) **Supporting research & development activities**

Exopharm intends to allocate funds from the Offer to support its research and development activities across two main areas:
- research activities to support the ongoing Development Program; and
- activities to support the development of related intellectual property.
Exopharm has recently hired researchers with expertise relevant to these activities. Exopharm has also contracted access to a Parkville molecular and biotechnology research institute. Exopharm will also contract out some scientific and research activities to collaborators with expertise in areas relevant to our activities.

### 3.6 Development Program: Longer Term Development Program in Years 2 and 3

Exopharm has planned a staged Longer Term Development Program, to follow the Initial Development Program (in years 2 and 3 following completion of the Offer) to combine derisking, communication and partnering. Exopharm intends to allocate a portion of funds raised under the Offer (at the Prospectus Date) to this Longer Term Development Program, subject to the success of the Initial Development Program. The Longer Term Development Program is likely to require substantial funding in the future. If Exopharm is unable to obtain additional funding as needed it may be required to reduce, delay or suspend these plans. For more information on the Purpose of the Offer and Use of Funds see section 4.2 and 4.3.

**Exopharm’s Development Program and investment focus**

![Diagram showing Exopharm’s Longer Term Development Program and investment focus]

**(a) Later clinical programs**

In the later stages of the Development Program, Exopharm has plans for further human clinical studies in using Plexaris in wound healing and in two other medical indications – dry age-related macular degeneration (dry-AMD) and osteoarthritis (OA).

![Diagram showing target medical conditions in the Exopharm Development Program]

**Figure 11: Exopharm’s Longer Term Development Program and investment focus**

**Figure 12: Target Medical Conditions in the Exopharm Development Program**
It is likely that these studies will initially test autologous Plexaris that have been extracted from blood from a person and then applied to the same person (that is, the donor and the recipient are the same).

If the initial studies are successful, then later studies could be conducted using:
- allogeneic Plexaris product (from commercial clinical grade platelets); and
- allogeneic Exomere product (from secretions of adult stem cells).

These three experimental treatments (wound healing, dry-AMD and osteoarthritis) have been selected to provide a perspective on product safety and efficacy in health span related conditions, whilst minimising early demands on dose manufacturing. It is also possible that Exopharm will change one or more of these treatments during the course of the Development Program.

Figure 13: Exopharm’s Clinical Program Overview

These early clinical programs will involve small numbers of people in each initial study. The planning and approvals process will be managed by the Company in consultation with its regulatory and clinical consultants.

If successful, these studies may also demonstrate the potential broad clinical and commercial use of Plexaris and Exomeres and the potential for the LEAP Manufacturing Process as a platform technology suitable for a number of medical conditions. These later clinical studies are likely to require substantial further funding in the future in addition to the amounts raised under the Offer. The amount of funds that may be required is not known at the Prospectus Date. Exopharm may seek either a licensing or partnering arrangement with third parties on a commercial basis to progress the further trials of Plexaris and Exomeres. Ultimately, Exopharm’s intention is to enter into commercial licensing arrangements with third party specialists to undertake further clinical validation and commercialisation and marketing.

(b) Manufacturing

In the Longer Term Development Program Exopharm proposes further investment into manufacturing.

Long-term, Exopharm may seek to convert the LEAP Manufacturing Process into a Good Manufacturing Practice (GMP) compliant manufacturing process. GMP requires that manufacturers ensure that their products are traceable, safe, pure and effective. At some point increased demand may justify a scale up of the manufacturing equipment to enable increased volume of manufacture.

Allogeneic Plexaris product requires a source of clinical grade platelets available for commercial use. Exopharm intends to source suitable platelets to support its manufacturing program.

Exopharm intends to continue invest in the upstream process (USP) and downstream process (DSP) of the LEAP Manufacturing Process to produce clinical grade Exomeres. Exomere product requires adult stem cells as part of the upstream process (USP). Exopharm proposes to either invest in developing a master cell bank (MCB) of adult stem cells or procure a MCB from a third party.
In August 2017 Exopharm signed a heads of agreement with RoosterBio Inc (a private stem cell tools and technology company based in USA) to potentially facilitate a future collaboration and supply of adult stem cells to Exopharm. At the Prospectus Date there is no binding agreement between Exopharm and RoosterBio. Exopharm has not yet decided whether to pursue a binding transaction with RoosterBio. Exopharm cannot guarantee success in agreeing to terms of a future collaboration and negotiating a binding agreement on favourable terms on acceptable terms or at all.

In bio-manufacturing, it is not uncommon to outsource manufacturing to a Contract Manufacturing Organisation (CMO). Once the LEAP Manufacturing Process has been developed, it could be transferred to a CMO.

(c) Supporting Research and Development activities
In the Longer Term Development Program Exopharm intends to continue to undertake research activities and to protect and develop Intellectual Property to support the Development Program.

One aim of the supporting research and development activities is to explain the science of the Plexaris and Exomere products and specifically how Plexaris and Exomeres might improve regeneration and healing in patients, which Exopharm may communicate via scientific publications, scientific meetings and business meetings.

(d) Summary
The process of drug development is a long-term, high risk and costly process. For these reasons Exopharm seeks to operate as efficiently as possible and tightly manage expenditure and risk. To facilitate this the Company will outsource some of its activities to specialised contract organisations to minimise overhead expenses.

Full time employees are limited to a small number of key positions.

Capital efficiency is optimised by using contract organisations to avoid the need to maintain facilities or personnel during periods when programs are scaled down or suspended.

3.7 OTHER LEAP TECHNOLOGY OPPORTUNITIES
Over the next two years following the completion of the Offer, Exopharm intends to invest in further intellectual property and the development of other applications of the LEAP Technology in order to commercialise the ownership of the LEAP Technology across other areas, such as other exosome market segments and broader applications within the regenerative medicine industry.

Exopharm intends to allocate a portion of funds raised under the Offer (at the Prospectus Date) to the Other LEAP Technology Opportunities. These Other LEAP Technology Opportunities are considered secondary to the Development Program however on completion of the Offer the proposed activities may include:

(a) diagnostic tools: Investigate the opportunity to use Exosomes isolated from patient biofluids using the LEAP Technology as a diagnostic tool;
(b) commercial products: Investigate the sale of research grade or clinical grade Plexaris and Exomeres; and
(c) other products: The development of other therapeutic products using the LEAP Technology.

3.8 COMMERCIALISATION STRATEGY
As its main focus, the Company aims to be a biopharmaceutical company engaged in the development of Plexaris and Exomeres as regenerative medicine treatments for health span related conditions.
The Company has established the commercialisation strategy and plans set out below:

- **Implementation of the Development Program** – Exopharm’s objectives during the 2 – 3 years following completion of the Offer are to:
  - develop manufacturing;
  - conduct clinical trials with products; and
  - support research and development activities which could lead to communication via scientific publications, scientific meetings and business meetings (see sections 3.5, 3.6 and 3.7 for an outline of these proposed activities).

- **Commercial arrangement with a global partner** – Exopharm may seek to engage with a larger biopharmaceutical company following demonstration of successful manufacture, clinical programs and scientific publications. Drug development companies like Exopharm will typically reach the global markets and large-scale product sales through a transaction with a larger partner. It could be anticipated that the partner would seek to complete the final clinical validation (pivotal Phase III trials), regulatory approvals and then marketing and distribution of Plexaris or Exomere products. In return, Exopharm would seek to receive licensing fees, milestone payments and royalties on sale. Any such potential licensing arrangement may be limited by indication (for example – for wound healing or AMD only), product type or geographic region. Exopharm has not commenced discussions with any potential partner companies and cannot guarantee success in identifying and successfully negotiating such an agreement on favourable terms.

Other LEAP Technology Opportunities Exopharm is intending to investigate:

- **diagnostic tools** – using the LEAP Technology as a part of a diagnostic tool to process samples from patients;
- **sales of research grade Plexaris and Exomeres** – Exopharm could sell research grade Plexaris and Exomeres to third parties for a fee. At the Prospectus Date, Exopharm only intends to produce Plexaris and Exomeres for its own business activities and does not intend to supply to third parties; however, Exopharm will review this position on an ongoing basis;
- **sales of clinical grade Plexaris and Exomeres** – Exopharm could sell the clinical grade Plexaris and Exomeres to third parties for a fee; at the Prospectus Date, Exopharm only intends to produce Plexaris and Exomeres for its own business activities and does not intend to supply to third parties; however, Exopharm will review this position on an ongoing basis; and
- **other products** – developing other therapeutic products using the LEAP Technology.

Exopharm does not currently generate revenue from its business activities. Given the significant amount of research, testing, refinement, and regulatory requirements that must be completed, drug development companies like Exopharm can often face long delays before sales revenue is generated.

### 3.9 Key Investment Highlights

An investment in Exopharm provides the following non-exhaustive list of opportunities:

- **solving the manufacturing bottleneck** - the potential therapeutic use of exosomes is presently limited by the manufacturing problem (as described in section 2.6); the LEAP Technology seeks to address limitations of existing methods of purification of exosomes; the LEAP Technology (if proven to be successful) has the potential to be an early proprietary commercial scale manufacturing process for exosomes;
- **first in class treatment** - the market for exosomes as a therapeutic treatment is emerging and Exopharm’s products have the potential to be a first in class treatment in the regenerative medicine field;
- **potentially strong intellectual position with proprietary products** (Plexaris and Exomeres) made using a proprietary process (LEAP) - the present Patent Applications which are owned by Exopharm (see section 8) may progress to granted patents in key jurisdictions, and granted patents can be expected to provide Exopharm with exclusive rights to the LEAP Technology and preclude other companies using the LEAP Manufacturing Process to make commercial products; exosome products made by other processes should not be able to rely upon Exopharm’s clinical trial results;
- **potential broad clinical application** – Exopharm believes that multiple medical conditions could potentially benefit from the use of Plexaris or Exomeres as a therapeutic agent; subject to clinical validation across multiple medical indications, the LEAP Manufacturing Process offers a platform technology to manufacture products with potentially broad clinical application; the utility and financial value of Plexaris or Exomeres is likely to be higher if these products could potentially treat multiple medical conditions;
- **cell free** – Plexaris and Exomeres potentially overcome many of the risks and issues associated with the use of cellular therapy in regenerative medicine; injecting adult stem cells into patients requires that the cells will last long enough to produce enough secreted factors to usefully treat the patient; with Plexaris and Exomeres, the patient can potentially be injected with a defined dose (with units of potency) collected from a source in a well-controlled bio-manufacturing facility; and
- **experienced and qualified management and employees** – the Company’s executive management as well as employees are experienced in the development of biologic products and are suitably qualified.

An investment in Exopharm involves a number of risks. The key risks are summarised in section 1 and described in further detail in section 7.

### 3.10 Dependencies for Growth

As an early-stage company, the Company’s business model is highly dependent upon achieving technical development milestones and commercial outcomes.
Exopharm’s future growth profile will be influenced by:

- the results and timeliness of the clinical program and validation of the Plexaris and Exomeres as therapeutic treatments;
- the successful application of the LEAP Manufacturing Process to manufacture clinical grade products;
- the grant of patents from the present patent applications in the selected jurisdictions and an ability to enforce the patents against misuse;
- raising additional equity or other capital to fund further activities;
- attracting and keeping suitable employees that are considered key to the Company;
- the ability to secure a reliable source of human platelets (for the manufacture of Plexaris) and adult stem cells (for the manufacture of Exomeres); and
- the ability to enter into a favourable transaction with an appropriate partner for further clinical validation, regulatory approval, marketing and distribution of Plexaris and Exomeres.

### 3.11 SOURCES OF EXOSOMES

Exosomes can be produced using the LEAP Technology from a variety of sources including:

- cell secretome;
- blood plasma (matched or unmatched);
- platelets (matched or unmatched);
- tissue (e.g. placenta); and
- other human cell or tissue sources.

### 3.12 REGULATORY LANDSCAPE

The healthcare sector and the regenerative medicine industry are highly regulated and controlled.

Exopharm is seeking to develop and commercialise its Plexaris and Exomere products as regenerative medicines, which are regulated as biopharmaceuticals or biologic products. Biologic products are highly regulated and controlled. The testing of experimental products on animals and humans, sale of biologic product and use of human cells and tissue (including human blood), is regulated both in Australia and overseas. The process of obtaining patent rights in relation to biopharmaceutical technologies is also complex and regulated.

In order to successfully commercialise the LEAP Technology and develop biologic products, Exopharm will need to obtain various government and regulatory approvals. These approvals include regulatory approval prior to commencing each stage of clinical (human) studies and regulatory approvals before the commercial sale or distribution of a drug.

Clinical trials typically have three phases with approval being required before the commencement of each of these phases:

- phase I clinical trials focus on testing the safety of drugs when used on healthy humans;
- phase II clinical trials focus on evaluating both the safety and the effectiveness of the drug; and
- phase III clinical trials are pivotal for registration studies – designed and run to demonstrate statistically significant results in a diverse sample of patients.

In Australia, the regulatory agency is the Therapeutic Goods Administration (TGA), in the USA it is the Food and Drug Administration (FDA) and in Europe it is the European Medicines Agency (EMA).

In Australia and USA, a successful Phase III trial is normally required before a therapeutic agent can be registered and then sold.

In Australia certain clinical trials can be progressed under Clinical Trials Notification (CTN), which is managed by the Human Research Ethics Committee (HREC) of the hospital involved in the clinical trial.

Exopharm’s Development Program will be conducted in compliance with relevant regulatory guidelines. Exopharm has engaged regulatory experts to assist in defining a regulatory strategy and negotiating the path for approval of allogeneic therapeutic products in Australia initially.

### 3.13 INTELLECTUAL PROPERTY INTERESTS – PROTECTION OF TECHNOLOGY

In accordance with the terms of the IP Assignment Deed, on 29 October 2018 Altnia Operations assigned to Exopharm all rights, title and interest in the LEAP Technology, including the Patent Applications. Accordingly, Exopharm has full commercial discretion to commercialise the LEAP Technology as it sees fit. Refer to the Patent Attorney’s Report at section 8 for further details of the Patent Applications and the aspects of the LEAP Technology that these Patent Applications are intended to protect.

Exopharm holds registered trade marks in the United States protecting the use of the words “Exomere” and “Exopharm”, and has applied for a trade mark in the United States protecting the use of “Plexaris”. Exopharm has also applied to register trade marks protecting the use of the words “Exomere” and “Exopharm” in Australia and the European Union.

The protection of Exopharm’s intellectual property is crucial to Exopharm’s operations as its intellectual property constitutes its key asset. Accordingly, Exopharm may determine to apply for additional intellectual property protection in the future, including by applying for additional patents or applying to register additional trade marks.

### 3.14 LEADERSHIP AND MANAGEMENT TEAM

The Company has an experienced leadership and management team.

Two of the inventors of the LEAP Technology remain core members of the senior management team – Dr Dixon is the Managing Director and Dr Lichtfuss is the Chief Operating Officer. Dr Dixon and Dr Lichtfuss are building a team of core staff to support each of its operational areas. Currently Exopharm has eight employees. Additional resources are being sourced through contracts with expert consultants, researchers and CROs.

Exopharm considers that its team comprising of senior management, expert third party consultants and contracted organisations have the necessary skills and knowledge required to undertake the Development Program and the objectives outlined in this Prospectus.
3.15 **CORPORATE STRUCTURE**

Exopharm was established in 2013 as a proprietary company limited by shares.

Exopharm converted to a public company limited by shares in August 2018. It presently has no subsidiaries.

In calendar year 2018, Exopharm raised seed funding of $1,377,990 (before costs - see section 9 for further details) to provide working capital and accelerate research and development activities. At the Prospectus Date Exopharm has 45,500,000 Shares on issue (refer to section 4.5 for further details of Exopharm’s capital structure).

Dr Dixon is the major shareholder of Exopharm with a 61.4% interest in the Company (via Altnia Holdings, which is an entity controlled by him). Dr Dixon’s interest in the Company will be reduced to an estimated 34.7% on completion of the Offer (assuming maximum subscription). See section 4.6 for more information about Dr Dixon’s interest Company.

3.16 **FINANCE ARRANGEMENTS**

Exopharm does not have any debt or material finance arrangements.

3.17 **KEY OPERATING CONTRACTS**

Contracts that are key to Exopharm’s operations include:

(a) **IP Assignment Deed**

Exopharm has an agreement with Altnia Operations under which Altnia Operations has assigned the LEAP Technology to Exopharm. Refer to section 11.2 for further information on the material terms of the IP Assignment Deed. This is a related party agreement and payments are likely to be made to Altnia Operations by Exopharm from the proceeds of this Offer and during the next 24 months, including reimbursement of prior LEAP Technology expenses of $250,000 on ASX listing.

(b) **Employment and service contracts with key personnel**

Exopharm employs a number of key personnel, who have and will play substantial roles in ensuring the ongoing success of the business. This includes all members of the Board and executive team. Refer to sections 11.6, 11.7 and 11.8 for further information on the material terms of engagement of executives.

(c) **Research services agreement**

Exopharm has an agreement with Altnia Operations which covers the provision of research and development services by Altnia Operations to Exopharm, and by Exopharm to Altnia Operations. Refer to section 11.4 for further information on the material terms of the research services agreement. This is a related party agreement and payments could be made to Altnia Operations by Exopharm from the proceeds of this Offer and during the next 24 months.

(d) **Other contracts**

Exopharm will seek to enter into other contracts with organisations or people to progress its Development Program and corporate objectives. Likely other contracts include employment contracts, consulting agreements with biopharmaceutical or bio-manufacturing experts, agreements with contract research organisations (CROs) to provide preclinical or clinical services, agreements with universities and research institutes to provide research and testing services and equipment suppliers. The costs of these contracts form part of budget for the Development Program.
04

DETAILS OF THE OFFER
4.1 Offer

(a) Offer

Subject to section 4.12, the Offer under this Prospectus is an offer to clients of the Lead Manager or Participating Brokers who have received a firm allocation from the Lead Manager or their Participating Broker of up to 30,000,000 New Shares at an offer price of $0.20 per New Share to raise approximately $6,000,000 (before costs), with the ability to accept oversubscriptions of up to an additional 5,000,000 New Shares to raise an additional $1,000,000 (before costs).

The Offer is open to persons who have received an invitation to participate in the Offer from the Lead Manager or a Participating Broker and who have a registered address in Australia, the United Kingdom, New Zealand, Singapore or Hong Kong. You should contact the Lead Manager or your Participating Broker to determine whether you are eligible to receive an invitation to participate in the Offer.

No general public offer of New Shares will be made under the Offer. Members of the public wishing to apply for New Shares under the Offer must do so through the Lead Manager or a Participating Broker.

All New Shares issued pursuant to this Prospectus will be issued as fully paid and will rank equally in all respects with the Existing Shares. Further details of the rights attaching to New Shares are set out in section 12.

Exopharm reserves the right to withdraw the Offer at any time before New Shares are issued under it.

Refer to section 4.9 for details on how to apply for New Shares under the Offer.

(b) Minimum subscription

The minimum subscription for the Offer is $6,000,000 through the issue of 30,000,000 New Shares.

(c) Oversubscription

Exopharm may accept oversubscriptions for up to an additional 5,000,000 New Shares to raise up to a further $1,000,000 (before costs).

If full oversubscription is reached under the Offer, Exopharm will raise a total of $7,000,000 (before costs) from the issue of 35,000,000 New Shares under the Offer.

(d) Underwriting

The Offer is not underwritten.

(e) Conditions of Offer

The Offer is conditional upon all of the following events occurring:

(i) minimum subscription: the minimum subscription requirement of $6,000,000 being satisfied within 3 months after the Prospectus Date (refer to section 4.1(b)); and

(ii) ASX listing approval: ASX approving Exopharm’s application for admission to the official list of ASX and Exopharm receiving conditional approval for quotation of its Shares on the ASX within 3 months after the Prospectus Date (refer to section 4.15).

4.2 Purpose of the Offer

The purpose of the Offer is to:

(a) facilitate the Company’s application for admission to the official list of ASX and thereby provide a market for Shares and better enable Exopharm to access capital markets in the future;

(b) raise up to a maximum of $7,000,000 (before costs) pursuant to the Offer, which is proposed to be used for the following purposes:

(i) to fund the Development Program, including:

(A) manufacture activities: the manufacture of clinical grade autologous Plexaris product, allogeneic Plexaris product and allogeneic Exomere product;

(B) clinical programs:

• pre-clinical programs: undertaking selected animal studies and other pre-clinical studies;
• clinical programs in Year 1 include initial small-scale clinical studies of autologous Plexaris in wound healing; and
• subject to the success of Year 1 activities, clinical programs in Year 2 include:
  • small-scale dry-AMD clinical program – possibly with Plexaris autologous; and
  • additional small-scale wound healing programs – possibly with allogeneic Plexaris (based on the maximum raise);

(C) supporting research & development activities: to fund other research activities and expenditure on intellectual property;

(ii) to fund Other LEAP Technology Opportunities to seek to commercialise the ownership of the LEAP Technology across other areas; and

(iii) for reimbursement of prior expenses incurred in relation to the LEAP Technology;

(iv) to provide general working capital; and

(v) to pay for the costs of the Offer.

