



Eupraxia Pharmaceuticals Reports Second Quarter 2022 Financial Results

August 12, 2022

VICTORIA, BC, Aug. 12, 2022 /CNW/ - Eupraxia Pharmaceuticals Inc. ("Eupraxia" or the "Company") (TSX: EPRX), a Phase 2 clinical-stage biotechnology company with an innovative drug delivery technology platform, today announced its unaudited financial results (prepared in accordance with International Financial Reporting Standards or "IFRS") and operational highlights for the second quarter ended June 30, 2022. All amounts are expressed in Canadian dollars unless otherwise indicated.

"Enrollment for our Phase 2 clinical trial, which is evaluating EP-104IAR's safety and efficacy for the treatment of pain due to osteoarthritis of the knee, continued as anticipated during the second quarter, and trial timelines remain on track for data readout in the first quarter of 2023," said Dr. James Helliwell, CEO of Eupraxia. "In addition, we significantly strengthened our financial position in the quarter by completing a financing for gross proceeds of \$14.7 million. We believe we are well capitalized going forward to continue executing our Phase 2 clinical trial, while focussing on the diversification of our innovative drug delivery technology platform into other targeted therapeutic areas."

Selected Operational and Financial Highlights for the Second Quarter

- As previously disclosed, on April 20, 2022, the Company closed its overnight marketed public offering for gross proceeds of approximately \$14.7 million. By raising this capital, the Company satisfied the requirement to raise an additional \$10 million in net new capital under its contingent convertible debt agreement with Silicon Valley Bank ahead of the June 30, 2022 deadline.
- Advanced the ongoing Phase 2 clinical trial for EP-104IAR, which is now enrolling patients at sites in Poland and the Czech Republic, and opened additional sites in Denmark to advance patient screening.
- Concluded the quarter ended June 30, 2022, with cash and short-term investments of \$35.5 million. The Company anticipates current cash runway will fund the business through to the fourth quarter of 2023.
- Subsequent to quarter end, the Company announced that it was awarded The Emerging Life Sciences Company of the Year Award by Life Sciences British Columbia. The Emerging Life Sciences Company of the Year Award is presented to an early-stage life sciences company which, although not yet achieving commercial success, has demonstrated outstanding performance, and realized significant milestones from April 1st, 2021 – March 31st, 2022, and is positioned well for potential future commercial success.

Second Quarter 2022 Financial Review

The Company continued to enroll and dose patients in its 300-patient Phase 2 clinical trial of EP-104IAR. Operating expenses for the three months ended June 30, 2022, were \$6.1 million, versus \$5.0 million in the prior-year period. The increase for the period was primarily driven by higher research and development costs associated with the Phase 2 clinical trial for EP-104IAR and higher general and administrative costs offset by a decrease in stock-based compensation.

The Company incurred a net loss of \$6.3 million for the three months ended June 30, 2022, versus \$5.6 million for the quarter ended June 30, 2021. The increase in net loss was driven by higher research and development costs associated with the Phase 2 clinical trial for EP-104IAR and higher general and administrative costs.

The Company had a cash and short-term investments balance of \$35.5 million as at June 30, 2022. Management believes it has sufficient resources to fund the Company through to the fourth quarter of 2023.

As of June 30, 2022, the Company had 21,393,145 common shares issued and outstanding.

Financial Statements and Management Discussion & Analysis

Please see the unaudited interim condensed consolidated financial statements and related Management's Discussion & Analysis ("MD&A") for more details. The unaudited interim condensed consolidated financial statements for the quarter ended June 30, 2022, and related MD&A have been reviewed and approved by Eupraxia's Audit Committee and Board of Directors. For a more detailed explanation and analysis, please refer to the MD&A that has been filed under the Company's profile on SEDAR at www.sedar.com and is also available on the Company's website at www.eupraxiapharma.com.

About EP-104IAR

Eupraxia's lead product candidate, EP-104IAR, is designed to meet the significant unmet medical need and market demand for long-lasting pain relief for knee osteoarthritis ("OA"). The U.S. Centers for Disease Control and Prevention estimates that knee OA

affects more than 30 million people in the U.S. alone. This includes 14 million that suffer with knee pain or some form of disability. Knee OA is also associated with depression and loss of sleep, which can greatly affect quality of life.

With EP-104IAR, Eupraxia hopes to change the way knee OA pain is treated. Current therapies are challenged by poor safety, inadequate efficacy and/or limited duration of activity. Corticosteroids are one of only two drug classes strongly recommended by the American College of Rheumatology and the Arthritis Foundation for the treatment of knee OA pain. Currently approved corticosteroids are very effective at reducing pain for a short duration late in the disease but can expose the body to unwanted local and systemic side effects.

EP-104IAR endeavours to provide long-term pain relief with fewer unwanted side effects. It encapsulates a highly potent corticosteroid (fluticasone propionate) within a microns-thin polymer membrane, part of Eupraxia's patented technology platform.