If any of the above conditions to the Offer are not satisfied, Exopharm will issue a supplementary or replacement prospectus to Applicants allowing them one month to withdraw their Applications and obtain a refund of their Application Money. Alternatively, Exopharm may determine not to proceed with the Offer and will repay all Application Money received without interest in accordance with the Corporations Act.
4.3 USE OF FUNDS

Exopharm intends to use its current funds of approximately $400,000 cash on hand as at the Prospectus Date, and the funds raised from the Offer, as follows:

<table>
<thead>
<tr>
<th>Funds available</th>
<th>Minimum Subscription Year 1 ($6,000,000)</th>
<th>Minimum Subscription Year 2 ($6,000,000)</th>
<th>Total Minimum Subscription Year 1 and 2 ($7,000,000)</th>
<th>Maximum Subscription Year 1 ($7,000,000)</th>
<th>Maximum Subscription Year 2 ($7,000,000)</th>
<th>Total Maximum Subscription Year 1 and 2 ($7,000,000)</th>
<th>% Based On Minimum Subscription</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash on hand</td>
<td>$400,000</td>
<td>-</td>
<td>$400,000</td>
<td>-</td>
<td>$400,000</td>
<td>-</td>
<td>6.3%</td>
</tr>
<tr>
<td>Funds from the Offer</td>
<td>$6,000,000</td>
<td>-</td>
<td>$7,400,000</td>
<td>-</td>
<td>$7,000,000</td>
<td>-</td>
<td>93.7%</td>
</tr>
<tr>
<td>Total funds available</td>
<td>$6,400,000</td>
<td>-</td>
<td>$7,400,000</td>
<td>-</td>
<td>$7,400,000</td>
<td>-</td>
<td>100%</td>
</tr>
</tbody>
</table>

Use of funds

Development program

<table>
<thead>
<tr>
<th></th>
<th>Min Subscription Year 1 ($6.000,000)</th>
<th>Min Subscription Year 2 ($6.000,000)</th>
<th>Total Min Subscription Year 1 and 2 ($7.000,000)</th>
<th>Max Subscription Year 1 ($7.000,000)</th>
<th>Max Subscription Year 2 ($7.000,000)</th>
<th>Total Max Subscription Year 1 and 2 ($7.000,000)</th>
<th>% Based On Min Subscription</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacture</td>
<td>$1,120,000</td>
<td>$540,000</td>
<td>$1,660,000</td>
<td>$724,000</td>
<td>$1,845,000</td>
<td>$2,669,000</td>
<td>26.0%</td>
</tr>
<tr>
<td>Supporting research and development activities</td>
<td>$285,000</td>
<td>$645,000</td>
<td>$930,000</td>
<td>$285,000</td>
<td>$927,000</td>
<td>$1,212,000</td>
<td>14.5%</td>
</tr>
<tr>
<td>Other LEAP Technology Opportunities</td>
<td>$145,000</td>
<td>$105,000</td>
<td>$250,000</td>
<td>$145,000</td>
<td>$250,000</td>
<td>$400,000</td>
<td>3.9%</td>
</tr>
<tr>
<td>Reimbursement of prior LEAP Technology expenses</td>
<td>$250,000</td>
<td>-</td>
<td>$250,000</td>
<td>$250,000</td>
<td>-</td>
<td>$500,000</td>
<td>3.9%</td>
</tr>
<tr>
<td>Costs of the Offer</td>
<td>$588,000</td>
<td>-</td>
<td>$588,000</td>
<td>$654,000</td>
<td>-</td>
<td>$1,242,000</td>
<td>9.2%</td>
</tr>
<tr>
<td>General working capital</td>
<td>$870,000</td>
<td>$630,000</td>
<td>$1,500,000</td>
<td>$870,000</td>
<td>$1,500,000</td>
<td>$3,354,000</td>
<td>23.4%</td>
</tr>
<tr>
<td>Total</td>
<td>$3,980,000</td>
<td>$2,420,000</td>
<td>$6,400,000</td>
<td>$4,046,000</td>
<td>$3,354,000</td>
<td>$7,400,000</td>
<td>100%</td>
</tr>
</tbody>
</table>

Notes:
1. The stated use of funds is current as at the Prospectus Date and is indicative only.
2. Exopharm has prepared a two year budget assuming both minimum and maximum subscription scenarios under the Offer. Whilst Exopharm considers that the amounts specified in the table above will be sufficient to carry out its proposed activities over this two year period, the use of funds may change depending on any intervening events or changes in Exopharm’s circumstances. No allocation of funds have been made to Osteoarthritis clinical programs. The Board reserves the right to change the way funds are used and applied.
3. Actual use of funds will depend on a variety of factors including market conditions and the Company’s progress and success in the implementation of its Development Program following the successful completion of its initial public offering. The figures in the table above may be affected by the ongoing results of the Development Program, being the safety and efficacy results of pre clinical and clinical trials, ongoing research work and overall company strategies.
4. In the future, Exopharm may seek additional capital to accelerate its activities.
5. Costs of the Offer include Lead Manager fees and the other costs identified in section 13.4.
6. Working capital costs comprises Exopharm’s administration and overhead costs, and include operating expenses, accounting costs, auditing costs, insurance costs, corporate legal costs, securities registry costs, Directors’ fees, corporate consulting costs, ASX fees and regulatory compliance costs and expenses.
7. Exopharm has paid approximately $50,000 of the costs of the Offer at the Prospectus Date.

4.4 WORKING CAPITAL

On completion of the Offer and the issue of New Shares, Exopharm will have enough working capital to carry out its objectives as stated in this Prospectus.
4.5 CAPITAL STRUCTURE

On completion of the Offer, the capital structure of Exopharm is expected to be as set out in the table below assuming both minimum and maximum subscription scenarios.

<table>
<thead>
<tr>
<th>Shares</th>
<th>Number (% of total) on Minimum Subscription ($6,000,000)</th>
<th>Number (% of total) on Maximum Subscription ($7,000,000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Existing Shares</td>
<td>45,500,000 (60.3%)</td>
<td>45,500,000 (56.5%)</td>
</tr>
<tr>
<td>New Shares to be issued under the Offer</td>
<td>30,000,000 (39.7%)</td>
<td>35,000,000 (43.5%)</td>
</tr>
<tr>
<td>Total Shares following completion of the Offer</td>
<td>75,500,000 (100%)</td>
<td>80,500,000 (100%)</td>
</tr>
</tbody>
</table>

Notes: The figures in the above table are indicative only and are subject to change.

4.6 SUBSTANTIAL AND EXISTING SHAREHOLDERS

(a) Substantial Shareholders

Exopharm anticipates that the party in the table below will have a substantial holding (i.e. control 5% or more of the issued Shares) following the close of the Offer:

<table>
<thead>
<tr>
<th>Name</th>
<th>Current holding</th>
<th>Current percentage interest</th>
<th>Holding after the Offer</th>
<th>Percentage interest after the Offer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Altnia Holdings</td>
<td>27,935,294</td>
<td>61.4%</td>
<td>27,935,294</td>
<td>34.7%</td>
</tr>
</tbody>
</table>

Notes:
1. The party in the table above is an Existing Shareholder.
2. The table above assumes that the maximum amount is raised under the Offer.

(b) Existing Shareholders

The details of Shares owned by Existing Shareholders immediately prior to the Offer, and following the close of the Offer, are set out below:

<table>
<thead>
<tr>
<th>Name</th>
<th>Current holding</th>
<th>Current percentage interest</th>
<th>Holding after the Offer</th>
<th>Percentage interest after the Offer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Founding and early Shareholders</td>
<td>30,000,000</td>
<td>65.9%</td>
<td>30,000,000</td>
<td>37.3%</td>
</tr>
<tr>
<td>Seed Shareholders</td>
<td>15,500,000</td>
<td>34.1%</td>
<td>15,500,000</td>
<td>19.3%</td>
</tr>
</tbody>
</table>

Notes:
1. Founding and early Shareholders are Existing Shareholders who became Shareholders either upon incorporation of Exopharm, or who participated in Exopharm’s early seed capital raising conducted in April 2018.
2. Seed Shareholders are Existing Shareholders who became Shareholders after Exopharm’s early seed capital raising conducted in April 2018.
3. The interests shown in the table above do not include any New Shares that the parties may subscribe for under the Offer.
4. The table above assumes that the maximum amount is raised under the Offer.

4.7 ESCROW RESTRICTIONS

(a) Offer

Exopharm anticipates that the New Shares issued under the Offer will not be subject to ASX imposed escrow restrictions and will therefore be freely transferable from the date of their issue.

(b) Existing Securities

Existing Shares classified by ASX as “restricted securities” will be required to be held in escrow for a period determined by ASX and a holder will not be able to sell, mortgage, assign or transfer them for the duration of the escrow period unless ASX otherwise provides its consent.

(c) Estimated ASX imposed escrow

Exopharm expects that, if it is admitted to the official list of ASX, the following Existing Shares will be subject to ASX imposed escrow restrictions for the period set out in the table overleaf.
Exopharm expects to announce to ASX the details of the Existing Shares which are classified by ASX as “restricted securities” and the escrow restrictions applicable to those Existing Shares, prior to Shares commencing trading on ASX.

4.8 LEAD MANAGER

Alto Capital has been appointed by Exopharm under the Lead Manager Mandate to manage the Offer.

Refer to section 11.5 for details of the terms under which the Lead Manager has been engaged by Exopharm, including details of the fees payable by Exopharm to the Lead Manager. All fees payable to Participating Brokers (if any) will be met from these fees by the Lead Manager.

4.9 APPLICATIONS FOR NEW SHARES

(a) Form of Application

If you have received an invitation to participate in the Offer from the Lead Manager or a Participating Broker and you wish to apply for New Shares under the Offer, you should contact the Lead Manager or Participating Broker for information about how to submit your Application Form and for payment instructions.

Applicants under the Offer must not send their Application Forms or payment to the Share Registry.

The Lead Manager or Participating Broker (as applicable) will act as your agent and it is the responsibility of the Lead Manager or Participating Broker to ensure that your Application Form and Application Monies are received by the Company on or before 5:00pm (AEST) on the Closing Date.

If you are an investor applying under the Offer, you should complete and lodge your Application Form with the Lead Manager or Participating Broker. Application Forms must be completed in accordance with the instructions given to you by the Lead Manager or Participating Broker in accordance with the instructions set out on the Application Form.

The Company may determine whether a person is eligible to participate in the Offer, and may amend or waive the procedures or requirements for submitting Applications under the Offer at its discretion, in compliance with all applicable laws.

By submitting an Application, an Applicant will be taken to have confirmed that they have received a copy of the Prospectus together with the Application Form.

(b) Minimum parcel

Applications under the Offer must be for a minimum of 10,000 New Shares ($2,000) and thereafter in multiples of 1,000 New Shares ($200).

(c) Payment methods

Applicants under the Offer must pay their Application Monies in accordance with instructions provided by the Lead Manager or Participating Broker.

(d) Nature of Applications

Applications must comply with this Prospectus and the instructions on the Application Form. An Application is an offer by the Applicant to the Company to apply for all or any of the amount of New Shares specified in the Application Form, at the Offer Price on the terms set out in this Prospectus. To the extent permitted by law, an Application is irrevocable. Acceptance of an Application will give rise to a binding contract on allocation of New Shares to successful Applicants.

Each Applicant under the Offer will be deemed to have:
(i) agreed to become a member of the Company and to be bound by the terms of the Constitution and the terms and conditions of the Offer;
(ii) acknowledged having personally received a printed or electronic copy of this Prospectus (and any supplementary or replacement prospectus) included in or accompanying the Application Form and having read them all in full;
(iii) declared that all details and statements in their Application Form are complete and accurate;
(iv) declared that the Applicant(s), if a natural person, is/are over 18 years of age;
(v) acknowledged that, once the Company, the Lead Manager or a Participating Broker receives an Application Form, it may not be withdrawn;

<table>
<thead>
<tr>
<th>PERIOD OF RESTRICTION</th>
<th>EXISTING SHARES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum subscription</td>
<td></td>
</tr>
<tr>
<td>24 months from admission to the official list of ASX</td>
<td>35,661,568</td>
</tr>
<tr>
<td>12 months from issue of Existing Shares</td>
<td>2,963,432</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>36,875,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>75,500,000</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Maximum subscription</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>24 months from admission to the official list of ASX</td>
<td>35,661,568</td>
</tr>
<tr>
<td>12 months from issue of Existing Shares</td>
<td>2,963,432</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>41,875,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>80,500,000</strong></td>
</tr>
</tbody>
</table>

Notes: The figures in the table above represent the approximate number of Existing Shares that will be restricted securities, after close of the Offer.
(vi) applied for the number of New Shares at the Australian Dollar amount shown on the front of the Application Form;
(vii) agreed to be allocated the number of New Shares applied for (or a lower number allocated in a way described in this Prospectus), or no Shares at all;
(viii) authorised the Company and the Lead Manager or Participating Broker (as applicable) and their respective officers or agents, to do anything on behalf of the Applicant(s) necessary for New Shares to be allocated to the applicant(s), including to act on instructions received by the Share Registry upon using the contact details in the Application Form;
(ix) acknowledged that, in some circumstances, the Company may not pay dividends, or that any dividends paid may not be franked;
(x) acknowledged that the information contained in this Prospectus (or any supplementary or replacement prospectus) is not financial product advice or a recommendation that New Shares are suitable for the Applicant(s), given the investment objectives, financial situation or particular needs of the Applicant(s);
(xi) declared that the Applicant(s) is/are a resident of Australia, the United Kingdom, New Zealand, Singapore or Hong Kong;
(xii) acknowledged and agreed that the Offer may be withdrawn by the Company or may otherwise not proceed in the circumstances described in this Prospectus;
(xiii) acknowledged and agreed that if the conditions to the Offer are not achieved, for any reason, the Offer will not proceed; and
(xiv) represented, warranted and agreed as follows:

(A) it understands that the New Shares have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state of the United States and may not be offered, sold or resold in the United States;
(B) it is not in the United States;
(C) it has not and will not send this Prospectus or any other material relating to the Offer to any person in the United States; and
(D) it will not offer or sell the New Shares in the United States or in any other jurisdiction outside Australia.

4.10 POwers of the Company in relation to Applications

There is no assurance that any Applicant will be allocated any New Shares, or the number of New Shares for which the Applicant has applied. The Company may in its absolute discretion, without notice to any Applicant and without giving any reason:

(a) withdraw the Offer at any time before the issue or transfer of New Shares to successful Applicants;
(b) decline an Application;
(c) accept an Application for its full amount or any lower amount;
(d) determine a person to be eligible or ineligible to participate in any part of the Offer;
(e) waive or correct any errors made by an Applicant in completing their Application Form;
(f) amend or waive the Offer application procedures or requirements in compliance with applicable laws; or
(g) aggregate any Applications that they believe may be multiple Applications from the same person.

4.11 Application Money to be Held on Trust

Application Money will be held by Exopharm on trust in accordance with the requirements of the Corporations Act until New Shares to which the Application Money pertains are issued under the Offer or a refund of Application Money occurs in the circumstances described in this Prospectus. Exopharm will retain any interest earned on Application Money, including in the event of any refund of Application Money.

4.12 Applicants Outside of Australia

This Prospectus does not constitute an offer of New Shares in any jurisdiction where, or to any person to whom, it would not be lawful to issue this Prospectus or make the Offer.

Exopharm has not taken any action to register or qualify the New Shares or the Offer, or otherwise to permit a public offering of the New Shares, in any jurisdiction outside Australia.

It is the responsibility of any Applicant who is resident outside Australia to ensure compliance with all laws of any country relevant to their Application, and any such Applicant should consult their professional advisor as to whether any government or other consents are required, or whether any formalities need to be observed to enable them to apply for and be issued New Shares. Return of a duly completed Application Form will constitute a representation and warranty by an Applicant that there has not been any breach of such regulations.

4.13 Allocation of New Shares

The Directors have the right to allocate New Shares at their discretion.

The Directors have determined that the Lead Manager will provide firm allocations of New Shares to Participating Brokers to assist the Company to satisfy the minimum subscription condition described in section 4.1(b). However, the Offer is not unwritten by the Lead Manager.

The Lead Manager may consult with the Directors prior to providing a firm allocation of New Shares to a Participating Broker, but is not required to do so.

In relation to each firm allocation provided by the Lead Manager to a Participating Broker, the Participating Broker may suggest that the New Shares be allocated to clients of that Participating Broker, as determined by that Participating Broker. The suggested allocations will be provided by the Participating Broker to the Lead Manager for review. The Lead Manager (in consultation with the Directors as required) will be ultimately responsible for determining the persons to whom New Shares are allocated.

As at the Prospectus Date, the Directors intend to allocate New Shares in accordance with the firm allocations made by the Lead Manager, and the allocations suggested by each Participating Broker.

However, the Directors retain the right to reject any Application or allocate to any Applicant fewer New Shares than applied for.
If your Application is not accepted, or is accepted in part only, the relevant part of the Application Money will be returned to you without any accrued interest.

Directors may participate in the Offer. Further details of the maximum number of New Shares that the Directors may subscribe for, pursuant to a firm allocation made by the Lead Manager, are set out in section 13.3.

4.14 Allotment and Issue of New Shares

Subject to ASX granting approval for Exopharm to be admitted to the official list of ASX, the allotment and issue of New Shares to Applicants will occur as soon as practicable after the Closing Date, following which Holding Statements will be despatched.

It is the responsibility of Applicants to determine their allocation prior to trading New Shares. Applicants who sell New Shares before they receive their Holding Statements do so at their own risk.

4.15 ASX Listing and Quotation

Exopharm will apply to ASX within 7 days after the Prospectus Date for ASX to admit Exopharm to the ASX and for quotation of the New Shares offered under this Prospectus (apart from any New Shares that may be designated by ASX as “restricted securities”) on the official list of ASX.

If approval for quotation of the New Shares to be issued pursuant to this Prospectus is not granted within 3 months after the Prospectus Date, Exopharm will not allot or issue any New Shares and will repay all Application Money without interest as soon as practicable.

ASX does not take any responsibility for the contents of this Prospectus. The fact that ASX may admit Exopharm to the official list of ASX is not to be taken in any way as an indication of the merits of Exopharm or the New Shares offered pursuant to this Prospectus.

4.16 CHESS and Issuer Sponsorship

If admitted, Exopharm will apply to participate in the Clearing House Electronic Sub-register System (CHESS), operated by ASX Settlement (a wholly owned subsidiary of ASX), in accordance with the ASX Listing Rules and ASX Settlement Rules. Exopharm will operate an electronic issuer-sponsored sub-register and an electronic CHESS sub-register.

The two sub-registers together will make up Exopharm’s principal register of its Securities.

Under CHESS, Exopharm will not issue certificates to the holders of Securities. Instead, Exopharm will provide holders with a Holding Statement (similar to a bank account statement) that sets out the number of New Shares allotted and issued to them under this Prospectus.

This holding statement also advises investors of either their Holder Identification Number (HIN) in the case of a holding on the CHESS sub-register or Security Holder Reference Number (SRN) in the case of a holding on the issuer sponsored sub-register.

A statement will be routinely sent to holders at the end of any calendar month during which their holding changes. A holder may request a statement at any other time however a charge may be incurred for additional statements.

4.17 PRIVACY DISCLOSURE

Exopharm collects information about each Applicant from the Application Form for the purpose of processing the Application and, if the Applicant is successful, for the purposes of administering the Applicant’s security holding in Exopharm.

By submitting the Application Form, each Applicant agrees that Exopharm may use the information in the Application Form for the purposes set out in this privacy disclosure statement.

Exopharm and the Securities Registry may disclose an Applicant’s personal information for purposes related to the Applicant’s investment to their agents and service providers including those listed below or as otherwise authorised under the Privacy Act 1988 (Cth) (Privacy Act):

(a) the Securities Registry for ongoing administration of Exopharm’s register;
(b) the Lead Manager for the purposes of the capital raising part of the Offer; and
(c) the printers and the mailing house for the purposes of preparing and distributing Holding Statements and for the handling of mail.

If an Applicant becomes a security holder of Exopharm, the Corporations Act requires Exopharm to include information about the security holder (name, address and details of the Shares held) in its public register. This information must remain in Exopharm’s register even if that person ceases to be a security holder of Exopharm. Information contained in Exopharm’s register is also used to facilitate distribution payments and corporate communications (including Exopharm’s financial results, annual reports and other information that Exopharm may wish to communicate to its security holders) and compliance by Exopharm with legal and regulatory requirements.

If an Applicant does not provide the information required on the Application Form, Exopharm may not be able to accept or process their Application.

Under the Privacy Act, a person may request access to their personal information held by (or on behalf of) Exopharm or the Securities Registry. An Applicant can request access to their personal information by writing to Exopharm through the Securities Registry.

4.18 FORWARD-LOOKING STATEMENTS

As Exopharm’s business is at an early-stage of development, there are significant uncertainties associated with forecasting future revenue. On this basis, the Directors, having considered ASIC regulatory guidance, do not believe that reliable forecasts can be prepared and accordingly have not included forecasts in this Prospectus.

Refer to section 3 for further information about Exopharm’s business and activities.

Notwithstanding the above, this Prospectus includes, or may include, forward-looking statements including, without limitation, forward-looking statements regarding Exopharm’s financial position, business strategy, and plans and objectives for its projects and future operations (including development plans and objectives), which have been based on Exopharm’s current expectations about future events. These
forward-looking statements are subject to known and unknown risks, uncertainties and assumptions that could cause actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding Exopharm’s present and future business strategies and the environment in which Exopharm will operate in the future.

Matters not yet known to Exopharm or not currently considered material to Exopharm may impact on these forward-looking statements. The forward-looking statements in this Prospectus reflect views held only as at the Prospectus Date. In light of these risks, uncertainties and assumptions, the forward-looking statements discussed in this Prospectus might not occur. Investors are therefore cautioned not to place undue reliance on these statements.
05

BOARD AND MANAGEMENT
5.1 BOARD

Exopharm is managed by the Board of Directors. The Board presently comprises three Directors (two Non-Executive Directors and one Executive Director).

Biographies of the Directors are detailed below.

Mr Jason Watson
Non-Executive Chairman
LL.B, B. Comm

Mr Watson has board and advisory experience acting with small and medium-sized enterprises, research institutes and listed companies in the life sciences and other sectors.

In particular, Mr Watson has assisted companies in developing, commercialising and transacting technologies through significant biotechnology licensing deals.

Mr Watson is principal of Elementary Law, a legal practice based in Melbourne, Australia. His practice focuses on assisting clients achieve the best outcomes for their patents and innovations, including through corporate fund raising, protection strategies, licensing and commercialisation. In this capacity, Mr Watson has been recognised in the Intellectual Asset Magazine Patent 1000 independent list of The World’s 1000 Leading Patent Professionals.

Mr Watson has expertise in relation to complex transactions, including establishing multi-party engagements, research and consultancy contracts and negotiating and implementing clinical trial, licensing, assignment, manufacturing, shareholding and other commercial arrangements.

Mr Watson has a Bachelor of Laws with Honours and a Bachelor of Commerce.

Dr Ian Dixon
Company Founder, Technology Co-Founder and Managing Director
PhD, MBA, MAICD

Dr Ian Dixon has a PhD in bio-medical engineering from Monash University, an MBA from Swinburne University and professional engineering qualifications.

In 2011, Dr Dixon Co-Founded Cynata Inc, a company that is progressing the commercialisation of what has become the Cymerus technology of ASX-listed Cynata Therapeutics Ltd (ASX-CYP).

Dr Dixon is also a Non-Executive Director of Noxopharm Ltd (ASX-NOX), a founder of Nyrada Inc. and a co-inventor of Nyrada drug NYX-330.

Dr Dixon is a co-inventor of the LEAP Technology owned by Exopharm.

Dr Dixon is also founder of Genscreen Pty Ltd (2003-2018) and was a director of Cell Therapies Pty Ltd.

Dr Dixon brings to the Board an extensive technical and entrepreneurial background in founding, building and running technology-based companies, in recognising the potential commercial value of early-stage drug development, and in understanding the challenges involved in drug development.

Dr Dixon currently also serves as a part-time Executive director of Medigard Ltd (ASX:MGZ).
**Mr David Parker**  
**Non-Executive Director and Company Secretary**  
**B.Com, SAFin**

Mr David Parker has over sixteen years’ experience as a corporate advisor and investment manager. He has served as a director or company secretary of a number of ASX-listed companies, having taken several companies from private companies to listed entities.

Mr Parker is an employee of Alto Capital, a stockbroking and corporate advisory firm which is licensed to provide financial advice to retail and wholesale investors. Mr Parker is the director of Cobblestones Corporate, which provides boutique corporate advisory and company secretarial consulting services to pre-IPO and ASX listed entities.

Mr Parker is a Senior Associate (and member since 2001) of the Financial Services Industry of Australian (FINSIA).

Mr Parker has a Bachelor of Commerce from Curtin University and has completed a Graduate Diploma of Applied Corporate Governance from the Governance Institute.

In the last five years, Mr Parker was previously a Non-Executive Director and Company Secretary of Aurora Labs Ltd (ASX:A3D) and Non-Executive Director of Pacific Ord Ltd (ASX:SYT).

**5.2 INDEPENDENCE**

The Board considers that Mr Jason Watson is an independent Director because he is free from any material business or other relationship with Exopharm and Dr Dixon that could materially interfere with, or reasonably be perceived to materially interfere with, the independent exercise of his judgement as a Director and Chairman.

**5.3 MANAGEMENT**

Biographies of Exopharm’s management personnel are set out below.

**Dr Gregor Lichtfuss**  
**Technology Co-Founder and Chief Operating Officer**  
**MSc, DTMPH**

Dr Gregor Lichtfuss holds a PhD in Medicine / clinical immunology from Monash University, a Master of Science in International Health from Humboldt University Berlin and a Diploma in Biologie (Virology and Genetics) from Humboldt University Berlin.

Dr Lichtfuss is a co-inventor of the LEAP Technology owned by Exopharm.

In 2016 Dr Lichtfuss founded Ribosomic Pty Ltd, a consulting company specialising in early-stage research commercialisation.

From 2014-2015 Dr Lichtfuss worked in early-stage research commercialisation at the Spinnovator, the start-up creation hub managed by Ascenion GmbH, Germany’s largest private technology transfer company in the Life Sciences. As part of his work at the Spinnovator, he was instrumental in laying the business foundation for Cardior Pharmaceuticals GmbH, a biotechnology company developing novel treatments for heart failure.

Previously Dr Lichtfuss has worked as a consultant to Brandon Capital Partners in Melbourne, following his participation in the Stanford Summer Institute for Entrepreneurship. In addition, he has worked at the highest national and international levels for the German Federal Government and performed research at a number of internationally renowned research institutions, including the Burnet Institute in Melbourne.

Dr Lichtfuss brings significant entrepreneurial experience in creating biotechnology startups and health solutions, in-depth experience and knowledge in molecular science and technology as well as an understanding of international health systems as well as early-stage drug development.
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C O R P O R A T E  G O V E R N A N C E
6.1 **OVERVIEW**

Exopharm’s corporate governance policies and procedures have been designed to be generally consistent with the ASX Corporate Governance Council’s Corporate Governance Principles and Recommendations (3rd edition) ([ASX Recommendations](#)), and are outlined below.

Exopharm complies with a substantial number of, but not all of (given its early-stage of development, operations and technology) the ASX Recommendations.

6.2 **THE BOARD**

The Board is responsible for the overall corporate governance of Exopharm. The Board is committed to administering its corporate governance structures to promote integrity and responsible decision making.

6.3 **COMPOSITION OF THE BOARD**

The Constitution requires Exopharm to have a minimum number of 3 Directors. The maximum number of Directors is fixed by the Board but may not be more than 10, unless the members of Exopharm in a general meeting resolve otherwise.

The relevant provisions in the Constitution, the Corporations Act and the ASX Listing Rules determine the terms and conditions relating to the appointment and termination of Directors. All Directors, other than the Managing Director, are subject to re-election by rotation every 3 years.

Identification of potential Board candidates includes consideration of the skills, experience, personal attributes and capability to devote the necessary time and commitment to the role.

6.4 **CHARTERS AND POLICIES**

Set out in the table below is a list of Exopharm’s corporate governance charters and policies and a brief description of the purpose of each. Copies of the charters and policies are in the Corporate Governance section of Exopharm’s website at exopharm.com.

As Exopharm’s activities develop in size, nature and scope, the implementation of additional corporate governance policies will be given further consideration.

<table>
<thead>
<tr>
<th>Charter / policy</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board Charter</td>
<td>Sets out the various responsibilities of the Board with regard to the overall operation and stewardship of Exopharm.</td>
</tr>
<tr>
<td>Code of Conduct</td>
<td>The Code of Conduct aims to develop a consistent understanding of, and approach to, the desired standards of conduct and behaviour of the Directors, officers, employees and consultants in carrying out their roles for Exopharm.</td>
</tr>
<tr>
<td>Continuous Disclosure and Market</td>
<td>The purpose of the Continuous Disclosure and Market Communications Policy is to:</td>
</tr>
<tr>
<td>Communications Policy</td>
<td>(a) ensure that Exopharm, as a minimum, complies with its continuous disclosure obligations under the Corporations Act and the ASX Listing Rules and, as much as possible, seeks to achieve best practice;</td>
</tr>
<tr>
<td></td>
<td>(b) provide Shareholders and the market with timely, direct and equal access to information issued by Exopharm; and</td>
</tr>
<tr>
<td></td>
<td>(c) promote investor confidence in the integrity of Exopharm and its Securities.</td>
</tr>
<tr>
<td>Securities Trading Policy</td>
<td>The Securities Trading Policy states the requirements for all Directors, senior executives, employees and consultants of Exopharm dealing in Exopharm’s Securities.</td>
</tr>
<tr>
<td>Shareholder Communications Policy</td>
<td>The Shareholder Communications Policy states the processes through which Exopharm will endeavour to ensure timely and accurate information is provided to all Shareholders and the broader market.</td>
</tr>
<tr>
<td>Risk Management Policy</td>
<td>The purpose of the Risk Management Policy is to:</td>
</tr>
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<td></td>
<td>(a) provide a framework for identifying, assessing, monitoring and managing risk; and</td>
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<td></td>
<td>(b) communicate the roles and accountabilities of participants in the risk management system.</td>
</tr>
<tr>
<td>Audit Policy</td>
<td>The Audit Policy states the roles and responsibilities of the Board in performing its function to oversee Exopharm’s external audit matters. The primary role of the function is to:</td>
</tr>
<tr>
<td></td>
<td>(a) monitor the integrity and quality of interim and annual financial reporting and disclosures;</td>
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<td></td>
<td>(b) identify key business, financial and regulatory risks;</td>
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<tr>
<td></td>
<td>(c) monitor compliance with relevant laws, regulations, standards and codes; and</td>
</tr>
<tr>
<td></td>
<td>(d) monitor the integrity of the external audit.</td>
</tr>
<tr>
<td>Nomination and Remuneration Policy</td>
<td>The Nomination and Remuneration Policy sets out the Board’s policy and procedures for nomination and remuneration of officers, including in relation to the Chief Executive Officer, to ensure that they are fair and meet market conditions.</td>
</tr>
</tbody>
</table>
## 6.5 CORPORATE GOVERNANCE COMPLIANCE WITH ASX RECOMMENDATIONS

Exopharm sets out below its “if not, why not” report in relation to those matters of corporate governance where Exopharm’s practice departs from the ASX Recommendations to the extent that they are currently applicable to Exopharm.

<table>
<thead>
<tr>
<th>ASX Principle and Recommendation</th>
<th>Compliance</th>
<th>Explanation</th>
</tr>
</thead>
</table>
| **Recommendation 1.1** A listed entity should disclose:  
(a) the respective roles and responsibilities of its board and management; and  
(b) those matters expressly reserved to the board and those delegated to management. | Yes | Exopharm has adopted a Board Charter which discloses the roles and responsibilities of the Board and senior management.  
Under the Board Charter, the Board is responsible for the overall operation and stewardship of Exopharm, including charting the direction, strategies and financial objectives for Exopharm, monitoring the implementation of those policies, strategies and financial objectives, and monitoring compliance with regulatory requirements and ethical standards. |
| **Recommendation 1.2** A listed entity should:  
(a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and  
(b) provide security holders with all material information relevant to a decision on whether or not to elect or re-elect a director. | Yes | Exopharm will conduct specific checks of candidates prior to their appointment or nomination for election by Shareholders.  
Exopharm will include in its notices of meeting a brief biography of each Director who stands for election or re-election. The biography sets out the relevant qualifications and professional experience of the nominated Director for consideration by Shareholders. This information is also included on Exopharm’s website in respect of existing Directors. |
| **Recommendation 1.3** A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment. | Yes | Exopharm engages or employs its Directors and other senior executives under written agreements setting out key terms and otherwise governing their engagement or employment by Exopharm.  
The Managing Director is employed pursuant to a written employment agreement with Exopharm and each Non-Executive Director is engaged under a letter of appointment. |
| **Recommendation 1.4** The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board. | Yes | The Company Secretary reports directly, and is accountable, to the Board through the Chairman in relation to all governance matters.  
The Company Secretary advises and supports the Board members on general governance matters, implements adopted governance procedures, and coordinates circulation of meeting agendas and papers. |
| **Recommendation 1.5** A listed entity should:  
(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity’s progress in achieving them;  
(b) disclose that policy or a summary of it; and  
(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity’s diversity policy and its progress towards achieving them, and either:  
(1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined “senior executive” for these purposes); or  
(2) if the entity is a “relevant employer” under the Workplace Gender Equality Act, the entity’s most recent “Gender Equality Indicators”, as defined in and published under that Act. | No | Given Exopharm’s size and its stage of development, Exopharm has not adopted a formal diversity policy at this stage.  
Exopharm has a policy to select the best available officers and staff for each relevant position in a non-discriminatory manner based on merit.  
Notwithstanding this, the Board respects and values the benefits that diversity (e.g. gender, age, ethnicity, cultural background, disability and marital/family status etc) brings in relation to expanding Exopharm’s perspective and thereby improving corporate performance, increasing Shareholder value and maximising the probability of achieving Exopharm’s objectives.  
The Board is committed to developing a diverse workplace where appointments or advancements are made on a fair and equitable basis. |
## Principle 1: Lay Solid Foundations for Management and Oversight

<table>
<thead>
<tr>
<th>ASX Principle and Recommendation</th>
<th>Compliance (Yes/No)</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Recommendation 1.6</strong></td>
<td>No</td>
<td>Exopharm does not yet have in place a formal process for evaluation of the Board, its committees and individual Directors. The small size of the Board and the nature of Exopharm’s activities make the establishment of a formal performance evaluation strategy unnecessary at this point in time. Performance evaluation is a discretionary matter for consideration by the entire Board and in the normal course of events the Board will review performance of senior management, Directors and the Board as a whole.</td>
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<tr>
<td>A listed entity should:</td>
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<tr>
<td>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</td>
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| **Recommendation 1.7**          | No                   | Exopharm does not have in place a formal process for evaluation of its key executives. Performance evaluation is a discretionary matter for consideration by the Board and in the normal course of events the Board will review the performance of its senior executives. |
| A listed entity should:          |                      |             |
| (a) have and disclose a process for periodically evaluating the performance of its senior executives; and (b) disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. |

## Principle 2: Structure the Board to Add Value

<table>
<thead>
<tr>
<th>ASX Principle and Recommendation</th>
<th>Compliance (Yes/No)</th>
<th>Explanation</th>
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</thead>
<tbody>
<tr>
<td><strong>Recommendation 2.1</strong></td>
<td>No</td>
<td>Exopharm does not have a nomination committee at this stage. The Board considers that, given the current size and scope of Exopharm’s operations, efficiencies or other benefits would not be gained by establishing a separate nomination committee. The full Board, which comprises three members, considers that the matters and issues that would otherwise be addressed by a nomination committee in accordance with Exopharm’s Nomination and Remuneration Policy. Under the Board Charter, candidacy for the Board is based on merit against objective criteria with a view to maintaining an appropriate balance of skills and experience. As a matter of practice, candidates for the office of Director are individually assessed by both the Chairman and Managing Director before appointment or nomination to ensure that they possess the relevant skills, experience or other qualities considered appropriate and necessary to provide value and assist in advancement of Exopharm’s operations. The Board intends to reconsider the requirement for, and benefits of, a separate nomination committee as Exopharm’s operations grow and evolve.</td>
</tr>
<tr>
<td>The board of a listed entity should:</td>
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<tr>
<td>(a) have a nomination committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director; and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</td>
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</table>

| **Recommendation 2.2**          | No                   | Exopharm does not currently have a skills or diversity matrix in relation to the Board members. The Board considers that such a matrix is not necessary given the current size and scope of Exopharm’s operations. The Board may adopt such a matrix at a later time as Exopharm’s operations grow and evolve. |
| A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership. |

<p>| <strong>Recommendation 2.3</strong>          | Yes                  | Disclosure of the names of Directors considered by the Board to be independent will be provided in the annual report. The Board considers Mr. Jason Watson to be an independent Director. Details of the Directors’ interests, positions, associations and relationships are provided in this Prospectus. The length of service of each Director will be provided in the annual report and is, at the Prospectus Date, as follows: |
| A listed entity should disclose: |                      |             |
| (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director. |</p>
<table>
<thead>
<tr>
<th>ASX Principle and Recommendation</th>
<th>Compliance (Yes/No)</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PRINCIPAL 2: STRUCTURE THE BOARD TO ADD VALUE</strong></td>
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</tbody>
</table>
| Recommendation 2.4  
A majority of the board of a listed entity should be independent directors. | No | The Board is not comprised of a majority of independent Directors.  
There is currently one Director who satisfies the criteria for independence for the purposes of ASX Recommendation 2.3, being Mr Jason Watson as Chairman. Mr Watson represents 33% of the Board.  
Given the nature, size and scope of Exopharm’s operations, the Board considers that it has relevant experience in biotechnology, intellectual property, capital raising and company management and that it is otherwise appropriately structured to discharge its duties in a manner that is in the best interests of Exopharm and its Shareholders from both a long-term strategic and operational perspective.  
The Board acknowledges that it is preferable that the majority of the Board be independent Non-Executive Directors. Accordingly, the Board intends to appoint at least one further independent Director as suitably qualified candidates are identified and as Exopharm’s operations warrant such appointment. |
| Recommendation 2.5  
The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity. | Yes | The Chairman (Mr Watson) is an independent Non-Executive Director of the Company.  
The Managing Director (Dr Dixon) is an Executive Director and the Chief Executive Officer of the Company. |
| Recommendation 2.6  
A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively. | No | Exopharm does not currently have a formal induction program for new Directors nor does it have a formal professional development program for existing Directors. The Board does not consider that a formal induction program is necessary given the current size and scope of Exopharm’s operations.  
All Directors are generally experienced in Company operations, albeit in different aspects (e.g. law, intellectual property matters, technical operations, finance, corporate governance etc), and at least two have listed company experience. One of the current Directors is also a director of other listed companies. The Board seeks to ensure that all of its members understand Exopharm’s operations. |
| **PRINCIPAL 3: ACT ETHICALLY AND RESPONSIBLY** |
| Recommendation 3.1  
A listed entity should:  
(a) have a code of conduct for its directors, senior executives and employees; and  
(b) disclose that code or a summary of it. | Yes | The Board believes that the success of Exopharm has been and will continue to be enhanced by a strong ethical culture within the organisation.  
Accordingly, Exopharm has established a Code of Conduct which sets out the standards with which the Directors, officers, employees and consultants of Exopharm are expected to comply in relation to the affairs of Exopharm’s business and when dealing with each other, Shareholders and the broader community.  
The Code also outlines the procedure for reporting any breaches of the Code and the possible disciplinary action Exopharm may take in respect of any breaches.  
In addition to their obligations under the Corporations Act in relation to inside information, all Directors, employees and consultants have a duty of confidentiality to Exopharm in relation to confidential information they possess.  
In fulfilling their duties, each Director dealing with corporate governance matters may obtain independent professional advice at Exopharm’s expense after consultation with the Chairman. |
### ASX Principle and Recommendation

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Compliance (Yes/No)</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PRINCIPAL 4: SAFEGUARD INTEGRITY IN CORPORATE REPORTING</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Recommendation 4.1</strong></td>
<td>No</td>
<td>Exopharm has not established a separate audit committee. The audit function is performed by the full Board pursuant to the Audit Policy. The Board does not consider that a separate audit committee is necessary given the current size and scope of Exopharm's operations and the size of its Board.</td>
</tr>
<tr>
<td>The board of a listed entity should: (a) have an audit committee which: (1) has at least three members, all of whom are Non-Executive Directors and a majority of whom are independent directors; and (2) is chaired by an independent director, who is not the chair of the board, and disclose: (3) the charter of the committee; (4) the relevant qualifications and experience of the members of the committee; and (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</td>
<td></td>
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</tr>
<tr>
<td><strong>Recommendation 4.2</strong></td>
<td>Yes</td>
<td>As a matter of practice, Exopharm obtains declarations from its Managing Director and Company Secretary before its financial statements are approved substantially in the form referred to in Recommendation 4.2.</td>
</tr>
<tr>
<td>The board of a listed entity should, before it approves the entity’s financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Recommendation 4.3</strong></td>
<td>Yes</td>
<td>It is Exopharm’s practice to request that its external auditor attend each annual general meeting of Exopharm and be available to answer questions from Shareholders in relation to the conduct of the audit and the preparation and content of the auditor’s report.</td>
</tr>
<tr>
<td>A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.</td>
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<tr>
<td><strong>PRINCIPAL 5: MAKE TIMELY AND BALANCED DISCLOSURE</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Recommendation 5.1</strong></td>
<td>Yes</td>
<td>Exopharm has adopted a Continuous Disclosure Policy. Exopharm is a “disclosing entity” pursuant to section 111AR of the Corporations Act and, as such, is required to comply with the continuous disclosure requirements of Chapter 3 of the Listing Rules and section 674 of the Corporations Act. Exopharm is committed to observing its disclosure obligations under the Corporations Act and its obligations under the Listing Rules. All announcements provided to ASX will be posted on Exopharm’s website.</td>
</tr>
<tr>
<td>A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.</td>
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* Exopharm Limited Prospectus: 52

Exopharm has not established a separate audit committee. The audit function is performed by the full Board pursuant to the Audit Policy. The Board does not consider that a separate audit committee is necessary given the current size and scope of Exopharm's operations and the size of its Board.

As a matter of practice, Exopharm obtains declarations from its Managing Director and Company Secretary before its financial statements are approved substantially in the form referred to in Recommendation 4.2.

It is Exopharm’s practice to request that its external auditor attend each annual general meeting of Exopharm and be available to answer questions from Shareholders in relation to the conduct of the audit and the preparation and content of the auditor’s report.

Exopharm has adopted a Continuous Disclosure Policy. Exopharm is a “disclosing entity” pursuant to section 111AR of the Corporations Act and, as such, is required to comply with the continuous disclosure requirements of Chapter 3 of the Listing Rules and section 674 of the Corporations Act. Exopharm is committed to observing its disclosure obligations under the Corporations Act and its obligations under the Listing Rules. All announcements provided to ASX will be posted on Exopharm’s website.
### ASX Principle and Recommendation

<table>
<thead>
<tr>
<th>Recommendation 6.1</th>
<th>Compliance</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>A listed entity should provide information about itself and its governance to investors via its website.</td>
<td>Yes</td>
<td>Information about Exopharm, including its corporate governance and copies of its various corporate governance policies and charters, is available on Exopharm’s website.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Recommendation 6.2</th>
<th>Compliance</th>
<th>Explanation</th>
</tr>
</thead>
</table>
| A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors. | Yes | Exopharm has adopted a Shareholder Communications Policy, the purpose of which is to facilitate the effective exercise of Shareholders’ rights by communicating effectively with Shareholders, giving Shareholders ready access to balanced and understandable information about Exopharm and its corporate strategies and making it easy for Shareholders to participate in general meetings of Exopharm. Exopharm communicates with Shareholders:  
  - following admission to ASX, through releases to the market via the ASX;  
  - through Exopharm’s website;  
  - through information provided directly to Shareholders at briefing meetings open to all shareholders and the public; and  
  - at general meetings. |

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<thead>
<tr>
<th>Recommendation 6.3</th>
<th>Compliance</th>
<th>Explanation</th>
</tr>
</thead>
</table>
| A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders. | Yes | Exopharm supports Shareholder participation in general meetings and seeks to provide appropriate mechanisms for such participation, including by ensuring that meetings are held at convenient times and places to encourage Shareholder participation.  
In preparing for general meetings of Exopharm, Exopharm will draft the notice of meeting and related explanatory information so that they provide all of the information that is relevant to Shareholders in making decisions on matters to be voted on by them at the meeting. This information will be presented clearly and concisely so that it is easy to understand and not ambiguous.  
Exopharm will use general meetings as a tool to effectively communicate with Shareholders and allow Shareholders a reasonable opportunity to ask questions of the Board of Directors and to otherwise participate in the meeting.  
Mechanisms for encouraging and facilitating Shareholder participation will be reviewed regularly to encourage the highest level of Shareholder participation. |

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<tr>
<th>Recommendation 6.4</th>
<th>Compliance</th>
<th>Explanation</th>
</tr>
</thead>
</table>
| A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically. | Yes | Exopharm considers that communicating with Shareholders by electronic means is an efficient way to distribute information in a timely and convenient manner.  
Exopharm provides new Shareholders with the option to receive communications from Exopharm electronically and Exopharm encourages them to do so. Existing Shareholders are also encouraged to request communications electronically.  
All Shareholders that have opted to receive communications electronically are provided with notifications by Exopharm when an announcement or other communication (including an annual reports and notice of meeting) is uploaded to the ASX announcements platform. |
### Recommendation 7.1
The board of a listed entity should:
(a) have a committee or committees to oversee risk each of which:
   (1) has at least three members, a majority of whom are independent directors; an
   (2) is chaired by an independent director; and disclose
   (3) the charter of the committee; and
   (4) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.

<table>
<thead>
<tr>
<th>Compliance (Yes/No)</th>
<th>Explanation</th>
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<tbody>
<tr>
<td>No</td>
<td>Exopharm does not have a separate risk management committee. Exopharm's management team determines the Company’s risk profile and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control to enable risk to be assessed and managed in accordance with Exopharm’s Risk Management Policy. The Board is responsible for supervising management’s framework of control and accountability systems. Management is required to report to the Board on the efficiency and effectiveness of risk management, by benchmarking the Company’s performance against industry standards on an annual basis. The Board considers that, given the current size and scope of Exopharm’s operations and that only one Director holds an executive position in Exopharm, efficiencies or other benefits would not be gained by establishing a separate risk management committee at present. As Exopharm’s operations grow and evolve, the Board will reconsider the appropriateness of forming a separate risk management committee. Exopharm has adopted a Risk Management Policy. The purpose of the policy is to: • provide a framework for identifying, assessing, monitoring and managing risk; and • communicate the roles and accountabilities of participants in the risk management system.</td>
</tr>
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</table>

### Recommendation 7.2
The board or a committee of the board should:
(a) review the entity’s risk management framework at least annually to satisfy itself that it continues to be sound; and
(b) disclose, in relation to each reporting period, whether such a review has taken place.

<table>
<thead>
<tr>
<th>Compliance (Yes/No)</th>
<th>Explanation</th>
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<tbody>
<tr>
<td>Yes</td>
<td>The Board has responsibility for the monitoring of risk management and will review Exopharm’s risk management framework on an annual basis to ensure Exopharm’s risk management framework continues to be effective. Disclosure of the outcome of the annual risk management review will be included in the annual report.</td>
</tr>
</tbody>
</table>

### Recommendation 7.3
A listed entity should disclose:
(a) if it has an internal audit function, how the function is structured and what role it performs; or
(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.

<table>
<thead>
<tr>
<th>Compliance (Yes/No)</th>
<th>Explanation</th>
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<tbody>
<tr>
<td>Yes</td>
<td>Exopharm does not currently have an internal audit function. The Managing Director is charged with evaluating and considering improvements to Exopharm’s risk management and internal control processes on an ongoing basis. The Company is engaging consultants with expertise in the regenerative medicine industry and the development of biologic products to conduct regular operational audits and to report directly to the Board. The Board considers that an internal audit function is not currently necessary given the current size and scope of Exopharm’s operations. As Exopharm’s operations grow and evolve, the Board will reconsider the appropriateness of adopting an internal audit function.</td>
</tr>
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### Recommendation 7.4
A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.