Injected into the knee, EP-104IAR is intended to diffuse drug slowly into the knee joint providing therapeutic concentrations for up to six months. This has the potential dual advantage of providing long-duration pain relief with fewer systemic side effects. An enhanced safety profile would also benefit the estimated 70% of knee OA patients that experience pain in both knees by allowing simultaneous treatment of both affected joints.

In contrast to immediate release steroids, a non-clinical study of EP-104IAR suggests a cartilage sparing effect, which could provide a safer treatment alternative for those afflicted with chronic OA pain. The product has also been designed with physician convenience in mind – targeting a long shelf life, no refrigeration and easy integration into existing delivery techniques.

About Eupraxia Pharmaceuticals Inc.

Eupraxia is a clinical-stage biotechnology company focused on the development of locally delivered, extended-release alternatives to currently approved drugs. Each of Eupraxia's product candidates has the potential to address therapeutic areas with high unmet medical need and strives to provide improved patient benefit by delivering targeted, long-lasting activity with fewer side effects.

Eupraxia's lead product candidate, EP-104IAR, is currently in Phase 2 development for the treatment of pain due to OA of the knee. In addition to EP-104IAR, Eupraxia is developing a pipeline of earlier-stage long-acting formulations. Potential pipeline candidates include a range of drugs for indications such as postsurgical pain (EP-105), and post-surgical site infections (EP-201), each designed to improve on the activity and tolerability of approved drugs. For further details about Eupraxia, please visit the Company's website at: www.eupraxiapharma.com.

Notice Regarding Forward-looking Statements and Information

This news release includes forward-looking statements and forward-looking information within the meaning of Canadian securities laws. Often, but not always, forward-looking information can be identified by the use of words such as "plans", "is expected", "expects", "scheduled", "intends", "contemplates", "anticipates", "believes", "proposes" or variations (including negative and grammatical variations) of such words and phrases, or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward looking statements in this press release include statements regarding the Company's business strategies and objectives, including current and future plans and opportunities, expectations and intentions; statements regarding the Company's Phase 2 clinical trial; the ability of the Company to execute on its business strategy; the Company having sufficient resources, including anticipated funding from its current cash runway; the expansion of enrollment in the Company's Phase 2 clinical trial; expected trial timelines for data readout; the potential of Eupraxia's product candidates; the Company's expectations regarding its product designs, including with respect to targeted shelf life, storage and ease of integration; the results gathered from studies of Eupraxia's product candidates; the potential for the Company's technology to impact the drug delivery process; the competitive advantages of the Company's technology; the benefits to patients from the Company's drug platforms; the translation of the Company's technologies and expansion of its offerings into clinical applications; the Company's estimation of potential product markets; and the demand and market acceptance for products developed by the Company. Such statements and information are based on the current expectations of Eupraxia's management, and are based on assumptions, including but not limited to: future research and development plans for the Company proceeding substantially as currently envisioned; industry growth trends, including with respect to projected and actual industry sales; the Company's ability to obtain positive results from the Company's research and development activities, including clinical trials; and the Company's ability to protect patents and proprietary rights. Although Eupraxia's management believes that the assumptions underlying these statements and information are reasonable, they may prove to be incorrect. The forward-looking events and circumstances discussed in this news release may not occur by certain dates or at all and could differ materially as a result of known and unknown risk factors and uncertainties affecting Eupraxia, including, but not limited to: the Company's limited operating history; the Company's novel technology with uncertain market acceptance; if the Company breaches any of the agreements under which it licenses rights to its product candidates or technology from third parties, the Company could lose license rights that are important to its business; the Company's current license agreement may not provide an adequate remedy for its breach by the licensor; the Company's technology may not be successful for its intended use; the Company's future technology will require regulatory approval, which is costly and the Company may not be able to obtain it; the Company may fail to obtain regulatory approvals or only obtain approvals for limited uses or indications; the Company completely relies on third parties to provide supplies and inputs required for its products and services; the Company relies on external contract research organizations to provide clinical and non-clinical research services; the Company may not be able to successfully execute its business strategy; the Company will require additional financing, which may not be available; any therapeutics the Company develops will be subject to extensive, lengthy and uncertain regulatory requirements, which could adversely affect the Company's ability to obtain regulatory approval in

a timely manner, or at all; the impact of the COVID-19 pandemic on the Company's operations; and other risks and uncertainties described in more detail in Eupraxia's public filings on SEDAR (www.sedar.com). Although Eupraxia has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements and information, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. No forward-looking statement or information can be guaranteed. Except as required by applicable securities laws, forward-looking statements and information speak only as of the date on which they are made and Eupraxia undertakes no obligation to publicly update or revise any forward-looking statement or information, whether as a result of new information, future events or otherwise.

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