<table>
<thead>
<tr>
<th>Compliance (Yes/No)</th>
<th>Explanation</th>
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<tbody>
<tr>
<td>Yes</td>
<td>Exopharm’s business is regenerative medicine and in particular the development of its biologic product under the Development Program. These highly technical and specialised activities expose Exopharm to some particular economic, environmental and/or social sustainability risks, details of which are disclosed in section 7.</td>
</tr>
<tr>
<td>ASX Principle and Recommendation</td>
<td>Compliance (Yes/No)</td>
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<tr>
<td><strong>PRINCIPAL 8: REMUNERATE FAIRLY AND RESPONSIBLY</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Recommendation 8.1</strong></td>
<td>No</td>
</tr>
<tr>
<td>The board of a listed entity should:</td>
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<tr>
<td>(a) have a remuneration committee which:</td>
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<tr>
<td>(1) has at least three members, a majority of whom are independent directors; and</td>
<td></td>
</tr>
<tr>
<td>(2) is chaired by an independent director; and</td>
<td></td>
</tr>
<tr>
<td>(3) the charter of the committee;</td>
<td></td>
</tr>
<tr>
<td>(4) the members of the committee; and</td>
<td></td>
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<tr>
<td>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</td>
<td></td>
</tr>
<tr>
<td>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</td>
<td></td>
</tr>
<tr>
<td><strong>Recommendation 8.2</strong></td>
<td>Yes</td>
</tr>
<tr>
<td>A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.</td>
<td></td>
</tr>
<tr>
<td><strong>Recommendation 8.3</strong></td>
<td>Yes</td>
</tr>
<tr>
<td>A listed entity which has an equity-based remuneration scheme should:</td>
<td></td>
</tr>
<tr>
<td>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</td>
<td></td>
</tr>
<tr>
<td>(b) disclose that policy or a summary of it.</td>
<td></td>
</tr>
</tbody>
</table>
PRINCIPAL 8: REMUNERATE FAIRLY AND RESPONSIBLY

Recommendation 8.1
The board of a listed entity should:
(a) have a remuneration committee which:
(1) has at least three members, a majority of whom are independent directors; and
(2) is chaired by an independent director,
and disclose:
(3) the charter of the committee;
(4) the members of the committee; and
(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

No Exopharm has not established a separate remuneration committee. The role of the remuneration committee is undertaken by the full Board, which has an independent Chairman. The Board considers that, given its current size and that only one Director holds an executive position in Exopharm, efficiencies or other benefits would not be gained by establishing a separate remuneration committee. Exopharm will set out the remuneration paid or provided to Directors and senior executives annually in the remuneration report contained within Exopharm’s annual report to Shareholders. The full Board determines all compensation arrangements for Directors and the Chief Executive Officer. It is also responsible for setting performance criteria, performance monitors, share option schemes, incentive performance schemes, superannuation entitlements, retirement and termination entitlements and professional indemnity and liability insurance cover for Directors and the Chief Executive Officer. As Exopharm’s operations grow and evolve, the Board will reconsider the appropriateness of forming a separate remuneration committee.

Recommendation 8.2
A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.

Yes Exopharm’s policies and practices regarding the remuneration of Executive and Non-Executive Directors and other senior executives will be set out in the remuneration report contained in Exopharm’s annual report for each financial year. Exopharm has resolved to cap remuneration of non-executive directors at $350,000 per annum.

Recommendation 8.3
A listed entity which has an equity-based remuneration scheme should:
(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and
(b) disclose that policy or a summary of it.

Yes At present Exopharm does not have an equity-based remuneration scheme. Exopharm’s Securities Trading Policy sets out the circumstances in which Exopharm’s directors, executives and employees (Designated Persons) are prohibited from dealing in Exopharm’s securities.

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RISK FACTORS
7.1 INTRODUCTION

Investors wishing to subscribe for New Shares should read this Prospectus in its entirety in order to make an informed assessment of the effect of the issue of New Shares on Exopharm and the rights attaching to New Shares offered by this Prospectus.

Investors should carefully consider whether New Shares in Exopharm are an appropriate investment for them and should appreciate that the price of Exopharm’s Securities can fall as well as rise.

New Shares offered by this Prospectus should be viewed as highly speculative and whilst the Directors commend the Offer, investors should be aware of, and take into account, the risk factors involved.

This section is not intended to be an exhaustive list of the considerations to be taken into account by investors in deciding whether to apply for New Shares, nor all of the risk factors to which Exopharm is exposed. Some of these risks can be mitigated by the use of safeguards and appropriate systems and actions, but many are outside the control of Exopharm and cannot be mitigated.

The development of biotechnology products, especially when the products are in the early-stages of development, inherently involves risks of many types. Development projects can be delayed or fail to demonstrate the required safety or benefit. The research activities associated with product development can falter or cease for a range of manufacturing, clinical, scientific, regulatory, financial or commercial reasons – some of which may be outside of the control of the Company and/or unforeseen.

There are risks associated with investing in any form of business and with investing in the share market generally. All investors should consult their professional advisor if they are in any doubt as to any aspect of this Prospectus, the Offer or any other matter relating to an investment in Exopharm.

7.2 COMPANY SPECIFIC RISKS

The following risks have been identified as being key risks specific to an investment in Exopharm. These risks have the potential to have a significant adverse impact on Exopharm and may affect Exopharm’s financial position, prospects and price of its listed securities.

(a) Technology risk – LEAP Technology

As Exopharm’s core exosome extraction and purification technology, the LEAP Technology is at an early prototype development stage, there is a risk that the LEAP Technology will not perform as expected.

Specific risks associated with the LEAP Technology include the risk that:

(i) the Products made using LEAP Technology do not meet the requirements of a ‘clinical grade’ product;

(ii) the LEAP Manufacturing Process is unable to be successfully converted to meet the requirements of Good Manufacturing Practice, or such conversion takes longer than expected; and

(iii) the purity, sterility, consistency, yield or throughput of exosomes purified using the LEAP Technology will be inadequate.

(b) Technology risk – Plexaris and Exomere products and therapeutic goods generally

Exopharm’s Plexaris and Exomere products are likely classified as biologic products. Biologic products are complex products with inherent risks in manufacture, analytics and characterisation and batch-to-batch variability.

Exopharm’s Plexaris and Exomere products are at an early-stage in development and have not yet been the subject of first in human studies. The failure rate of early-stage experimental therapeutic agents is high, particularly as a result of the following risks:

(i) efficacy risk: the risk that pre-clinical and/or clinical testing may not show the desired efficacy to warrant further development activities in relation to one or more of the lead indications; and

(ii) safety risk: the risk that pre-clinical and/or clinical testing may not show the desired safety-profile to warrant further development activities in relation to one or more of the lead indications.

The Company cannot be certain that the proposed Development Program will result in an acceptable therapeutic agent, or that the therapeutic agent(s) arising from the Development Program will be approved by regulatory authorities.

Exopharm’s Plexaris and Exomere products are also subject to general regenerative medicine industry and biologic product specific risks which include regulatory controls and compliance risks.

(c) Clinical trials

If the Company commences clinical trials in accordance with its Development Program, there is a risk that such trials may fail or be suspended at any time. Failure can occur for a variety of reasons at any stage of the clinical trial process. Suspension or failure of a clinical trial may require the Company to either abandon its Development Program or repeat earlier activities. The Company may not have adequate resources to withstand these setbacks.

A failure of a competitive product also has the potential to cause delays for Exopharm’s progress through the Development Program and commercialisation of its product(s).

(d) Future capital requirements

Exopharm’s ongoing activities are likely to require substantial further financing in the future, in addition to amounts raised pursuant to the Offer. Any additional equity financing may be dilutive to Shareholders, may be undertaken at lower prices than the Offer Price or may involve restrictive covenants which may limit Exopharm’s operations and business strategy.

If the Company successfully lists on the ASX, the Company may be able to raise additional equity capital as needed to meets its ongoing operational requirements, but there can be no assurance that such funding will be available on terms suitable to Exopharm or at all when required. If Exopharm is unable to obtain additional funding, it may be required to reduce, delay or suspend its operations which may result in a material adverse effect on Exopharm’s activities and its ability to continue as a going concern.
(g) Third party infringement

Third parties may object to the grant of one or more of the Patent Applications on grounds which may include alleged infringement of their patents or other intellectual property rights. The LEAP Technology and Patent Applications also seek to claim the use of certain affinity ligands which are presently manufactured and/or supplied by third parties.

Exopharm is not aware of the LEAP Manufacturing Process or its Products infringing the rights of others at the Prospectus Date. However, Exopharm has not undertaken an extensive assessment of existing patents or prior art to determine any overlapping technology, freedom to operate or potential infringement.

While Exopharm is not aware of its intellectual property infringing the patent rights of others, there can be no certainty that there will not be action taken by a third party against the Company. Accordingly, there is a risk that a third party may claim that the LEAP Manufacturing Process or Products or parts thereof as set out in the Patent Applications or future patent applications lodged by Exopharm infringe(s) that third party’s patent or other rights.

Further, there can be no guarantee that competitors will not seek to claim an interest in the Company’s intellectual property or seek a commercial benefit from the Company.
sell their Shares in Exopharm in circumstances where they may receive considerably less than the price paid under the Offer (where applicable).

(I) Competition
The pharmaceutical and biopharmaceutical industries are highly competitive and involve many organisations around the world. Some competitors may have greater financial, technical, manufacturing, marketing and intellectual property resources than Exopharm.

There can be no assurance that competitors to the Company will not develop technologies and/or products that are competitive with or superior to those of the Company. Such competition could potentially render the Company’s technology and/or products uncompetitive, obsolete or less attractive to customers and/or potential partners than those of the Company’s competitors.

(m) No profit to date and limited operating history
Exopharm has incurred losses since its inception and does not have a significant history of business operations. It is therefore not possible to evaluate Exopharm’s prospects based on past performance. The Directors anticipate making further losses in the foreseeable future.

There can be no certainty that Exopharm will achieve or sustain a positive financial return from its activities for Shareholders.

7.3 EXOSOME MARKET AND BIOLOGIC PRODUCT REGULATORY RISKS

(a) Emerging Exosome market
Although there have been substantial advances in understanding and characterising exosomes, there is still very little known about how exosomes mediate therapeutic effects.

To translate pre-clinical studies involving stem cell exosomes into therapies that can be used in patients, extensive investigation may be needed to determine how to maximise the production of exosomes, identify the optimal dose, determine the optimal time course of treatment, formulation of the product and identification of the best route of administration.

The stem cell exosome market is early-stage and still developing. While there is an expectation that the exosome market will mature and expand, this has not been confirmed and cannot be guaranteed. Long-term patient outcomes for exosome-based and vesicle-based therapeutic treatments are unknown and uncertain.

(b) Regulatory
Exopharm’s products are likely to be regulated as a biologic product, but the regulations affecting these products may change over time and in different countries.

Exopharm’s research and development activities, pre-clinical studies, anticipated human clinical trials, and anticipated manufacturing and marketing of its potential products are subject to extensive regulation by the FDA and potentially other authorities in the USA, the TGA in Australia and potentially other regulatory authorities, as well as by regulatory authorities in other countries and regions.

Compliance with regulation of therapeutic product regulation in Australia, United States of America, Japan and Europe and other regions of significant opportunity can be resource intensive, complex, demanding and time consuming. In this context, there can be no certainty that the Development Program or products developed by the Company will be timely, economically viable or successful.

Government legislation in Australia or any other relevant jurisdiction in which Exopharm may operate in the future, may change, including changes to the therapeutic goods regime, bio-medical research laws, taxation system and foreign investment regulations may affect future earnings and relative attractiveness of investing in Exopharm.

In Australia, human research can require oversight of Human Research Ethics Committees (HRECs).

There is no guarantee that Exopharm products will be accepted or pass the relevant regulatory or oversight hurdles.

The development plans of Exopharm may be delayed due to regulatory oversight or other reasons.

The costs of undertaking testing of Exopharm products may increase due to regulatory, oversight or other reasons.

(c) Product liability and insurance
Therapeutic products can attract litigation. The Company may fail to secure and/or maintain suitable insurance to cover all risks and potential litigation on reasonable or affordable terms. The occurrence of an event that is not covered or only partially covered by insurance could have a material adverse effect on the business, financial condition and results of Exopharm.

7.4 GENERAL INVESTMENT RISKS
The business activities of Exopharm are subject to various general economic and investment risks that may impact on the future performance of Exopharm. Some of these risks can be mitigated by the use of safeguards and appropriate systems and controls, but some are outside the control of Exopharm and cannot be mitigated. There are a number of general economic and investment risk factors that apply to companies generally and may include economic, financial, market or regulatory conditions. These risk factors include, but are not limited to, the following:

(a) General economic conditions
Economic conditions, both domestic and global, may affect the performance of Exopharm. Factors such as fluctuations in currencies, commodity prices, inflation, interest rates, supply and demand and industrial disruption may have an impact on operating costs and share market prices. Exopharm’s future possible transactions and Share price can be affected by these factors, all of which are beyond the control of Exopharm and its Directors.

(b) Equity market conditions
Shares listed on the securities market, and in particular securities of small companies at any early-stage of commercial development,
can experience extreme price and volume fluctuations that are often unrelated to the operating performances of such companies. The market price of securities may fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general. These security market conditions may affect the value of Exopharm’s quoted Shares regardless of Exopharm’s operating performance.

General factors that may affect the market price of securities include economic conditions in both Australia and internationally, investor sentiment, local and international share market conditions, changes in interest rates and the rate of inflation, variations in commodity prices, the global security situation and the possibility of terrorist disturbances, changes to government regulation, policy or legislation, changes which may occur to the taxation of companies as a result of changes in Australian and foreign taxation laws, changes to the system of dividend imputation in Australia, and changes in exchange rates.

(c) Investment risk

The New Shares offered pursuant to this Prospectus should be considered highly speculative due to the nature of Exopharm’s business. There is no guarantee as to payment of dividends, return of capital or the market value of Shares. In particular, the price at which an investor may be able to trade Shares may be above or below the price paid for those Shares.

Prospective investors must make their own assessment of the likely risks and determine whether an investment in Exopharm is appropriate having regard to their own particular circumstances.

(d) Other risks

Other risk factors include those normally found in conducting business, including litigation resulting from the breach of agreements or in relation to employees (through personal injuries, industrial matters or otherwise) or any other cause, strikes, lockouts, loss of service of key management or operational personnel, non-insurable risks, delay in resumption of activities after reinstatement following the occurrence of an insurable risk and other matters that may interfere with the business or trade of Exopharm.
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PATENT ATTORNEY'S REPORT
Dear Sirs


1 FPA’s engagement
FPA Patent Attorneys Pty Ltd (FPA) has been engaged by Exopharm Ltd to provide this report for inclusion in its prospectus to be dated in or about November 2018 (Prospectus) and more generally, to provide patent attorney services to Exopharm Ltd.

Prior to engagement by Exopharm Ltd, FPA had been engaged by Altnia Operations Pty Ltd in respect of the patent applications described in section 3 of this report.

FPA provides patent attorney services only. FPA does not provide legal or trade mark services.

FPA has not been engaged in any matters in relation to trade mark applications held by Exopharm Ltd or any other party and does not report or advise in relation to trade marks in this report or otherwise.

FPA consents to the inclusion of this report in the Prospectus, in the form and context in which it appears.

2 Outline
Section 3 of this report outlines the scope of FPA’s engagement with Exopharm Ltd and the Exopharm applications.

Section 4 of this report provides general information on patents.

Section 5 of this report provides general information on International Search and Examination and information relevant to the Exopharm applications.

Section 6 of this report outlines risk pertaining to the Exopharm applications and commercialisation of the relevant technology.

Section 7 of this report provides FPA’s statement of independence.

3 The Exopharm applications
FPA has been engaged by Exopharm Ltd to provide patent attorney services in respect of the following applications:
This section is intended to provide an overview of the nature and scope of patent rights, the general process by which patents are obtained and risk pertaining to obtaining and the enforcement of patents. The overview is not professional advice.

**Patents scope and nature of patent rights**

Patent rights are exclusive statutory monopoly rights that enable a party, who may be an owner, to exclude others from exploiting an invention the subject of the relevant patent.

In some jurisdictions, a party may be excluded from activities such as making, selling, hiring, or storing a product or process which has not been authorised by the patent owner.

Exploitation of an invention and hence, patent infringement, occur when an unauthorised use of a product or process utilises all of the features of the product or process as defined in the claims of the patent. For example, if a patent claim defines a product with reference to features A, B and C, infringement is found only if the product for which there has been unauthorised use also utilises features A, B and C. In this example, if the product for which there has been unauthorised use includes feature A, or B, or C only, or A and B only, or A and C only, or B and C only, there is unlikely to be patent infringement.

An unauthorised user of patent rights (a patent infringer) may be injunctioned from continuing to use a patented invention, or may be liable to pay damages or account for profits.

Patents may be granted in respect of products or processes. Processes may include manufacture processes and relevantly may include processes of extracting or isolating a material and use of the extracted or isolated material.

Composition of matter patents (product patents) may be particularly useful to the extent that a patent claim directed to a composition of matter may provide basis to exclude an unauthorised user in possession of the claimed composition of matter from any way of making or using the composition, whether or not the production process or use is one as disclosed in the patent.

Patent rights may be licensed from a patent owner or patent applicant to another party.

Where patent rights are licensed exclusively, the licensee may have the right to enforce the patent against an infringer. A non-exclusive licensee generally does not have a right to enforce a patent in most jurisdictions.

A patent term generally lasts for 20 years from a complete application filing date.
A patent application cannot be enforced against another party. Generally speaking, enforcement is only possible when a patent has been granted as a result of application.

As noted, patent rights are a right to exclude others from working a patented invention. Patent rights do not confer on a patent owner the right to work the invention within a patent. This means that a patent owner can be precluded from working his patented invention by another patent owner.

**Process by which patents are obtained**

Patent rights are generally obtained by a process that typically commences with the filing of an application (priority application) the purpose of which is to establish a date (the priority date) of priority for the invention disclosed in the priority application.

An example of a priority application is a provisional application. A provisional application is not an application for patent rights.

The purpose of the provisional application is simply to establish a point in time prior to which the relevant invention is to be tested for newness (novelty) and inventive step (obviousness) by reference to information that was published before the priority date.

An application for patent rights is made by the filing of a complete application in the relevant jurisdiction in which patent rights are desired.

Generally, provided that the complete application is filed within 12 months of the priority application and claims an invention that is appropriately disclosed in the priority application, the complete application will be assessed against the information published before (but not after) the priority date (being the filing date of the provisional application) for the purpose of novelty and inventive step.

A complete application may be filed in the form of a PCT application. This ostensibly enables a patent applicant to apply for protection in most of the World Trade Organisation (WTO) countries such as Australia, New Zealand, United States, Canada, United Kingdom, and other EU member countries using a single application.

An international patent searching and examination authority will examine a PCT application and provide a preliminary assessment of the novelty, obviousness, industrial applicability and support or enablement for the invention in the application (see section 5 below).

Within 18 months from filing a PCT application (30 months from filing a priority application), a PCT applicant must file patent applications (National applications) in those jurisdictions in which protection is required.

Within the following 3 to 5 years, a National application will be subjected to searching and examination by an examiner of a National patent office.

The key grounds of assessment are novelty and inventive step, although the assessment will also consider the quality of the patent specification that discloses the invention. The assessment may vary in complexity and depth from office-to-office.

Ultimately it is the objective of the patent examiner, in acting in the relevant public interest, to grant the narrowest possible monopoly to the patent applicant. Given this, it is not unusual for a patent applicant to obtain a patent that is narrower than that intended by the patent applicant. This can impact on the commercial usefulness and value of a patent.

It is difficult to know the likelihood of obtaining a patent of commercial usefulness until substantive National searching and examination has been completed.

When a patent has been granted, there is generally no guarantee that the patent is valid.

When granted, a patent may be enforced against an infringer. However, it is possible for an infringer to contest the validity of the patent rights granted by a patent office. This may mean that a patent which is held to be infringed cannot be enforced because it is not valid.

In Australia and most other countries, patent rights may be kept in force for a period of 20 years from the date of the filing of the complete application on which the patent is granted.

After a patent has been granted, renewal or maintenance fees may need to be paid, otherwise the patent may cease or expire.

It is not unusual for the granting of a patent to take between 5 to 7 years. This means that an enforcement period may be substantially less than 20 years (i.e. if a patent is granted with a term of 20 years, but took 5 years to be processed and granted, the enforcement period may be 15 years).

A patent for an invention may only be granted to a person who is an inventor or to a person who has entitlement to the invention by way of assignment, employment contract or other means.

A party (for example, an inventor) who has not assigned rights to a patent applicant or patent owner may be entitled to claim ownership of those rights. This may enable the party to contest the right of a patent applicant or patent owner to license or to otherwise transact, or to enforce patent rights in some jurisdictions. This may also enable a party to license or otherwise transact, or to enforce patent rights without consent from a party named in an agreement.
5

International Search and Examination and information relevant to the Exopharm applications

General

This section is intended to provide an overview of searching and examination of International (PCT) applications, particularly on the grounds of novelty and inventive step. The overview is not professional advice.

What is an ISR and WO?

All PCT applications are subjected to ‘International’ searching and examination. The International Search Report (ISR) and Written Opinion (WO) are documents arising from the searching and examination. These documents normally become publicly available at 18 months after the earliest claimed priority date.

Why is a PCT application subjected to searching and examination?

Perhaps a principal reason for International searching and examination is to provide a patent applicant with an indication regarding validity issues that might become relevant in National applications filed from the PCT application. In this context, an ISR and WO may provide an applicant with an early opportunity to develop a strategy for addressing a validity issue, should the issue later arise in a National application.

Who prepares an ISR and WO?

The ISR and WO in respect of a PCT application of an Australian PCT applicant is normally prepared by the Australian Patent Office.

What is searched and examined?

The Australian Patent Office applies the relevant PCT regulations in respect of International searching and examination of the invention and specification of the PCT application. Some key issues that are searched and examined include whether an invention as defined in the PCT patent claims is novel and contains an inventive step, and whether an invention is industrially applicable and whether there is support or enablement for the invention.

What are the limitations of the International search and examination?

As noted, the search and examination of an Australian originating PCT application is conducted according to the PCT regulations as considered applicable by the Australian Patent Office. These regulations are not precisely the same as the search and examination regime applying in a range of countries where National patent rights might be desired. What this means is that the conclusions expressed in an ISR and WO are not necessarily predictive of the conclusions that a patent office may reach in respect of a National application derived from a PCT application. The ISR and WO are not binding on a patent office in respect of a National application derived from a PCT application.

What may the outcome of searching and examination be?

An outcome expressed in an ISR and WO may be that all or some of the claims lack novelty, and/or that all or some claims lack inventive step, or that all claims are novel and contain an inventive step. Further an outcome may be that some or all claims lack enablement or support.

Generally speaking, it is not unusual for a ISR or WO to conclude that certain claims of a PCT application define an invention that is either not novel or that does not contain an inventive step or that is not supported or enabled. This is because patent claims in a PCT application are normally drafted broadly so as to obtain coverage for a lead embodiment of the invention and all other forms based on the relevant inventive concept. This drafting practice is to minimise design-around risk.

Is a ‘clear report’ necessarily a “good” outcome?

Sometimes, where an ISR or WO considers all claims to be novel and inventive, the ISR and WO are referred to as a ‘clear report’.

Obtaining a ‘clear report’ is not necessarily a “good” outcome for a PCT applicant, any more than it may be a “bad” outcome. For example, a clear report may simply indicate that the PCT application and claims have been drafted too narrowly, so as to only cover a lead embodiment and not all other forms based on the concept. In the circumstances a clear report might indicate design around risk. In addition a clear report may arise as a result of an incorrect assessment of prior art not being relevant, or as a result of not locating prior art which is relevant. Similarly, incorrect assessment of the relevance of prior art may result in an ostensibly negative report not necessarily representing a “bad” outcome. This incorrect assessment may extend to issues such as enablement and support.

What is the outcome of international searching and examination on the PCT/AU2017/051460?

The ISR and WO have concluded that all claims of PCT/AU2017051460, except for claim 1 and claims 15 to 17, define an invention that is new, contains an inventive step and is industrially applicable and that certain claims lack support/enablement.

If a patent office of a country where a National application is filed is to come to the same conclusion, and there are no other objections precluding allowance of the application, this might mean that a patent position could be obtained in that country by claim amendment. While at face value the ISR and WO indicate that this outcome should be possible, given the above, it cannot be known now with certainty that such a patent position will be obtained.
Risk pertaining to the Exopharm applications and commercialisation of related technology

The following is a general outline of risk pertaining to the Exopharm applications and commercialisation of related technology based on information as reasonably obtainable and understood at the date of this report. It is not legal advice or an exhaustive outline of risk:

- The Exopharm applications are not granted patents. Until such time as the applications are granted, the rights pending in the applications cannot be enforced in most jurisdictions such as Australia, New Zealand, United States, Canada, United Kingdom, and other EU member countries.

- The Exopharm applications have not been subjected to substantive searching or examination in the National patent offices of those jurisdictions where protection may be desired. It is possible that examination and searching could limit the patent claims of the applications to a point where they cannot provide protection that is commercially useful, advantageous or valuable.

- As with any patent application, there can be no certainty that patents will be granted on the Exopharm applications, and if granted that they will be valid.

- Exosomes were known prior to the Exopharm applications. Therefore patents granted on the Exopharm applications cannot be enforced against those who commercialise exosomes obtained by means other than the inventions in the Exopharm applications.

- A party (for example, an inventor) who has not assigned rights to Exopharm or a predecessor in title may be entitled to claim ownership of those rights which could interfere with Exopharm’s commercialisation of the Exopharm applications.

- Another party owning prior patent rights exploited by Exopharm in its commercialisation of the inventions in the Exopharm applications may exclude Exopharm from commercialising those inventions in those jurisdictions where the patent rights exist. The ISR is designed to identify patents and patent applications which could impact on the patentability of the Exopharm applications, and is not intended to provide any indication on Exopharm’s freedom to operate by exploiting the inventions which are the subject of the applications.

Statement of Independence

FPA is a private company wholly owned by Qantm Intellectual Property Limited (QIP). QIP is a public company that also owns Davies Collison Cave Pty Ltd, Davies Collison Cave Asia Pte Ltd, Davies Collison Cave Law Pty Ltd, and QIP Services Pty Ltd. FPA operates independently of Davies Collison Cave.

Neither FPA, nor any of its Directors has any entitlement to any securities in Exopharm, or has any other interest in the promotion of Exopharm. Furthermore, the payment of fees to FPA by Exopharm for the preparation of this report is not contingent upon the outcome of the Prospectus.

Yours sincerely

Tom Gumley PhD
Principal
FPA Patent Attorneys Pty Ltd
+61 3 8662 7356
Tom.Gumley@fpapatents.com
09

FINANCIAL INFORMATION
9.1 BACKGROUND

The financial information for Exopharm contained in this section comprises of the following:

(a) pro forma financial information, being the:
   (i) statement of financial position as at 30 June 2018;
   (ii) statement of comprehensive income for the year ended 30 June 2018;
   (iii) statement of changes in equity for the year ended 30 June 2018;
   (iv) statement of cash flows for the year ended 30 June 2018; and
   (v) notes to the pro forma financial information,

adjusted for the pro forma and subsequent adjustments (as if they occurred as at that date) collectively forms the pro forma historical statement of financial position as at 30 June 2018 (the Pro Forma Historical Financial Information); and

(b) historical financial information (the Historical Financial Information), being the:
   (i) statement of financial position as at 30 June 2017 and 30 June 2016;
   (ii) statement of comprehensive income for the years ended 30 June 2017 and 30 June 2016;
   (iii) statement of changes in equity for the years ended 30 June 2017 and 30 June 2016; and
   (iv) statement of cash flows for the years ended 30 June 2017 and 30 June 2016.

The Pro Forma Historical Financial Information and the Historical Financial Information together comprise the Financial Information.

The financial information has been reviewed and reported upon by the Investigating Accountant, whose Investigating Accountant’s Report is set out in section 10. Investors should note the scope and limitations of that report.

The following is also set out in this section:

(a) the basis of the preparation and presentation of the Financial Information (refer to section 9.2);
(b) forecast financial information (refer to section 9.3);
(c) a summary of the Company’s dividend policy (refer to section 9.4); and
(d) pro forma financial information (refer to section 9.5).

All amounts disclosed in this section are presented in Australian Dollars (A$).

9.2 BASIS OF PREPARATION OF THE FINANCIAL INFORMATION

(a) Preparation of the Pro Forma Historical Financial Information

The Pro Forma Historical Financial Information has been prepared solely for inclusion in this Prospectus.

The Pro Forma Historical Financial Information has been prepared based upon the Company’s financial position as at 30 June 2018, which is based on the audited annual report of the Company for 2018.

The Pro Forma Historical Financial Information presented in the Prospectus has been reviewed by HLB Mann Judd but has not been audited.

Investors should note that past results are not a guarantee of future performance. Investors should note the scope and limitations of the Investigating Accountant’s Report in section 10.

(b) Preparation of the Historical Financial Information

The financial information has been prepared in accordance with applicable accounting standards including the Australian equivalents of International Reporting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. Material accounting policies have been adopted in the preparation of the historical and pro forma financial information are shown below.

Further information is included in section 9.5(e) relating to the Notes to the Financial Statements.

The Financial Information is presented in an abbreviated form and does not include all of the disclosures, statements or comparative information required by Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act.

The information in this section should be read in conjunction with the risk factors set out in section 7 and other information contained in this Prospectus.

The information in this section should also be read in conjunction with the audited 30 June 2016, 2017 & 2018 special purpose annual reports of the Company which have been lodged with ASIC and a copy of which is available on the Company’s website: www.exopharm.com.

9.3 FORECAST FINANCIAL INFORMATION

The Directors have considered the matters set out in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings beyond the date on which it is anticipated that the Company may be admitted to the official list of the ASX on the basis that the operations of the Company are inherently uncertain. Any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.
9.4 **DIVIDEND POLICY**

The Company does not expect to declare any dividends after the completion of the Offer.

Any future determination as to the payment of dividends by the Company will be at the discretion of the Board and will depend on the availability of distributable earnings and operating results and financial condition of the Company, future capital requirements and general business and other factors considered relevant by the Board. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company.

9.5 **PRO FORMA FINANCIAL INFORMATION**

(a) Statement of financial position

**AS AT 30 JUNE 2018**

<table>
<thead>
<tr>
<th>Notes</th>
<th>Audited Historical</th>
<th>Subsequent Events</th>
<th>Pro forma Adjustments (Minimum)</th>
<th>Reviewed Pro forma (Minimum)</th>
<th>Pro forma Adjustments (Maximum)</th>
<th>Reviewed Pro forma (Maximum)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CURRENT ASSETS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>2</td>
<td>52,401</td>
<td>500,000</td>
<td>5,162,000</td>
<td>5,714,401</td>
<td>934,000</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>6</td>
<td>60,380</td>
<td>60,000</td>
<td>-</td>
<td>120,380</td>
<td>-</td>
</tr>
<tr>
<td>TOTAL CURRENT ASSETS</td>
<td></td>
<td>112,781</td>
<td>560,000</td>
<td>5,162,000</td>
<td>5,834,781</td>
<td>934,000</td>
</tr>
<tr>
<td>NON-CURRENT ASSETS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property and equipment</td>
<td>7</td>
<td>20,478</td>
<td>80,000</td>
<td>-</td>
<td>100,478</td>
<td>-</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>8</td>
<td>175,000</td>
<td>(100,000)</td>
<td>250,000</td>
<td>325,000</td>
<td>-</td>
</tr>
<tr>
<td>TOTAL NON-CURRENT ASSETS</td>
<td></td>
<td>195,478</td>
<td>(20,000)</td>
<td>250,000</td>
<td>425,478</td>
<td>-</td>
</tr>
<tr>
<td>TOTAL ASSETS</td>
<td></td>
<td>308,259</td>
<td>540,000</td>
<td>5,412,000</td>
<td>6,260,259</td>
<td>934,000</td>
</tr>
<tr>
<td>CURRENT LIABILITIES</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and other current liabilities</td>
<td>9</td>
<td>215,527</td>
<td>(145,127)</td>
<td>-</td>
<td>70,400</td>
<td>-</td>
</tr>
<tr>
<td>TOTAL CURRENT LIABILITIES</td>
<td></td>
<td>215,527</td>
<td>(145,127)</td>
<td>-</td>
<td>70,400</td>
<td>-</td>
</tr>
<tr>
<td>NON-CURRENT LIABILITIES</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other non-current liabilities</td>
<td></td>
<td>100,000</td>
<td>(100,000)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>TOTAL NON-CURRENT LIABILITIES</td>
<td></td>
<td>100,000</td>
<td>(100,000)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>TOTAL LIABILITIES</td>
<td></td>
<td>315,527</td>
<td>(245,127)</td>
<td>-</td>
<td>70,400</td>
<td>-</td>
</tr>
<tr>
<td>NET ASSETS/(LIABILITIES)</td>
<td>(7,268)</td>
<td>785,127</td>
<td>5,412,000</td>
<td>6,189,859</td>
<td>934,000</td>
<td>7,123,859</td>
</tr>
</tbody>
</table>

| EQUITY | | | | | | |
| Issued capital | 3 | 169,090 | 1,125,000 | 5,412,000 | 6,706,090 | 934,000 | 7,640,090 |
| Accumulated losses | (176,358) | (339,873) | - | (516,231) | - | (516,231) |
| TOTAL EQUITY/(DEFICIENCY) | (7,268) | 785,127 | 5,412,000 | 6,189,859 | 934,000 | 7,123,859 |

The above should be read in conjunction with the accompanying notes.
### Statement of comprehensive income

**For the year ended 30 June 2018**

<table>
<thead>
<tr>
<th></th>
<th>Audited Historical $</th>
<th>Subsequent Events $</th>
<th>Pro forma Adjustments $</th>
<th>Reviewed Pro forma $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other income – research and development refund claim</td>
<td>43,919</td>
<td>-</td>
<td>-</td>
<td>43,919</td>
</tr>
<tr>
<td>Interest income</td>
<td>70</td>
<td>-</td>
<td>-</td>
<td>70</td>
</tr>
<tr>
<td>Research and development expenses</td>
<td>(79,164)</td>
<td>(67,808)</td>
<td>-</td>
<td>(146,972)</td>
</tr>
<tr>
<td>IP expenses</td>
<td>(10,194)</td>
<td>(14,126)</td>
<td>-</td>
<td>(24,320)</td>
</tr>
<tr>
<td>Employee benefits</td>
<td>(56,965)</td>
<td>(158,077)</td>
<td>-</td>
<td>(214,242)</td>
</tr>
<tr>
<td>Marketing and advertising</td>
<td>(3,891)</td>
<td>(6,758)</td>
<td>-</td>
<td>(10,649)</td>
</tr>
<tr>
<td>Depreciation</td>
<td>(518)</td>
<td>(3,104)</td>
<td>-</td>
<td>(3,622)</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>(68,654)</td>
<td>(90,000)</td>
<td>-</td>
<td>(158,654)</td>
</tr>
<tr>
<td>Loss from ordinary activities before tax</td>
<td>(174,597)</td>
<td>(339,873)</td>
<td>-</td>
<td>(514,470)</td>
</tr>
<tr>
<td>Income tax benefit</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Loss from ordinary activities after tax</td>
<td>(174,597)</td>
<td>(339,873)</td>
<td>-</td>
<td>(514,470)</td>
</tr>
<tr>
<td>Other comprehensive income net of tax</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total comprehensive loss for the year/period</td>
<td>(174,597)</td>
<td>(339,873)</td>
<td>-</td>
<td>(514,470)</td>
</tr>
</tbody>
</table>

The above should be read in conjunction with the accompanying notes.
## Statement of changes in equity

**For the Year Ended 30 June 2018**

<table>
<thead>
<tr>
<th>AUDITED HISTORICAL</th>
<th>Issued capital $</th>
<th>Accumulated losses $</th>
<th>Total Equity $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at 1 July 2017</td>
<td>1,000</td>
<td>(1,761)</td>
<td>(761)</td>
</tr>
<tr>
<td>Loss for the period</td>
<td>-</td>
<td>(174,597)</td>
<td>(174,597)</td>
</tr>
<tr>
<td>Shares issued during the year (net of share issue costs)</td>
<td>168,090</td>
<td>-</td>
<td>168,090</td>
</tr>
<tr>
<td>As at 30 June 2018</td>
<td>169,090</td>
<td>(176,358)</td>
<td>(7,268)</td>
</tr>
</tbody>
</table>

**SUBSEQUENT EVENTS**

| Loss for the period (September Quarter) | - | (339,873) | (339,873) |
| Equity issued (net of costs) | 125,000 | - | 125,000 |

**REVIEWED PRO FORMA**

| Shares issued pursuant to Prospectus | 6,000,000 | - | 6,000,000 |
| Share issue costs | (588,000) | - | (588,000) |
| Pro forma total – 30 June 2018 (Minimum) | 6,706,090 | (516,231) | 6,189,859 |

| Additional shares issued pursuant to Prospectus | 1,000,000 | - | 1,000,000 |
| Additional share issue costs | (66,000) | - | (66,000) |
| Pro forma total – 30 June 2018 (Maximum) | 7,640,090 | (516,231) | 7,123,859 |

The above should be read in conjunction with the accompanying notes.
(d) **Statement of cash flows**

**FOR THE YEAR ENDED 30 JUNE 2018**

<table>
<thead>
<tr>
<th></th>
<th>Audited Historical $</th>
<th>Subsequent Events $</th>
<th>Pro forma Adjustments (Minimum) $</th>
<th>Reviewed Pro forma (Minimum) $</th>
<th>Pro forma Adjustments (Maximum) $</th>
<th>Reviewed Pro forma (Maximum) $</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments to suppliers &amp; employees</td>
<td>(94,002)</td>
<td>(470,000)</td>
<td>-</td>
<td>(564,002)</td>
<td>-</td>
<td>(564,002)</td>
</tr>
<tr>
<td>Interest received</td>
<td>70</td>
<td>-</td>
<td>-</td>
<td>70</td>
<td>-</td>
<td>70</td>
</tr>
<tr>
<td>Net cash used in operating activities</td>
<td>(93,932)</td>
<td>(470,000)</td>
<td>-</td>
<td>(563,932)</td>
<td>-</td>
<td>(563,932)</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments for acquisition of fixed assets</td>
<td>(20,996)</td>
<td>(80,000)</td>
<td>-</td>
<td>(100,996)</td>
<td>-</td>
<td>(100,996)</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(20,996)</td>
<td>(80,000)</td>
<td>-</td>
<td>(100,996)</td>
<td>-</td>
<td>(100,996)</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net proceeds from the issue of shares</td>
<td>168,090</td>
<td>1,125,000</td>
<td>5,412,000</td>
<td>6,705,090</td>
<td>934,000</td>
<td>7,639,090</td>
</tr>
<tr>
<td>Payment of reimbursements</td>
<td>-</td>
<td>(75,000)</td>
<td>(250,000)</td>
<td>(325,000)</td>
<td>-</td>
<td>(325,000)</td>
</tr>
<tr>
<td>Repayment of borrowings</td>
<td>(761)</td>
<td>-</td>
<td>-</td>
<td>(761)</td>
<td>-</td>
<td>(761)</td>
</tr>
<tr>
<td>Net cash provided by financing activities</td>
<td>167,329</td>
<td>1,050,000</td>
<td>5,162,000</td>
<td>6,379,329</td>
<td>934,000</td>
<td>7,313,329</td>
</tr>
<tr>
<td><strong>Net increase in cash</strong></td>
<td>52,401</td>
<td>500,000</td>
<td>5,162,000</td>
<td>5,714,401</td>
<td>934,000</td>
<td>6,648,401</td>
</tr>
<tr>
<td><strong>Cash at the beginning of the financial period</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Cash at the end of the financial period</strong></td>
<td>52,401</td>
<td>500,000</td>
<td>5,162,000</td>
<td>5,714,401</td>
<td>934,000</td>
<td>6,648,401</td>
</tr>
</tbody>
</table>

The above should be read in conjunction with the accompanying notes.
**Financial Information**

(e) Notes to the pro forma Financial Information

For the year ended 30 June 2018

Note 1: Summary of Significant Accounting Policies

The financial information has been prepared in accordance with applicable accounting standards including the Australian equivalents of International Reporting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. Material accounting policies have been adopted in the preparation of the historical and pro forma financial information are shown below.

(i) Basis of preparation

The financial statements have been prepared in accordance with the measurement requirements (but not all of the disclosure requirements) of applicable Accounting Standards and other mandatory professional reporting requirements in Australia using the accrual basis of accounting, including the historical cost convention.

**Historical cost convention**

The financial statements have been prepared under the historical cost convention, and do not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair value of the consideration given in exchange for assets.

**Critical accounting estimates**

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 1 (xi).

**Going concern**

This financial information has been prepared on the going concern basis, which contemplates the continuation of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

(ii) Cash and cash equivalents

Cash comprises cash at bank and on hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(iii) Trade and other receivables

Trade receivables are measured on initial recognition at fair value. Trade receivables are generally due for settlement within periods ranging from 15 days to 30 days.

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Company will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Company in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Company.

The amount of the impairment loss is recognised in profit or loss. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

(iv) Income tax

The income tax expense or benefit for the period is the tax payable on the current period’s taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary difference and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

(A) when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

(B) when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:
(A) when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
(B) when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(v) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:
(A) when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
(B) receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, is included as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(vi) Impairment of tangible and intangible assets other than goodwill

The Company assesses at each balance date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset’s recoverable amount. An asset’s recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset’s value in use cannot be estimated to be close to its fair value.

In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each balance date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset’s revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.
Note 1: Summary of Significant Accounting Policies (continued)

(vii) Intangible assets

Intangible assets acquired separately are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period, with any changes in these accounting estimates being accounted for on a prospective basis.

Internally generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period as incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

(A) The technical feasibility of completing the intangible asset so that it will be available for use or sale;
(B) The intention to complete the intangible asset and use or sell it;
(C) The ability to use or sell the intangible asset;
(D) How the intangible asset will generate probable future economic benefits;
(E) The availability of adequate technical, financial and other resources to complete development and to use or sell the intangible asset; and
(F) The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

The following useful lives are used in the calculation of amortisation:

| License asset | 8 years following grant of patent |

(viii) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

(ix) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

(x) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(xi) Critical accounting judgements and key sources of estimation uncertainty

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets.

Impairment

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate. The estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions are recognised in the period in which the estimate is revised if it affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.
<p>(xii) Pro forma transactions</p>

The pro forma Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows have been derived from the historical financial information as at 30 June 2018 adjusted to give effect for:

a) Subsequent Events include the following actual or proposed significant events and transactions by the Company subsequent to 30 June 2018:

1. Adjustments to the License Agreement (as described in Section 3.2) obligations due to the License Agreement being terminated and replaced by the IP Assignment Deed (as described in Section 11.2), being:
   a. to adjust the current liability down by $100,000, from $175,000 to $75,000;
   b. to adjust the non-current liability down from $100,000 to nil; and
   c. Reduce intangible assets by $100,000.

2. Recognition of major cash movements for the September quarter 2018 of $500,000, being
   a. the issue of 10,000,000 Shares at an issue price of $0.12 per Share to raise $1,200,000 (less costs of the issue of $75,000) to raise $1,125,000;
   b. Working capital allocation of $470,000. It should be noted that the current monthly operational expenditure is between $100,000 and $200,000.
   c. Payment for Property Plant and Equipment of circa $80,000;
   d. Payment of $75,000 in reimbursements owed under the License Agreement (which occurred before the Termination of the License Agreement and was paid in the September quarter); and
   e. Recognise new trade and receivables of circa $60,000.

b) Pro forma Adjustments (minimum) include:

1. the issue by the Company pursuant to this Prospectus of 30,000,000 New Shares at an issue price of $0.20 each raising $6,000,000, less the expenses of the Offer of $588,000 (the minimum subscription);

2. payment of $250,000 reimbursements due under the terms of the IP Assignment Deed and recognising this amount as a corresponding Intangible Asset.

c) Pro forma Adjustments (maximum) include:

1. the issue by the Company pursuant to this Prospectus of an additional 5,000,000 New Shares at an issue price of $0.20 each raising $1,000,000, less the expenses of the Offer oversubscriptions of $66,000 (the maximum oversubscription).
Note 2: Cash and Cash Equivalents

<table>
<thead>
<tr>
<th></th>
<th>Audited Historical $</th>
<th>Subsequent Events $</th>
<th>Pro Forma Adjustments (Minimum) $</th>
<th>Reviewed Pro Forma (Minimum) $</th>
<th>Pro Forma Adjustments (Maximum) $</th>
<th>Reviewed Pro Forma (Maximum) $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as at 30 June 2018</td>
<td>52,401</td>
<td>-</td>
<td>-</td>
<td>52,401</td>
<td>-</td>
<td>52,401</td>
</tr>
<tr>
<td>Payments to suppliers and employees</td>
<td>-</td>
<td>(470,000)</td>
<td>-</td>
<td>(470,000)</td>
<td>-</td>
<td>(470,000)</td>
</tr>
<tr>
<td>Interest received</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Payment for fixed assets</td>
<td>-</td>
<td>(80,000)</td>
<td>-</td>
<td>(80,000)</td>
<td>-</td>
<td>(80,000)</td>
</tr>
<tr>
<td>Seed Capital</td>
<td>-</td>
<td>1,125,000</td>
<td>-</td>
<td>1,125,000</td>
<td>-</td>
<td>1,125,000</td>
</tr>
<tr>
<td>Reimbursement payments</td>
<td>-</td>
<td>(75,000)</td>
<td>(250,000)</td>
<td>(325,000)</td>
<td>-</td>
<td>(325,000)</td>
</tr>
<tr>
<td>Shares issued pursuant to the Prospectus</td>
<td>-</td>
<td>-</td>
<td>6,000,000</td>
<td>6,000,000</td>
<td>1,000,000</td>
<td>7,000,000</td>
</tr>
<tr>
<td>Share issue costs</td>
<td>-</td>
<td>-</td>
<td>(588,000)</td>
<td>(588,000)</td>
<td>(66,000)</td>
<td>(654,000)</td>
</tr>
<tr>
<td></td>
<td>52,401</td>
<td>500,000</td>
<td>5,162,000</td>
<td>5,714,401</td>
<td>934,000</td>
<td>6,648,401</td>
</tr>
</tbody>
</table>

Note 3: Issued Capital

<table>
<thead>
<tr>
<th></th>
<th>Number</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>AUDITED HISTORICAL</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance as at 1 July 2017</td>
<td>100,000</td>
<td>1,000</td>
</tr>
<tr>
<td>Shares issued during the year</td>
<td>35,400,000</td>
<td>177,990</td>
</tr>
<tr>
<td>Share issue cost</td>
<td>-</td>
<td>(9,900)</td>
</tr>
<tr>
<td><strong>Balance as at 30 June 2018</strong></td>
<td>35,500,000</td>
<td>169,090</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SUBSEQUENT EVENTS</strong></td>
<td></td>
</tr>
<tr>
<td>Shares issued for cash at $0.12</td>
<td>10,000,000</td>
</tr>
<tr>
<td>Share issue cost</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>45,500,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVIEWED PRO FORMA</strong></td>
<td></td>
</tr>
<tr>
<td>Shares issued pursuant to Prospectus:</td>
<td>30,000,000</td>
</tr>
<tr>
<td>Share issue costs – cash</td>
<td>-</td>
</tr>
<tr>
<td><strong>Pro forma balance (Minimum)</strong></td>
<td>75,500,000</td>
</tr>
<tr>
<td>Additional shares issued pursuant to Prospectus</td>
<td>5,000,000</td>
</tr>
<tr>
<td>Additional share issue costs – cash</td>
<td>-</td>
</tr>
<tr>
<td><strong>Pro forma balance (Maximum)</strong></td>
<td>80,500,000</td>
</tr>
</tbody>
</table>
Note 4: Contingencies and Commitments
The Directors are not aware of any contingencies other than as set out in sections 4 and 11 of the Prospectus.

Note 5: Related Party Transactions
Details of Directors’ interests in the Company’s issued capital and transactions with the Company are included in sections 11 and 13.2 of the Prospectus.

Note 6: Trade and other receivables

<table>
<thead>
<tr>
<th></th>
<th>Audited Historical</th>
<th>Subsequent Events</th>
<th>Pro Forma Adjustments (Minimum)</th>
<th>Reviewed Pro Forma (Minimum)</th>
<th>Pro Forma Adjustments (Maximum)</th>
<th>Reviewed Pro Forma (Maximum)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as at 30 June 2018</td>
<td>60,380</td>
<td>-</td>
<td>-</td>
<td>60,380</td>
<td>-</td>
<td>60,380</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>-</td>
<td>54,675</td>
<td>-</td>
<td>54,675</td>
<td>-</td>
<td>54,675</td>
</tr>
<tr>
<td>Amortisation of prepaid expenses</td>
<td>-</td>
<td>(4,433)</td>
<td>-</td>
<td>(4,433)</td>
<td>-</td>
<td>(4,433)</td>
</tr>
<tr>
<td>GST and others</td>
<td>-</td>
<td>9,758</td>
<td>-</td>
<td>9,758</td>
<td>-</td>
<td>9,758</td>
</tr>
<tr>
<td></td>
<td>60,380</td>
<td>60,000</td>
<td>-</td>
<td>120,380</td>
<td>-</td>
<td>120,380</td>
</tr>
</tbody>
</table>

Note 7: Property and equipment

<table>
<thead>
<tr>
<th></th>
<th>Audited Historical</th>
<th>Subsequent Events</th>
<th>Pro Forma Adjustments (Minimum)</th>
<th>Reviewed Pro Forma (Minimum)</th>
<th>Pro Forma Adjustments (Maximum)</th>
<th>Reviewed Pro Forma (Maximum)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as at 30 June 2018</td>
<td>20,478</td>
<td>-</td>
<td>-</td>
<td>20,478</td>
<td>-</td>
<td>20,478</td>
</tr>
<tr>
<td>Additions</td>
<td>-</td>
<td>83,104</td>
<td>-</td>
<td>83,104</td>
<td>-</td>
<td>83,104</td>
</tr>
<tr>
<td>Depreciation</td>
<td>-</td>
<td>(3,104)</td>
<td>-</td>
<td>(3,104)</td>
<td>-</td>
<td>(3,104)</td>
</tr>
<tr>
<td></td>
<td>20,478</td>
<td>80,000</td>
<td>-</td>
<td>100,478</td>
<td>-</td>
<td>100,478</td>
</tr>
</tbody>
</table>

Note 8: Intangible assets

<table>
<thead>
<tr>
<th></th>
<th>Audited Historical</th>
<th>Subsequent Events</th>
<th>Pro Forma Adjustments (Minimum)</th>
<th>Reviewed Pro Forma (Minimum)</th>
<th>Pro Forma Adjustments (Maximum)</th>
<th>Reviewed Pro Forma (Maximum)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as at 30 June 2018</td>
<td>175,000</td>
<td>-</td>
<td>-</td>
<td>175,000</td>
<td>-</td>
<td>175,000</td>
</tr>
<tr>
<td>Adjustments due to IP Assignment Deed</td>
<td>-</td>
<td>(100,000)</td>
<td>250,000</td>
<td>150,000</td>
<td>-</td>
<td>150,000</td>
</tr>
<tr>
<td>Amortisation</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>175,000</td>
<td>(100,000)</td>
<td>250,000</td>
<td>325,000</td>
<td>-</td>
<td>325,000</td>
</tr>
</tbody>
</table>

Note 9: Current Accounts payable and other liabilities

<table>
<thead>
<tr>
<th></th>
<th>Audited Historical</th>
<th>Subsequent Events</th>
<th>Pro Forma Adjustments (Minimum)</th>
<th>Reviewed Pro Forma (Minimum)</th>
<th>Pro Forma Adjustments (Maximum)</th>
<th>Reviewed Pro Forma (Maximum)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as at 30 June 2018</td>
<td>215,527</td>
<td>-</td>
<td>-</td>
<td>215,527</td>
<td>-</td>
<td>215,527</td>
</tr>
<tr>
<td>Purchases/expenses paid</td>
<td>-</td>
<td>(189,170)</td>
<td>-</td>
<td>(189,170)</td>
<td>-</td>
<td>(189,170)</td>
</tr>
<tr>
<td>Net payable to employees</td>
<td>-</td>
<td>14,869</td>
<td>-</td>
<td>14,869</td>
<td>-</td>
<td>14,869</td>
</tr>
<tr>
<td>PAYG payable</td>
<td>-</td>
<td>29,174</td>
<td>-</td>
<td>29,174</td>
<td>-</td>
<td>29,174</td>
</tr>
<tr>
<td></td>
<td>215,527</td>
<td>(145,127)</td>
<td>-</td>
<td>70,400</td>
<td>-</td>
<td>70,400</td>
</tr>
</tbody>
</table>
## 9.6 Historical Financial Information

Set out below is summarised financial information of Exopharm. The following information has been extracted from the audited financial statements of the Company for the years ended 30 June 2016 and 30 June 2017.

(a) Statement of financial position

<table>
<thead>
<tr>
<th></th>
<th>Audited 30 June 2017 $</th>
<th>Audited 30 June 2016 $</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other current assets</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Non-current Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed assets</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Non-current Assets</strong></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loan from shareholders</td>
<td>(761)</td>
<td>(196)</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td>(761)</td>
<td>(196)</td>
</tr>
<tr>
<td><strong>Non-current Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other non-current liabilities</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Non-current Liabilities</strong></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>(761)</td>
<td>(196)</td>
</tr>
<tr>
<td><strong>Net Assets / (Liabilities)</strong></td>
<td>(761)</td>
<td>(196)</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issued capital</td>
<td>1,000</td>
<td>1,000</td>
</tr>
<tr>
<td>Accumulated losses</td>
<td>(1,761)</td>
<td>(1,196)</td>
</tr>
<tr>
<td><strong>Total Equity</strong></td>
<td>(761)</td>
<td>(196)</td>
</tr>
</tbody>
</table>

The above should be read in conjunction with the accompanying notes.
(b) Statement of comprehensive income

<table>
<thead>
<tr>
<th></th>
<th>Audited 30 June 2017 $</th>
<th>Audited 30 June 2016 $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate expenses</td>
<td>(565)</td>
<td>(246)</td>
</tr>
<tr>
<td>Loss before income tax expense</td>
<td>(565)</td>
<td>(246)</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Loss for the year</td>
<td>(565)</td>
<td>(246)</td>
</tr>
<tr>
<td>Other comprehensive income, net of income tax</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total comprehensive loss for the year</td>
<td>(565)</td>
<td>(246)</td>
</tr>
</tbody>
</table>

The above should be read in conjunction with the accompanying notes.

(c) Statement of changes in equity

<table>
<thead>
<tr>
<th></th>
<th>Issued Capital $</th>
<th>Accumulated Losses $</th>
<th>Reserves $</th>
<th>Total Equity $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as at 1 July 2015</td>
<td>1,000</td>
<td>(950)</td>
<td>-</td>
<td>50</td>
</tr>
<tr>
<td>Loss for the year</td>
<td>-</td>
<td>(246)</td>
<td>-</td>
<td>(246)</td>
</tr>
<tr>
<td>Other comprehensive income, net of income tax</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Total comprehensive loss for the year</td>
<td>-</td>
<td>(246)</td>
<td>-</td>
<td>(246)</td>
</tr>
<tr>
<td>Balance as at 30 June 2016</td>
<td>1,000</td>
<td>(1,196)</td>
<td>-</td>
<td>(196)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Issued Capital $</th>
<th>Accumulated Losses $</th>
<th>Reserves $</th>
<th>Total Equity $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as at 1 July 2016</td>
<td>1,000</td>
<td>(1,196)</td>
<td>-</td>
<td>(196)</td>
</tr>
<tr>
<td>Loss for the year</td>
<td>-</td>
<td>(565)</td>
<td>-</td>
<td>(565)</td>
</tr>
<tr>
<td>Other comprehensive income, net of income tax</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Total comprehensive loss for the year</td>
<td>-</td>
<td>(565)</td>
<td>-</td>
<td>(565)</td>
</tr>
<tr>
<td>Balance as at 30 June 2017</td>
<td>1,000</td>
<td>(1,761)</td>
<td>-</td>
<td>(761)</td>
</tr>
</tbody>
</table>

The above should be read in conjunction with the accompanying notes.
(d) Statement of cash flows

<table>
<thead>
<tr>
<th></th>
<th>Audited 30 June 2017 $</th>
<th>Audited 30 June 2016 $</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments to suppliers and employees</td>
<td>(565)</td>
<td>(246)</td>
</tr>
<tr>
<td>Interest received</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net cash (used in) operating activities</td>
<td>(565)</td>
<td>(246)</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of fixed assets</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net cash (used in) investing activities</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from loan from shareholders</td>
<td>565</td>
<td>246</td>
</tr>
<tr>
<td>Net cash provided by financing activities</td>
<td>565</td>
<td>246</td>
</tr>
<tr>
<td><strong>Net increase in cash and cash equivalents</strong></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Cash and cash equivalents at the beginning of the year</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Cash and cash equivalents at the end of the year</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

The above should be read in conjunction with the accompanying notes.
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Investigating Accountant's Report
5 November 2018

The Board of Directors
Exopharm Limited
Level 17, 31 Queen Street
MELBOURNE VIC 3000

Dear Sirs

INVESTIGATING ACCOUNTANT’S REPORT - EXOPHARM LIMITED

INTRODUCTION

This Investigating Accountant’s Report ("Report") has been prepared for inclusion in a prospectus to be dated on or about 5 November 2018 ("Prospectus") and issued by Exopharm Limited ("Exopharm" or “the Company”) in relation to the Company’s proposed listing on the Australian Securities Exchange ("ASX"), comprising an offer of up to 30,000,000 fully paid ordinary shares at an issue price of $0.20 per share to raise up to $6,000,000 (before costs), with the ability to accept oversubscriptions of up to an additional 5,000,000 fully paid ordinary shares at an issue price of $0.20 per share to raise and additional $1,000,000 (before costs) ("Capital Raising" or “Offer”).

This Report has been included in the Prospectus to assist potential investors and their financial advisers to make an assessment of the financial position and performance of Exopharm. All amounts are expressed in Australian dollars and expressions defined in the Prospectus have the same meaning in this Report.

This Report does not address the rights attaching to the Shares to be issued in accordance with the Offer, nor the risks associated with accepting the Offer. HLB Mann Judd ("HLB") has not been requested to consider the prospects for Exopharm, nor the merits and risks associated with becoming a shareholder, and accordingly has not done so, nor purports to do so. HLB has not made and will not make any recommendation, through the issue of this Report, to potential investors of the Company, as to the merits of the Offer and takes no responsibility for any matter or omission in the Prospectus other than the responsibility for this Report. Further declarations are set out in Section 6 of this Report.

STRUCTURE OF REPORT

This Report has been divided into the following sections:
1. Background information;
2. Scope of Report;
3. Financial information;
4. Subsequent events;
5. Statements; and
6. Declaration.

1. BACKGROUND INFORMATION

The Company was registered in Australia on 15 May 2013 as Exsome Pty Ltd and changed its name to Exopharm Pty Ltd on 16 November 2016. On 10 August 2018 Exopharm changed from a private company to a public company and has primarily been involved in the development and commercialisation of a new type of cell free regenerative medicine having recently acquired the LEAP technology (Ligand-based Exosome Affinity Purification).
Further details of the Development Program are set out in Section 3 of the Prospectus.

The pro forma financial information presented in Section 9 of the Prospectus is the historical financial information of the Company for the year ended 30 June 2018, assuming that the significant events and proposed transactions set out in Section 3(b) of this Report had been completed as at that date.

The pro forma financial information of Exopharm, as prepared by the Company, has been prepared using a balance date of 30 June 2018 corresponding to the most recently available financial information. For completeness, the historical financial information for the years ended 30 June 2017 and 2016 is also outlined in Section 9.5 of the Prospectus.

The intended use of the funds raised by the issue of Shares under the Prospectus is set out in Section 4.3 of the Prospectus.

2. SCOPE OF REPORT

The Directors’ have requested HLB to prepare this Report including the following information:

a. the historical financial information of the Company comprising the historical Statement of Financial Position as at 30 June 2018 and the historical Statement of Comprehensive Income, historical Statement of Cash Flows and historical Statement of Changes in Equity for the period to 30 June 2018 as set out in Section 9 of the Prospectus; and

b. the pro forma financial information of the Company comprising the pro forma Statement of Financial Position as at 30 June 2018 and the pro forma Statement of Comprehensive Income, pro forma Statement of Cash Flows and pro forma Statement of Changes in Equity for the period to 30 June 2018 as set out in Section 9 of the Prospectus.

The Directors have prepared and are responsible for the historical and pro forma information. We disclaim any responsibility for any reliance on this Report or on the financial information to which it relates for any purposes other than that for which it was prepared. This Report should be read in conjunction with the full Prospectus.

The historical financial information and the pro forma financial information are presented in an abbreviated form insofar as they do not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports.

We performed a review of the historical and pro forma financial information of the Company as at 30 June 2018 in order to ensure consistency in the application of applicable Accounting Standards and other mandatory professional reporting requirements in Australia.

Our review of the historical and pro forma financial information of the Company was conducted in accordance with Australian Auditing Standards applicable to assurance engagements. Specifically, our review was carried out in accordance with Auditing Standard on Assurance Engagements ASRE 3450 “Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information” and included such enquiries and procedures which we considered necessary for the purposes of this Report.

The review procedures undertaken by HLB in our role as Investigating Accountant were substantially less in scope than that of an audit examination conducted in accordance with generally accepted auditing standards. Our review was limited primarily to an examination of the historical financial information and pro forma financial information, analytical review procedures and discussions with senior management. A review of this nature provides less assurance than an audit and, accordingly, this Report does not express an audit opinion on the historical information or pro forma information included in this Report or elsewhere in the Prospectus.

In relation to the information presented in this Report:

a. support by another person, corporation or an unrelated entity has not been assumed;

b. the amounts shown in respect of assets do not purport to be the amounts that would have been realised if the assets were sold at the date of this Report; and

c. the going concern basis of accounting has been adopted.

3. FINANCIAL INFORMATION

Set out Section 9 of the Prospectus are:


b. the pro forma financial information of the Group comprising the Statement of Financial Position of the Group as at 30 June 2018 and the pro forma Statement of Comprehensive Income, pro forma Statement of Cash Flows and pro forma Statement of Changes in Equity for the period to 30 June 2018 as they would appear after incorporating the following actual or proposed significant events and transactions by the Company subsequent to 30 June 2018:
ii) the subsequent events as outlined in the notes to the pro forma financial information; and

iii) the issue by the Company pursuant to this Prospectus of up to 30,000,000 ordinary fully paid shares issued at $0.20 each raising $6,000,000 (minimum subscription), before costs, with the ability to accept oversubscriptions of up to an additional $1,000,000, totalling $7,000,000 (maximum subscription), before costs; and

iii) the write off against issued capital of the estimated cash expenses of the Offer as outlined in Section 13.4 of the Prospectus of $588,000 (minimum) or $654,000 (maximum).

c. Notes to the historical financial information and pro forma financial information.

4. SUBSEQUENT EVENTS

There have been no material items, transactions or events subsequent to 30 June 2018 not otherwise disclosed in the Prospectus or this Report which have come to our attention during the course of our review that would require comment in, or adjustment to, the content of this Report or which would cause such information included in this Report to be misleading.

5. STATEMENTS

Based on our review, which was not an audit, we have not become aware of any matter that causes us to believe that:

a. the historical financial information of the Company as at 30 June 2018 as set out in Section 9 of the Prospectus, does not present fairly the financial position of the Company as at that date in accordance with the measurement and recognition requirements (but not all of the disclosure requirements) of applicable Accounting Standards and other mandatory reporting requirements in Australia, and its performance as represented by its results of its operations and its cash flows for the period then ended;

b. the pro forma financial information of the Company as at 30 June 2018 as set out in Section 9 of the Prospectus, does not present fairly the financial position of the Company as at that date in accordance with the measurement and recognition requirements (but not all of the disclosure requirements) of applicable Accounting Standards and other mandatory reporting requirements in Australia, and its performance as represented by its results of its operations and its cash flows for the period then ended, as if the actual or proposed significant events and transactions referred to in Section 3(b) of this Report had occurred during that period; and

c. the assumptions and applicable criteria used in the preparation of the pro forma financial information do not provide a reasonable basis for presenting the significant effects directly attributable to the Offer and do not reflect proper application of those adjustments to the unadjusted financial information.

6. DECLARATION

a. HLB will be paid its usual professional fee based on time involvement, for the preparation of this Report and review of the financial information, at our normal professional rates.

b. Apart from the aforementioned fee, neither HLB, nor any of its associates will receive any other benefits, either directly or indirectly, for or in connection with the preparation of this Report.

c. Neither HLB, nor any of its employees or associated persons has any interest in Exopharm or the promotion of the Company.

d. Unless specifically referred to in this Report, or elsewhere in the Prospectus, HLB was not involved in the preparation of any other part of the Prospectus and did not cause the issue of any other part of the Prospectus. Accordingly, HLB makes no representations or warranties as to the completeness or accuracy of the information contained in any other part of the Prospectus.

e. HLB has consented to the inclusion of this Report in the Prospectus in the form and context in which it appears.

Yours faithfully

HLB MANN JUDD

N G NEILL
Partner
11

MATERIAL CONTRACTS
11.1 INTRODUCTION

Set out below are summaries of various contracts entered into by Exopharm which are or may be material to the Offer or the operation of the business of Exopharm or otherwise are or may be relevant to a potential investor in Exopharm.

11.2 IP ASSIGNMENT DEED

On 5 October 2018, Exopharm and Altnia Operations (a related party of Exopharm) entered into the IP Assignment Deed, pursuant to which Altnia Operations agreed to assign of its rights, title and interest in the LEAP Technology (and all associated intellectual property including the Patent Applications) to Exopharm (subject to Shareholder approval).

On 29 October 2018, the Company obtained Shareholder approval for the purposes of Chapter 2E of the Corporations Act to provide a financial benefit to Altnia Operations by granting the Net Sales Royalty and Licence Royalty (each described below) to Altnia Operations as consideration for the assignment of the intellectual property rights pursuant to the IP Assignment Deed.

Completion of the assignment of the intellectual property rights to Exopharm occurred on 29 October 2018.

The material terms of the IP Assignment Deed are as follows:

<table>
<thead>
<tr>
<th>Subject</th>
<th>Provision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assignment of LEAP Technology</td>
<td>Altnia Operations assigns the LEAP Technology and all associated intellectual property rights (including the Patents) to Exopharm.</td>
</tr>
<tr>
<td>Consideration payable by Exopharm</td>
<td>Exopharm is required to pay the fees set out below to Altnia Operations as consideration for the assignment of the LEAP Technology.</td>
</tr>
<tr>
<td>• Net Sales Royalty: A royalty of 3% of the total amount invoiced for all sales, transfers of Products or other supplies of Products by or on behalf of Exopharm, its related entities or any licensees, less certain deductions (provided that such deductions do not exceed 5% of the gross invoiced price) and excluding fees received due to transfers as part of Product development and internal transfers for the purposes of re-sale (Net Sales).</td>
<td></td>
</tr>
<tr>
<td>• Licence Royalty: A royalty of 10% of all revenue or other consideration received by Exopharm from a person to whom Exopharm licences the LEAP Technology (Exopharm Licensee) in connection with the exploitation of the LEAP Technology, the grant of any licence of the LEAP Technology, or the grant of any option to licence the LEAP Technology (subject to certain exclusions including Net Sales, intellectual property registration costs and reimbursement of costs for genuine research and development of the LEAP Technology undertaken by Exopharm or an Exopharm Licensee).</td>
<td></td>
</tr>
<tr>
<td>• Reimbursement of development fees: Reimbursement of a portion of Altnia Operations’ fees incurred in the development and protection of the LEAP Technology and know-how, being a total of $325,000, as follows:</td>
<td></td>
</tr>
<tr>
<td>o $75,000 on or before 1 September 2018 (this amount has been paid by Exopharm at the Prospectus Date); and</td>
<td></td>
</tr>
<tr>
<td>o $250,000 within 7 business days after the later of the date on which ASX notifies Exopharm that it has decided to conditionally admit Exopharm to the official list of ASX and to quote its securities, and the date on which the Exopharm Board resolves to do all things necessary to satisfy ASX’s conditions including issuing Shares under the Offer.</td>
<td></td>
</tr>
<tr>
<td>Ownership of intellectual property</td>
<td>The LEAP Technology, and all intellectual property rights associated with the LEAP Technology (including Patent Applications) and any improvements made to the LEAP Technology, are owned by Exopharm.</td>
</tr>
<tr>
<td>Warranties</td>
<td>Altnia Operations provides various warranties to Exopharm, including that Altnia Operations is the sole legal and beneficial holder of all intellectual property being assigned to Exopharm (including the Patent Applications), no third party has any right, title estate or interest in the intellectual property, none of the intellectual property is subject to any third party encumbrance, Altnia Operations is able to assign the intellectual property without first obtaining the consent of any third party, the use and exploitation of the intellectual property will not require the payment of any money to any third party and Altnia Operations is not aware of any adverse claim against or challenge to any of the intellectual property.</td>
</tr>
<tr>
<td>First and last right to purchase the LEAP Technology upon the occurrence of an insolvency event</td>
<td>In the event that Exopharm suffers an event of insolvency (which includes a receiver, controller, administrator or liquidator being appointed in relation to Exopharm or any of its assets, Exopharm entering into a deed of company arrangement, a resolution or court order being made that Exopharm be wound up, Exopharm ceasing to be able to pay its creditors in the ordinary course of business or Exopharm otherwise becoming insolvent), Altnia Operations has the first and last right to purchase the LEAP Technology (and all associated intellectual property) from Exopharm in accordance with a prescribed procedure set out in the IP Assignment Deed.</td>
</tr>
<tr>
<td>This right allows Altnia Operations to purchase the LEAP Technology and all associated intellectual property, in circumstances where Exopharm suffers an event of insolvency and seeks to sell this intellectual property to a third party, and Altnia Operations matches or exceeds the final terms offered by the third party within 20 business days of receiving notification of the final terms of the offer from Exopharm.</td>
<td></td>
</tr>
</tbody>
</table>

The IP Assignment Deed otherwise contains terms and conditions considered standard for an agreement of this nature.
**11.3 ROYALTY DEED**

On 5 October 2018, Exopharm and Altnia Operations entered into the Royalty Deed to formalise the terms on which the Royalties are granted to Altnia Operations.

The material terms of the Royalty Deed are as follows:

<table>
<thead>
<tr>
<th>Subject</th>
<th>Provision</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Term of Royalty Deed</strong></td>
<td>The Royalty Deed commences on the date on which completion of the assignment of the intellectual property occurs under the IP Assignment Deed (which was 29 October 2018) and ends on the later of the date on which the last Patent relating to the LEAP Technology expires, or 25 years from the date on which the Royalty Deed commences.</td>
</tr>
<tr>
<td><strong>Grant and payment of Royalties</strong></td>
<td>Exopharm must pay the Net Sales Royalty and Licence Royalty to Altnia Operations within 30 days after the end of each quarter for the term of the Royalty Deed.</td>
</tr>
<tr>
<td><strong>Quarterly reporting requirements</strong></td>
<td>Following its first sale of a Product, Exopharm must provide quarterly reports to Altnia Operations, which includes the following information in relation to that quarter (amongst other things):</td>
</tr>
<tr>
<td></td>
<td>• details of Exopharm’s efforts to market the Products on a worldwide basis;</td>
</tr>
<tr>
<td></td>
<td>• the amount of Products sold and the total amount billed for each Product;</td>
</tr>
<tr>
<td></td>
<td>• the total Net Sales generated and Licence Revenue received; and</td>
</tr>
<tr>
<td></td>
<td>• the Net Sales Royalty and Licence Royalty payable.</td>
</tr>
<tr>
<td><strong>Transfer of rights to receive Royalties</strong></td>
<td>Altnia Operations may transfer its rights under the Royalty Deed to receive the Royalties to any third party, provided that the third party first enters into a deed of covenant in favour of Exopharm under which it agrees to be bound and subject to the terms and conditions of the Royalty Deed.</td>
</tr>
</tbody>
</table>

The Royalty Deed otherwise contains terms and conditions considered standard for an agreement of this nature.
### 11.4 MASTER RESEARCH SERVICES AGREEMENT

Exopharm and Altnia Operations are parties to a Master Research Services Agreement (dated 28 June 2018) which formalises the terms and conditions upon which:

(a) Altnia Operations may undertake research, technology transfer and preparatory activities to assist Exopharm’s development program and provide Exopharm and its personnel with access to certain specialised research resources; and

(b) Exopharm may undertake research, technology transfer and preparatory activities to assist Altnia Operations’ development program and provide Altnia Operations and its personnel with access to certain specialised research resources.

The material terms of the agreement are as follows:

<table>
<thead>
<tr>
<th>Subject</th>
<th>Provision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Term</td>
<td>The agreement commences on 1 May 2018, and expires on 1 July 2022 unless otherwise terminated in accordance with its terms.</td>
</tr>
<tr>
<td>Provision of services</td>
<td>If a party seeks to engage the other party to provide services in accordance with the agreement, the parties will enter into a statement of work which will incorporate the terms of the agreement and any additional terms agreed between the parties.</td>
</tr>
<tr>
<td>Initial fees payable by Exopharm</td>
<td>Exopharm will pay $62,688.96 to Altnia Operations within 3 months after commencement of the agreement, following which Altnia Operations will transfer certain research and development equipment and materials to Exopharm (this amount of $62,688.96 has been paid in full as at the Prospectus Date).</td>
</tr>
</tbody>
</table>
| Ongoing fees payable by each party | Each party must:  
  • pay to the other party all fees agreed with the other party and specified in a statement of work as fees for provision of the services; and  
  • reimburse the other party’s reasonable costs incurred in performing the services at direct invoice cost plus a 5% handling fee, provided that the other party does not incur any single expenses greater than $5,000 or expenses totalling more than $5,000 in any one month period without the prior written approval of the party that is receiving the relevant services. |
| Termination                    | The agreement may be terminated by the mutual agreement of the parties at anytime.  
Either party may terminate the agreement by providing one months’ written notice if:  
  • a party breaches a term of the agreement capable of remedy and the breach is not remedied within 30 days following receipt of a notice requiring it to do so;  
  • the other party suffers an insolvency event; or  
  • the other party ceases to carry on a business. |

The agreement otherwise contains terms and conditions considered standard for an agreement of this nature.
11.5 LEAD MANAGER MANDATE

Exopharm and the Lead Manager have entered into a corporate advisory and capital raising mandate under which the Lead Manager was appointed to act as lead manager to the Offer (Lead Manager Mandate).

The material terms of the Lead Manager’s engagement are as follows:

<table>
<thead>
<tr>
<th>Subject</th>
<th>Provision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management of Offer</td>
<td>The Lead Manager will act as the sole and exclusive lead manager to the Offer.</td>
</tr>
</tbody>
</table>
| Fees and reimbursement | The Lead Manager is entitled to receive the following fees under the Lead Manager Mandate:  
- a fee of 6% of all funds raised by Exopharm, including in relation to seed capital raisings managed by the Lead manager prior to Exopharm’s admission to the official list;  
- a success fee of $40,000 which is payable to the Lead Manager upon Exopharm’s successful admission to the ASX;  
- a corporate advisory fee of $10,000 per month, from commencement of the agreement until Exopharm’s successful admission to the ASX; and  
- following Exopharm’s successful admission to the ASX, a corporate advisory fee of $5,000 per month, for a minimum of 12 months from the date of listing.  
All fees payable to Participating Brokers (if any) will be met from these fees by the Lead Manager.  
In addition, the Lead Manager is entitled to reimbursement of all reasonable costs, professional fees and expenses incurred in performing its services under the Lead Manager Mandate, provided that prior approval is obtained before incurring any expenses in excess of $2,000.  
The above fees are all exclusive of GST. |
| Termination of mandate and entitlement to fees on termination | Either party may terminate the mandate by providing one month’s written notice prior to $500,000 being raised by Exopharm. Following achievement of this minimum raise, Exopharm will be required to retain the Lead Manager for a period of at least six months from the date of Exopharm’s most recent capital raising.  
If the mandate is terminated for any reason, the Lead Manager will remain entitled to the fees described above (including the monthly corporate advisory fee for the remaining months if the mandate is terminated within the six month period following a capital raising).  
If the mandate is terminated prior to completion of Exopharm’s ASX listing, and Exopharm or its shareholders enter into an ASX-listing transaction (or similar transaction) with any third party introduced by the Lead Manager to Exopharm, all fees described above will remain payable to the Lead Manager (including the 6% raising fee and the $40,000 success fee). |
| Indemnity | Exopharm agrees to indemnify the Lead Manager and to hold the Lead Manager harmless from and against:  
- all actions, claims, demands or proceedings which may be instituted against the Lead Manager; and  
- all liabilities, losses, damages, costs and expenses including reasonable legal costs and expenses which may be suffered or incurred by the Lead Manager, in connection with the mandate. |

The mandate otherwise contains terms and conditions considered standard for agreements of this nature.

11.6 EXECUTIVE EMPLOYMENT AGREEMENT – DR IAN DIXON (MANAGING DIRECTOR)

Exopharm and Dr Dixon are parties to an executive employment agreement dated 3 July 2018 (and amended on 5 October 2018) pursuant to which Dr Dixon is engaged by Exopharm as its Executive Director (and Chief Executive Officer) on a part time basis.

The material terms of the executive employment agreement are as follows:
Subject | Provision
--- | ---
**Term** | The agreement commences on 1 May 2018, and continues for a maximum term of 2 years, unless extended by the parties.

**Hours of work** | Dr Dixon is engaged by Exopharm on a part time basis, to perform a minimum of 30 ordinary hours on average, plus reasonable additional hours, per week.
Dr Dixon agrees, subject to his Other Obligations discussed below, to devote the portion of his time and attention that is necessary to carry out his employment duties.

**Remuneration** | Dr Dixon is entitled to receive an annual salary of $220,000 (including superannuation).
Dr Dixon may also be entitled to receive bonuses or other incentives (such as cash, securities, participation in an incentives plan or other incentives), as determined at the sole discretion of the Board.
In addition, Dr Dixon is entitled to be reimbursed for all reasonably and properly incurred business expenses related to his employment, provided that prior approval is obtained before incurring single expenses greater than $1,000, or expenses totalling more than $1,000 in any one month period.

**Performance of duties** | In the performance of his duties, Dr Dixon must discharge his duties faithfully and diligently, promote the interests and prosperity of Exopharm, enhance the reputation of Exopharm and comply with the reasonable, lawful instructions received from the Board and all Exopharm corporate governance policies.

**Other obligations and other activities** | Under the agreement, Exopharm acknowledges that:
- Dr Dixon has obligations to other companies, including Altnia Holdings and companies owned by Altnia Holdings such as Altnia Operations, and companies in respect of which Dr Dixon is a shareholder or officeholder (Other Obligations); and
- Dr Dixon may continue to be involved in other aspects of stem cell therapy, regenerative medicine, bioactive materials, biologics, small molecule drugs, artificial intelligence and the like (Other Activities), provided that such activities must not be performed for the benefit of, in connection with, or in anyway related to, a Competitor of Exopharm.
Dr Dixon agrees to manage his Other Obligations and Other Activities, and manage Exopharm’s personnel, to ensure that Exopharm’s corporate objectives are progressed as a priority.

**Disclosure of interests** | Dr Dixon must make all necessary disclosures to Exopharm in relation to all interests and matters which impact his independence and any matters which may give rise to a conflict of interest.
Dr Dixon is required to provide regular updates to the Board (including upon request) as to the scope of his Other Obligations and Other Activities. If the performance of his Other Obligations or Other Activities may give rise, or gives rise, to a conflict of interest with his Exopharm duties, Dr Dixon is required to notify the Board and provide sufficient details of the actual or potential conflict of interest to allow the Board to assess the extent of the conflict of interest.

**Intellectual property** | Dr Dixon retains ownership of all intellectual property rights owned by him prior to commencement of the agreement, and grants a non-exclusive, royalty-free and non-transferable licence to Exopharm to use this intellectual property during the course of his employment.
All intellectual property rights created in whole or part by Dr Dixon after the commencement of his employment whilst undertaking his employment duties during the course of his employment vest in Exopharm immediately upon creation.

**Termination** | Either party may terminate the agreement at any time by providing six months written notice. Exopharm may provide payment to Dr Dixon in lieu of notice.
Exopharm may otherwise terminate Dr Dixon’s employment immediately for serious misconduct or other matters that are usual grounds for summary dismissal.
Upon termination of the agreement, Dr Dixon will cease employment with Exopharm as its Managing Director (and Chief Executive Officer) and will become a Non-Executive Director. The parties will enter into a separate directorship agreement which will set out the terms of Dr Dixon’s engagement. Dr Dixon will be entitled to receive directors’ fees for his services as a Non-Executive Director (of an amount not less than $60,000 per annum including superannuation).

**Restrictive covenants** | During the term of his employment, and subject to his Other Obligations and Other Activities, Dr Dixon agrees not to be engaged in any capacity in the conduct of any other business, profession or occupation (except as a representative of Exopharm) if such engagement would in anyway compromise his ability to fulfil his employment duties.
Dr Dixon is subject to post-employment restraints on being involved in any capacity with a competitor of Exopharm, and soliciting Exopharm’s customers, clients, suppliers, business associates and staff. The restraint has potential effect globally for up to 12 months following termination of employment.

The agreement otherwise contains terms and conditions considered standard for an executive employment agreement of this nature.
### 11.7 EXECUTIVE EMPLOYMENT AGREEMENT - DR GREGOR LICHTFUSS (CHIEF OPERATING OFFICER)

On 25 July 2018, Exopharm entered into an executive employment agreement with Dr Gregor Lichtfuss, pursuant to which Dr Lichtfuss is engaged by Exopharm as its Chief Operating Officer on a full time basis.

The material terms of the executive employment agreement are as follows:

<table>
<thead>
<tr>
<th>Subject</th>
<th>Provision</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Term</strong></td>
<td>The agreement commences on 1 May 2018 and was subject to a 3 month probationary period following which it will continue until terminated in accordance with its terms.</td>
</tr>
<tr>
<td><strong>Hours of work</strong></td>
<td>Dr Lichtfuss is engaged by Exopharm on a full time basis (plus reasonable additional hours).</td>
</tr>
<tr>
<td><strong>Remuneration</strong></td>
<td>Dr Lichtfuss is entitled to receive a salary of $12,000 per month (comprising a total salary of $144,000 per annum) (including superannuation).</td>
</tr>
<tr>
<td></td>
<td>Dr Lichtfuss is eligible to receive cash bonus payments in the first 12 months following the commencement of employment, subject to the achievement of specified milestones as follows:</td>
</tr>
<tr>
<td></td>
<td>• a $5,000 cash bonus upon the first initial human use with clinical grade Exomeres in the first medical indication;</td>
</tr>
<tr>
<td></td>
<td>• a $5,000 cash bonus upon the first initial human use with clinical grade Exomeres in the second medical indication</td>
</tr>
<tr>
<td></td>
<td>The above bonus amounts are inclusive of superannuation and PAYG tax.</td>
</tr>
<tr>
<td></td>
<td>In addition, Dr Lichtfuss is entitled to be reimbursed for all reasonably and properly incurred business expenses related to his employment, provided that prior approval is obtained before incurring single expenses greater than $1,000, or expenses totalling more than $1,000 in any one month period.</td>
</tr>
<tr>
<td><strong>Performance of duties</strong></td>
<td>In the performance of his duties, Dr Lichtfuss must discharge his duties faithfully and diligently, promote the interests and prosperity of Exopharm, enhance the reputation of Exopharm and comply with the reasonable, lawful instructions received from the Board and all Exopharm corporate governance policies.</td>
</tr>
<tr>
<td><strong>Intellectual property</strong></td>
<td>Dr Lichtfuss retains ownership of all intellectual property rights owned by him prior to commencement of the agreement, and grants a non-exclusive, royalty-free and non-transferable licence to Exopharm to use this intellectual property during the course of his employment. All intellectual property rights created in whole or part by Dr Lichtfuss after the commencement of his employment whilst undertaking his employment duties during the course of his employment vest in Exopharm immediately upon creation.</td>
</tr>
<tr>
<td><strong>Termination</strong></td>
<td>Either party may terminate the agreement at any time by providing 3 months written notice. Exopharm may provide payment to Dr Lichtfuss in lieu of notice. Exopharm may otherwise terminate Dr Lichtfuss’ employment for serious misconduct, failing to fulfil his duties for a period of more than 20 days due to illness, disability or a matter beyond his control or other matters that are usual grounds for summary dismissal.</td>
</tr>
<tr>
<td><strong>Restrictive covenants</strong></td>
<td>During the term of his employment, Dr Lichtfuss agrees not to be engaged in any capacity in the conduct of any other business, profession or occupation (except as a representative of Exopharm) if such engagement would in anyway compromise his ability to fulfil his employment duties. Dr Lichtfuss is subject to post-employment restraints on being involved in any capacity with a competitor of Exopharm, and soliciting Exopharm’s customers, clients, suppliers, business associates and staff. The restraint has potential effect globally for up to 12 months following termination of employment.</td>
</tr>
</tbody>
</table>

The agreement otherwise contains terms and conditions considered standard for employment agreements of this nature.
### 11.8 Non-Executive Director’s Engagement Letters

Exopharm has entered into a letter of engagement with each of its Non-Executive Directors confirming their appointment and terms of engagement.

The material terms of the engagement letters are as follows:

<table>
<thead>
<tr>
<th>Subject</th>
<th>Provision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engagement</td>
<td>Each of Mr Jason Watson and Mr David Parker are engaged as Non-Executive Directors of Exopharm.</td>
</tr>
<tr>
<td>Directors’ fees</td>
<td>Mr Watson is entitled to be paid an annual director’s fee for his services of $96,000 (including superannuation). Mr Parker is entitled to be paid an annual director’s fee for his services of $30,000 (including superannuation).</td>
</tr>
<tr>
<td>Performance of duties</td>
<td>Each Director is expected to discharge his duties in accordance with the Constitution of Exopharm, the Corporations Act, the ASX Listing Rules and the corporate governance policies of Exopharm (as applicable).</td>
</tr>
<tr>
<td>D&amp;O insurance</td>
<td>Each Director will be covered by a directors’ and officers’ liability insurance policy taken out by Exopharm in accordance with the terms of the Deeds of Insurance, Indemnity and Access that Exopharm has executed with each Non-Executive Director.</td>
</tr>
<tr>
<td>Disclosure of interests</td>
<td>Each Director must make all necessary disclosures to Exopharm in relation to all interests and matters which impact their independence and any matters which may give rise to a conflict of interest.</td>
</tr>
<tr>
<td>Confidentiality</td>
<td>Each Director must keep information regarding Exopharm confidential, except if disclosure is required by law or Exopharm provides prior written consent.</td>
</tr>
<tr>
<td>Intellectual property</td>
<td>Each Director assigns to Exopharm all existing and future intellectual property rights in all inventions, designs, works and subject matter created or conceived by the Directors in the performance of their duties or using any of Exopharm’s resources.</td>
</tr>
</tbody>
</table>

The engagement letters otherwise contain terms and conditions considered standard for engagement letters of this nature.

### 11.9 Deeds of Indemnity, Insurance and Access

Exopharm has entered into Deeds of Indemnity, Insurance and Access with each of its Directors.

The material terms of these deeds are as follows:

<table>
<thead>
<tr>
<th>Subject</th>
<th>Provision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indemnity</td>
<td>Exopharm agrees to indemnify each Director from certain liabilities incurred from acting in that position under specified circumstances.</td>
</tr>
<tr>
<td>Insurance</td>
<td>Exopharm agrees to maintain directors’ and officers’ insurance cover (if available) in favour of each Director whilst that person maintains such office and for 7 years after the Director has ceased to be an officer of Exopharm, provided that:</td>
</tr>
<tr>
<td></td>
<td>Exopharm may cease to maintain directors’ and officers’ insurance cover in favour of each Director if Exopharm reasonably determines that the type of coverage is no longer available; and</td>
</tr>
<tr>
<td></td>
<td>Exopharm must notify a Director if it ceases to maintain directors’ and officers’ insurance cover in favour of that Director.</td>
</tr>
<tr>
<td>Access</td>
<td>Exopharm will provide access to any company records which are relevant to the Director’s holding of office with Exopharm, for a period of 7 years after the Director has ceased to be an officer of Exopharm.</td>
</tr>
<tr>
<td>Conditions</td>
<td>The indemnity and insurance obligations of Exopharm are subject to any restrictions under the Corporations Act.</td>
</tr>
</tbody>
</table>

The deeds otherwise contain terms and conditions considered standard for deeds of this nature.
## 11.10 PROFESSIONAL SERVICES AGREEMENT - MR DAVID PARKER (COMPANY SECRETARY)

Exopharm and Cobblestones Corporate (an entity controlled by Mr David Parker, a Director of the Company) have entered into an agreement under which Cobblestones Corporate agrees to provide company secretarial services to Exopharm.

<table>
<thead>
<tr>
<th>Subject</th>
<th>Provision</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Term</strong></td>
<td>The agreement commences on 1 October 2018 and continues until terminated in accordance with its terms.</td>
</tr>
<tr>
<td><strong>Provision of services</strong></td>
<td>The company secretarial services may be provided by Mr David Parker or another employee of Cobblestones Corporate.</td>
</tr>
<tr>
<td><strong>Hours of work</strong></td>
<td>Mr David Parker is required to work reasonable hours per month to ensure Mr Parker fulfils his company secretarial obligations. The agreement also provides for up to 25 hours book-keeping and account preparation work to be provided by an employee of Cobblestones Corporate.</td>
</tr>
<tr>
<td><strong>Consulting fee</strong></td>
<td>Cobblestones Corporate is entitled to receive a consulting fee of $10,000 per month (plus GST). As consideration for hours provided in addition to those described above, Exopharm must pay to Cobblestones Corporate an hourly rate of $75 (plus GST) for services provided by the employee of Cobblestones Corporate, and $150 (plus GST) for services provided by Mr Parker (up to an additional $2,000 (plus GST) per month).</td>
</tr>
<tr>
<td><strong>Performance of duties</strong></td>
<td>In the performance of their duties, the Company Secretary must discharge their duties faithfully and diligently, promote the interests and prosperity of Exopharm, enhance the reputation of Exopharm and comply with the reasonable, lawful instructions received from the Board and all Exopharm corporate governance policies.</td>
</tr>
<tr>
<td><strong>Termination</strong></td>
<td>The agreement may be terminated by either party on one months written notice.</td>
</tr>
</tbody>
</table>

The agreement otherwise contains terms and conditions considered standard for services agreements of this nature.
This page has been left blank intentionally.
RIGHTS AND LIABILITIES ATTACHING TO NEW SHARES
The New Shares issued under this Prospectus will be fully paid ordinary shares in the capital of Exopharm and will rank equally with the Existing Shares.

Full details of the rights and liabilities attaching to the New Shares are contained in the Constitution of Exopharm and, in certain circumstances, are regulated by the Corporations Act, the ASX Listing Rules, the ASX Settlement Rules and the common law. The Constitution is available for inspection free of charge at Exopharm’s registered office.

The following is a broad summary (though not necessarily an exhaustive or definitive statement) of the rights and liabilities attaching to Shares:
(a) **Share capital:** All issued Shares rank equally in all respects.

(b) **Voting rights:** At a general meeting of Exopharm, every holder of Shares present in person, by an attorney, representative or proxy has one vote on a show of hands and on a poll, one vote for each Share held, and for every contributing share (i.e. partly paid) held, a fraction of a vote equal to the proportion which the amount paid up bears to the total issue price of the contributing share. Where there is an equality of votes, the chairman has a casting vote.

(c) **Dividend rights:** Subject to the Corporations Act, the ASX Listing Rules and any rights of persons entitled to shares with special rights to dividends (at present there are none), all dividends as declared by the Directors are to be payable on all such shares in proportion to the amount of capital paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividends is paid, unless the share is issued on terms providing to the contrary.

(d) **Payment of dividends:** Dividends are payable out of the assets of Exopharm in accordance with section 254T of the Corporations Act and as determined by the Directors, which shall be conclusive. The Directors may direct that payment of the dividend be made wholly or in part by the distribution of specific assets or other Securities of Exopharm.

(e) **Rights on winding-up:** Subject to the Corporations Act, the ASX Listing Rules and any rights or restrictions attached to a class of Shares, the liquidator may on winding-up of Exopharm, with the authority of a special resolution, divide among the Shareholders in kind the whole or any part of the property of Exopharm and may for that purpose set such value as the liquidator considers fair upon any property to be so divided and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

(f) **Transfer of Shares:** Subject to the Constitution, Shares in Exopharm may be transferred by:
(i) a proper ASX Settlement transfer or any other method of transferring or dealing in Shares introduced by the ASX or operated in accordance with the ASX Settlement Rules or the ASX Listing Rules as recognised under the Corporations Act; or
(ii) an instrument in writing in any usual or common form or in any other form that the Directors, in their absolute discretion, approve from time to time.

(g) **Refusal to transfer Shares:** The Directors may refuse to register a transfer of Shares (other than a proper ASX Settlement transfer) only where:
(i) the law permits it;
(ii) the law requires it; or
(iii) the transfer is a transfer of restricted securities (as defined in ASX Listing Rule 19.12) which is, or might be, in breach of the ASX Listing Rules or any escrow agreement entered into by Exopharm in respect of those restricted securities.

(h) **Further increases in capital:** Subject to the Constitution, the Corporations Act and the ASX Listing Rules:
(i) Shares in Exopharm are under the control of the Directors, who may allot or dispose of all or any of the Shares to such persons, and on such terms, as the Directors determine; and
(ii) the Directors have the right to grant options to subscribe for Shares, to any person, for any consideration.

(i) **Variation of rights attaching to shares:** The rights attaching to the shares of a class (unless otherwise provided by their terms of issue) may only be varied by a special resolution passed at a separate general meeting of the holders of those shares of that class, or in certain circumstances, with the written consent of the holders of at least seventy-five percent (75%) of the issued shares of that class.

(j) **General meeting:** Each holder of Shares will be entitled to receive notice of, and to attend and vote at, general meetings of Exopharm and to receive notices, accounts and other documents required to be furnished to Shareholders under the Constitution, the Corporations Act and the ASX Listing Rules.
ADDITIONAL INFORMATION
13.1 REMUNERATION OF DIRECTORS

The Constitution of Exopharm provides that the Directors may be paid for their services as Directors.

The Constitution also provides that Non-Executive Directors may collectively be paid, as remuneration for their services, a fixed sum not exceeding the aggregate maximum set by Shareholders in general meeting. As at the Prospectus Date, the aggregate maximum has been set at $350,000.

A Director may be paid fees or other amounts as the Directors determine, where a Director performs duties or provides services outside the scope of their normal duties. A Director may also be reimbursed for out-of-pocket expenses incurred as a result of their directorship or any special duties.

The table below sets out the current cash remuneration of each Director (inclusive of superannuation).

<table>
<thead>
<tr>
<th>Director</th>
<th>Cash remuneration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jason Watson</td>
<td>$96,000 by way of director fees under a Non-Executive Director engagement deed with Exopharm.</td>
</tr>
<tr>
<td>Ian Dixon</td>
<td>$220,000 by way of a salary under an executive employment agreement with Exopharm.</td>
</tr>
<tr>
<td>David Parker</td>
<td>$30,000 by way of director fees under a Non-Executive Director engagement deed with Exopharm.</td>
</tr>
</tbody>
</table>

Notes: Mr Parker is also remunerated for company secretarial services provided to the Company pursuant to a professional services agreement between Exopharm and Cobblestones Corporate, details of which are summarised in section 11.10. Mr Parker is a minority unit holder and employee of the Lead Manager who will be entitled to receive fees for services provided in relation to the Offer, as described in section 11.5. A portion of the fees payable to the Lead Manager may be paid to Mr Parker for services provided or to be provided by Mr Parker to the Company in his capacity as an employee of the Lead Manager.

13.2 SECURITY HOLDING INTERESTS OF DIRECTORS

The following table sets out the relevant interest of each Director in the Securities of Exopharm as at the Prospectus Date.

<table>
<thead>
<tr>
<th>Director</th>
<th>Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jason Watson</td>
<td>Nil</td>
</tr>
<tr>
<td>Ian Dixon</td>
<td>27,935,294</td>
</tr>
<tr>
<td>David Parker</td>
<td>822,200</td>
</tr>
</tbody>
</table>

Notes:
1. Directors may apply for New Shares offered pursuant to this Prospectus as described in section 13.3.
2. Dr Dixon has an indirect interest in 27,935,294 Shares held by Altnia Holdings. Altnia Holdings is ultimately controlled by Dr Dixon and his spouse.
3. Mr Parker has an interest in 822,200 Shares held either directly by Mr Parker or through entities ultimately controlled by Mr Parker.

13.3 DIRECTORS’ PARTICIPATION IN THE OFFER

At the Prospectus Date, each of the Directors may participate in the Offer on the same basis as all other Applicants and subscribe for up to the number of New Shares set out in the following table.

<table>
<thead>
<tr>
<th>Director</th>
<th>Offer (New Shares)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jason Watson</td>
<td>150,000</td>
</tr>
<tr>
<td>Ian Dixon</td>
<td>Nil</td>
</tr>
<tr>
<td>David Parker</td>
<td>250,000</td>
</tr>
</tbody>
</table>
13.4 EXPENSES OF THE OFFER

The cash expenses of the Offer are expected to comprise the following estimated costs and are exclusive of any GST payable by Exopharm.

<table>
<thead>
<tr>
<th>Expense</th>
<th>Minimum Subscription1 ($6,000,000)</th>
<th>Maximum Subscription2 ($7,000,000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASIC fees(^3)</td>
<td>$3,206</td>
<td>$3,206</td>
</tr>
<tr>
<td>ASX fees</td>
<td>$58,699</td>
<td>$63,919</td>
</tr>
<tr>
<td>Lead Manager’s stamping fees</td>
<td>$360,000</td>
<td>$420,000</td>
</tr>
<tr>
<td>Lead Manager success fees</td>
<td>$40,000</td>
<td>$40,000</td>
</tr>
<tr>
<td>Consultants/Experts’ fees</td>
<td>$19,000</td>
<td>$19,000</td>
</tr>
<tr>
<td>Legal fees</td>
<td>$80,000</td>
<td>$80,000</td>
</tr>
<tr>
<td>Promotion, printing, distribution and registry expenses</td>
<td>$25,000</td>
<td>$25,000</td>
</tr>
<tr>
<td>Miscellaneous expenses</td>
<td>$2,095</td>
<td>$2,875</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$588,000</strong></td>
<td><strong>$654,000</strong></td>
</tr>
</tbody>
</table>

Notes:
1. Assumes minimum subscription under the Offer.
2. Assumes full oversubscription under the Offer.
3. GST does not apply to ASIC fees.

13.5 TAXATION IMPLICATIONS

The taxation obligations and the effects of participating in the Offer can vary depending on the circumstances of each individual investor. Applicants who are in doubt as to their taxation position should seek professional advice. It is the sole responsibility of Applicants to inform themselves of their taxation position resulting from participation in the Offer.

The Directors do not consider that it is appropriate to give potential Applicants advice regarding the taxation consequences of applying for New Shares under this Prospectus, as it is not possible to provide a comprehensive summary of the possible taxation positions of potential applicants.

Neither Exopharm, nor any of its officers or advisors, accept any responsibility or liability for any taxation consequences to Applicants in relation to the Offer.

13.6 LEGAL PROCEEDINGS

As at the Prospectus Date, Exopharm is not involved in any material legal proceedings and the Directors are not aware of any material legal proceedings pending or threatened against Exopharm.
### 13.7 INTERESTS OF EXPERTS AND ADVISORS

Other than as set out below or elsewhere in this Prospectus:

(a) all other persons named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus do not have, and have not had in the 2 years before the Prospectus Date, any interest in:
   
   (i) the formation or promotion of Exopharm;
   
   (ii) property acquired or proposed to be acquired by Exopharm in connection with its formation or promotion or the Offer; or
   
   (iii) the Offer; and

(b) amounts have not been paid or agreed to be paid (whether in cash, Securities or otherwise), and other benefits have not been given or agreed to be given, to any of those persons for services provided by those persons in connection with the formation or promotion of Exopharm or the Offer.

<table>
<thead>
<tr>
<th>Expert/advisor</th>
<th>Service or function</th>
<th>Amount paid or to be paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alto Capital</td>
<td>Lead Manager to the Offer Corporate advisor</td>
<td>Alto Capital will be paid between approximately $400,000 and $460,000 (plus GST) for services related to this Prospectus and the Offer. Alto Capital has been paid or is entitled to be paid approximately $134,108 (plus GST) for corporate advisory and capital raising services provided to Exopharm in the period 2 years prior to the Prospectus Date.</td>
</tr>
<tr>
<td>HLB Mann Judd (WA Partnership)</td>
<td>Investigating Accountant's Report</td>
<td>HLB Mann Judd will be paid approximately $8,500 (plus GST) for preparing the Investigating Accountant's Report contained in this Prospectus.</td>
</tr>
<tr>
<td>William Buck Audit (Vic) Pty Ltd</td>
<td>Audit services</td>
<td>William Buck Audit (Vic) Pty Ltd has been paid or is entitled to be paid approximately $13,580 (plus GST) for audit services provided to Exopharm in the period 2 years prior to the Prospectus Date.</td>
</tr>
<tr>
<td>Jackson McDonald (a partnership)</td>
<td>Solicitors to the Offer and general legal services</td>
<td>Jackson McDonald will be paid approximately $80,000 (plus GST) for services related to this Prospectus and the Offer. Jackson McDonald has been paid or is entitled to be paid approximately $137,425 (plus GST) for legal services provided to Exopharm in the period 2 years prior to the Prospectus Date, inclusive of approximately $68,725 (plus GST) in relation to this Prospectus and the Offer.</td>
</tr>
<tr>
<td>Automic Pty Ltd trading as Automic Registry Services</td>
<td>Securities registry services</td>
<td>Automic Pty Ltd will be paid approximately $2,000 (plus GST) for services to be provided in relation to receiving and managing subscibers under the Offer. Automic Pty Ltd has been paid or is entitled to be paid approximately $275 (plus GST) for the provision of securities registry services to Exopharm in the period 2 years prior to the Prospectus Date.</td>
</tr>
<tr>
<td>Cobblestones Corporate</td>
<td>Company Secretarial services</td>
<td>Cobblestones is entitled to be paid monthly service fees for Company Secretarial services of $10,000 effective 1 October 2018. Cobblestones Corporate has been paid or is entitled to be paid approximately $7,335 (plus GST) for the provision of company secretarial services to Exopharm in the period 2 years prior to the Prospectus Date.</td>
</tr>
</tbody>
</table>
13.8 CONSENT STATEMENTS

The following persons have given their written consent to be named in this Prospectus in the form and context in which they are named and to the inclusion of a statement or report in this Prospectus in the form and context in which it is included:

<table>
<thead>
<tr>
<th>Party</th>
<th>Capacity in which named</th>
<th>Statement or report in this Prospectus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alto Capital</td>
<td>Lead Manager</td>
<td>Not applicable</td>
</tr>
<tr>
<td>Cobblestones Corporate</td>
<td>Company Secretarial Services</td>
<td>Not applicable</td>
</tr>
<tr>
<td>HLB Mann Judd (WA Partnership)</td>
<td>Investigating Accountant</td>
<td>Investigating Accountant’s Report</td>
</tr>
<tr>
<td>BioInformant Worldwide LLC</td>
<td>Author of the BioInformant Market Report</td>
<td>Statements attributed to BioInformant Worldwide LLC in sections 2.7 and 2.8.</td>
</tr>
<tr>
<td>William Buck Audit (Vic) Pty Ltd</td>
<td>Auditor</td>
<td>Not applicable</td>
</tr>
<tr>
<td>Jackson McDonald (a partnership)</td>
<td>Solicitors to the Offer</td>
<td>Not applicable</td>
</tr>
<tr>
<td>Automic Pty Ltd trading as Automic Registry Services</td>
<td>Securities Registry</td>
<td>Not applicable</td>
</tr>
</tbody>
</table>

Each of the parties named above as providing their consent:

(a) did not authorise or cause the issue of this Prospectus;
(b) does not make, or purport to make, any statement in this Prospectus nor is any statement in this Prospectus based on any statement by any of those parties other than as specified in this section 13.8; and
(c) to the maximum extent permitted by law, expressly disclaims any responsibility or liability for any part of this Prospectus other than a reference to its name and a statement contained in this Prospectus with consent of that party as specified in this section 13.8.
This page has been left blank intentionally.
This Prospectus is issued by Exopharm and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with ASIC and has not withdrawn that consent.

This Prospectus is signed for and on behalf of Exopharm pursuant to a resolution of the Board by:

Jason Watson  
Chairman

Date: 6 November 2018
GLOSSARY AND TECHNICAL INFORMATION
### 15.1 DEFINED TERMS

In this Prospectus the following terms have the following meanings:

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>AEST</td>
<td>Australian Eastern Standard Time.</td>
</tr>
<tr>
<td>Altnia Holdings</td>
<td>Altnia Holdings Pty Ltd (ACN 133 349 238).</td>
</tr>
<tr>
<td>Alto Capital</td>
<td>ACNS Capital Markets Pty Ltd (ACN 088 503 208) as trustee for the ACNS Unit Trust trading as ‘Alto Capital’.</td>
</tr>
<tr>
<td>Applicant</td>
<td>A person who applies for New Shares under and in accordance with this Prospectus.</td>
</tr>
<tr>
<td>Application</td>
<td>A valid application for New Shares offered under this Prospectus.</td>
</tr>
<tr>
<td>Application Form</td>
<td>The application form attached to or accompanying this Prospectus.</td>
</tr>
<tr>
<td>Application Money</td>
<td>Money received from an Applicant in respect of an Application.</td>
</tr>
<tr>
<td>ASIC</td>
<td>Australian Securities &amp; Investments Commission.</td>
</tr>
<tr>
<td>ASX</td>
<td>ASX Limited (ACN 008 624 691) trading as the 'Australian Securities Exchange'.</td>
</tr>
<tr>
<td>ASX Listing Rules</td>
<td>The listing rules of ASX.</td>
</tr>
<tr>
<td>ASX Operating Rules</td>
<td>The operating rules of ASX.</td>
</tr>
<tr>
<td>ASX Recommendations</td>
<td>ASX Corporate Governance Council’s Corporate Governance Principles and Recommendations (3rd edition).</td>
</tr>
<tr>
<td>ASX Settlement</td>
<td>ASX Settlement Pty Ltd (ACN 008 504 532).</td>
</tr>
<tr>
<td>ASX Settlement Rules</td>
<td>The operating rules of ASX Settlement.</td>
</tr>
<tr>
<td>Auditor</td>
<td>William Buck Audit (VIC) Pty Ltd (ACN 116 151 136).</td>
</tr>
<tr>
<td>Board</td>
<td>The board of Directors of Exopharm.</td>
</tr>
<tr>
<td>CHESS</td>
<td>Clearing House Electronic Sub-register System.</td>
</tr>
<tr>
<td>Chief Executive Officer</td>
<td>The chief executive officer of Exopharm from time to time, being Ian Dixon at the Prospectus Date.</td>
</tr>
<tr>
<td>Closing Date</td>
<td>The date on which the Offer closes, being 5:00pm (WST) on 4 December 2018 unless closed early or extended.</td>
</tr>
<tr>
<td>Cobblestones Corporate</td>
<td>Cobblestones Corporate Pty Ltd as trustee for The DRP Family Trust (ABN: 30 776 623 214) trading as Cobblestones Corporate.</td>
</tr>
<tr>
<td>Company Secretary</td>
<td>The company secretary of Exopharm from time to time, being David Parker at the Prospectus Date.</td>
</tr>
<tr>
<td>Constitution</td>
<td>The constitution of Exopharm.</td>
</tr>
<tr>
<td>Corporations Act</td>
<td>Corporations Act 2001 (Cth).</td>
</tr>
<tr>
<td>CRO</td>
<td>A contract research organisation, which is a company that provides support to other companies in the form of research services outsourced on a contract basis.</td>
</tr>
<tr>
<td>CY</td>
<td>Calendar Year.</td>
</tr>
<tr>
<td>Development Program</td>
<td>Exopharm's proposed development program for the LEAP Manufacturing Process and Plexaris and Exomere biologic products to ascertain whether these can be applied in human therapeutic applications.</td>
</tr>
<tr>
<td>Director</td>
<td>A director of Exopharm from time to time.</td>
</tr>
<tr>
<td>EMA</td>
<td>European Medicines Agency.</td>
</tr>
<tr>
<td>Executive Director</td>
<td>An executive director of Exopharm from time to time.</td>
</tr>
<tr>
<td>Existing Share</td>
<td>A Share issued by Exopharm prior to the Opening Date.</td>
</tr>
</tbody>
</table>
Existing Shareholder
Those persons or entities that are Shareholders of Exopharm as at the Prospectus Date and hold Existing Shares.

Exomeres
Exosomes derived from adult stem cells that are purified and manufactured using the LEAP Technology.

Exopharm or Company
Exopharm Limited (ACN 163 765 991).

Exposure Period
The period of 7 days after the date of lodgement of this Prospectus, which period may be extended by ASIC by not more than 7 days pursuant to section 727(3) of the Corporations Act.

FDA
The Food and Drug Administration, a United States regulatory agency.

FY
Financial year.

Glossary
This glossary of terms and technical and industry terminology

GST
The tax levied under A New Tax System (Goods and Services Tax) Act 1999 (Cth).

Holding Statement
A holding statement for Shares under CHESS.

Investigating Accountant
HLB Mann Judd (WA Partnership).

Initial Development Program
The Development Program over the next 12 months.

Investigating Accountant’s Report
The report of the Investigating Accountant contained in section 10.

IP Assignment Deed
The intellectual property assignment and licence termination deed between Altnia Operations and Exopharm dated 5 October 2018, the material terms of which are summarised in section 11.2.

Lead Manager
The lead manager to the Offer, Alto Capital.

Lead Manager Mandate
Has the meaning given to that term in section 11.5

LEAP
Ligand-based exosome affinity purification using the technology covered by Exopharm’s Patent Applications.

LEAP Ligand
A functionalised polymer conforming to the specification contained in Patent Applications.

LEAP Manufacturing Process
The manufacturing process developed by Altnia Operations (and assigned to Exopharm on 29 October 2018 pursuant to the IP Assignment Deed), using the LEAP Technology as a process step to extract and purify exosomes.

LEAP Technology
The technology described in the Patent Applications – a family of ligands that bind to vesicles.

Licence Agreement
The patent and know-how licence agreement effective between Exopharm and Altnia on 1 May 2018 and terminated on 29 October 2018.

Longer Term Development Program
The part of the Development Program which follows the Initial Development Program, in years 2 and 3 following completion of the Offer.

Managing Director
The managing director of Exopharm from time to time, being Ian Dixon at the Prospectus Date.

New Share
A Share offered under this Prospectus.

Non-Executive Director
A non-executive Director of Exopharm from time to time, being Jason Watson and David Parker at the Prospectus Date.

Offer
The offer of 30,000,000 New Shares at an offer price of $0.20 per Share to raise up to $6,000,000 (before costs), with capacity to accept oversubscriptions of up to a further 5,000,000 Shares to raise up to a further $1,000,000 (before costs) made under this Prospectus.

Offer Period
The period between the Opening Date and the Closing Date of the Offer.

Offer Price
The offer price of the New Shares under this Prospectus.

Official Quotation
Quotation of Shares on the official list of ASX.

Opening Date
The date on which the Offer opens, being 14 November 2018.

Other LEAP Technology Opportunities
The development of other applications of the LEAP Technology that are secondary to the Development Program.
Participating Broker
An entity holding an Australian Financial Services License (AFSL) or who is a Corporate Authorised Representative of an AFSL holder as selected by the Lead Manager to act as a broker for the Offer.

Patent Applications
(a) the following patent applications:
   • PCT Patent Application PCT/AU2017/051460, filed on 22 December 2017; and
   • Provisional Patent Application PCT/AU2018/902162, filed on 18 June 2018;
(b) all patents subsequently granted arising from the patent applications referred to in paragraph (a) of this definition, including divisionals, continuations, continuations in part and reissues; and
(c) any patent applications which claim priority from, or share common priority with the patent applications referred to in paragraph (a) of this definition, or the patents referred to in paragraph (b) of this definition.

Patent Attorney’s Report

Plexaris
Exosomes derived from human platelets that are purified and manufactured using the LEAP Technology.

Product or Products
Exomeres and/or Plexaris.

Prospectus
This prospectus and any supplementary or replacement prospectus.

Prospectus Date
The date this Prospectus was lodged with ASIC.

Securities
Has the meaning given to that term in section 92(4) of the Corporations Act.

Securities Registry
The Company’s securities registry, Automic Pty Ltd (ACN 152 260 814) trading as ‘Automic Registry Services’.

Share
A fully paid ordinary share in the capital of Exopharm.

Shareholder
A holder of a Share.

TGA
The Therapeutic Goods Administration of Australia.

Year 1
The 12 month period from completion of the Offer.

Year 2
The 12 month period from completion of Year 1.
15.2GLOSSARY OF TECHNICAL AND INDUSTRY TERMINOLOGY

The following is an explanation of the various technical and industry terms used in this Prospectus:

affinity chromatography: a biochemical technique for the separation of a target molecule component from a mixture by passing it in the solution or suspension containing the target component through a medium in which the target components binds to the affinity chromatography medium (containing affinity ligands) but the remainder of the mixture does not bind to the affinity ligands. Then there is a further step where a first inert solvent is used to wash the unbound components out of the medium. Finally there is a step where the target components and are released (eluted) alone from the medium affinity ligands by passing a second inert solution (e.g. pure salt water) through the medium at different rates.

allogeneic: not from the recipient i.e. unmatched, although from individuals of the same species.

autologous: the donor and the recipient are the same person.

bilayer: a film or membrane that is two molecules thick (formed e.g. by lipids).

biologic product or biologics: a substance that is made from a living organism.

bio-manufacturing: a type of manufacturing or biotechnology that utilises biological systems to produce commercially important biomaterials and biomolecules.

biopharmaceutical(s): a pharmaceutical drug product manufactured from a biologic product.

DNA: deoxyribonucleic acid – a thread-like chain of nucleotides carrying the genetic instructions and usually located in the nucleus of the cell.

downstream process (DSP): as described in Figure 8.

dry-AMD: degeneration of the macular (the central part of the light-sensitive retina) caused by small white or yellowish lipid deposits under the macular.

endocrine: acting on distant cells.

EVs: extracellular vesicles.

Exosome/extracellular vesicle: a form of nano-sized cell-derived bi-layer lipid membrane vesicle and herein used interchangeably with terms used in the literature such as extracellular vesicle (EV), archeosomes, argosomes, dexosomes, ectosomes, exosome-like vesicles, microvesicles and nanovesicles.

extracellular: outside of the cell.

first in class: drugs that use a new and unique mechanism of action for treating a medical condition.

GMP: GMP means “Good Manufacturing Practice”. Australian based manufacturers of medicines and biologicals are required to hold a licence to manufacture. To obtain a licence, a manufacturer must demonstrate compliance with the relevant code of GMP. This is usually, but not always, done through an on-site inspection. It is an offence in Australia to manufacture therapeutic goods for human use without a licence or certification unless the manufacturer is exempt from this requirement under the Therapeutic Goods Act 1989 (Cth).

health span: the length of time that a person is active and healthy - not just alive.

heterogeneous: diverse in character or content; not alike.

HREC: Human Research Ethics Committee, a formally convened group that oversees and sanctions human research.

ligand: a molecule that binds to another (usually larger) molecule.

lipid: a fatty substance that is insoluble in water and soluble in alcohol, ether and chloroform.

matrix: extracellular supporting material in tissue.

nanometre: equal to one billionth (short scale) of a metre (0.000000001 m).

nano-sized: having a size measured in nanometres.
osteoarthritis - a degenerative condition that affects the whole joint including bone, cartilage, ligaments and muscles acting on nearby cells.

paracrine - acting on nearby cells.

PCT - Patent Cooperation Treaty, the main framework for international patents.

potency - the ability to evoke a given response at low concentrations.

platelets - also called thrombocytes are a cell component of blood that have no cell nucleus.

regenerative medicine - the process of replacing, engineering or regenerating human cells, tissues or organs to restore or establish normal function.

RNA - ribonucleic acid - a polymeric chain of nucleotides usually contained outside the nucleus of the cell.

rodent - small mammals of the order Rodentia including mouse (Mus) and rat (Rattus).

sarcopenia - the degenerative loss of skeletal muscle mass after middle age.

secretome - all the factors secreted by a cell.

size-exclusion chromatography - is a method in which molecules in solution are separated by their size by passing the sample through a matrix.

stem cell - an undifferentiated cell of a multicellular organism which is capable of giving rise to more cells of the same type, and from which certain other kinds of cell arise by cell division and differentiation.

therapeutic - a treatment, therapy or drug.

tangential flow filtration - also known as crossflow filtration and is a type of in which the filtrate or feed travels tangentially across the surface of the filter, rather than into the filter.

upstream process (USP) - as described in Figure 8.

utility - cost-utility analysis of a drug used to determine net cost-benefit in terms of utilities, especially quantity and quality of life.

vesicles - a large structure within a cell, or extracellular, consisting of liquid enclosed by a lipid bilayer.

wound healing - a complex sequential natural process in which the skin, and the tissues under it, repair themselves after injury.

xeno - of animal (non-human) origin.