Eupraxia Pharmaceuticals Inc. Provides Corporate Update and Reports Second Quarter 2021 Financial Results

August 13, 2021

VICTORIA, BC, Aug. 13, 2021 /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, 2021. All amounts are expressed in Canadian dollars unless otherwise noted.

Selected Operational and Financial Highlights

- Subsequent to quarter end, received authorization of its Clinical Trial Application ("CTA") by the Danish Medicines Agency ("DKMA"), which is required to initiate the Company's Phase 2 clinical trial for its lead candidate EP-104IAR as a potential treatment for pain from osteoarthritis ("OA") of the knee. The Company remains on track to see top-line results from the trial in late 2022;
- Conducted ongoing preparations for the Phase 2 trial of EP-104IAR including labelling and release of clinical supplies, site initiation visits and the Investigator Meeting;
- Announced expansion of patient enrollment in the Phase 2 clinical trial of EP-104IAR from 220 to 300 patients;
- Built on EP-104IAR's intellectual property portfolio with a granted Canadian patent for composition and method of use. This patent is in addition to previously granted patents in the United States, European Union, China, Japan, Mexico and other key jurisdictions;
- Announced the appointment of industry veteran Bruce Cousins as President and CFO;
- Entered into an agreement with contract research organization Nordic Biosciences Clinical Development A/S ("NBCD") to conduct Eupraxia's EP-104IAR Phase 2 clinical trial in OA that will begin enrolling patients later this year and completed a US$500,000 investment from NBCD (the "Equity Investment") through offsetting fees payable under the agreement;
- Entered into a contingent convertible debt agreement (the "Agreement") with Silicon Valley Bank ("SVB") and concurrently drew down in full the $10 million principal amount under the Agreement; and
- Announced the conversion of approximately $6.0 million of outstanding indebtedness into common shares of the Company ("Common Shares") pursuant to certain convertible bridge loans made to the Company prior to its March 2021 initial public offering (the "Pre-IPO Bridge Loans").

"The authorization of our CTA means we are on track for patient enrollment in our Phase 2 trial in the third quarter of 2021, and we remain on track to see top-line results from the trial in late 2022," said Dr. James Helliwell, CEO of Eupraxia. "During our second quarter, we took steps to further strengthen our balance sheet, giving us the additional flexibility to conduct a pre-clinical repeat dosing study for EP-104IAR. We also continue to evaluate next-generation therapeutic targets that could expand our pipeline of locally-delivered, extended-release drug candidates."

Second Quarter 2021 Financial Review

Operating expense for the three months ended June 30, 2021 was approximately $5.0 million, versus approximately $0.7 million in the prior year period. For the year-to-date period, operating expense grew to approximately $10.2 million, versus approximately $1.7 million during the comparable period of 2020. The increase for both periods was primarily driven by higher costs relating to the upcoming Phase 2 clinical trial for EP-104IAR as well as fees and expenses related to the Company's IPO.

The Company incurred a net loss of approximately $5.4 million for the three months ended June 30, 2021 and approximately $14.3 million for the six months ended June 30, 2021, with the increase driven primarily by the factors mentioned above.

Following the successful completion of its IPO on March 9, 2021, the Equity Investment made by NBCD and entry into the Agreement with SVB, the Company had a cash balance of approximately $36.1 million and working capital of approximately $36.0 million as at June 30, 2021. Management believes it has sufficient resources to fund the Company into early 2023.

As at June 30, 2021 the Company had 14,242,595 shares outstanding which includes the conversion of approximately $6.0 million of outstanding indebtedness into common shares of the Company during the quarter.

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 three and six months ended June 30, 2021 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 on SEDAR at www.sedar.com and is also available on the Company's website at www.eupraxiapharma.com.

Non-IFRS Measure

The preceding discussion of financial results includes reference to Working Capital, which is a non-IFRS financial measure. Management believes Working Capital is a meaningful indicator of the operating liquidity available to the Company and is comprised of current assets less current liabilities.

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 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.

Injected into the knee, EP-104IAR is intended to slowly release drug at 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.

EP-104IAR has completed a Phase 1 trial and is currently in Phase 2 clinical development. A modified version of EP-104IAR is under development for canine and equine OA.

About Eupraxia

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 osteoarthritis 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 post-surgical pain (EP-105), and post-surgical site infections (EP-201), each designed to improve on the activity and tolerability of approved drugs. Eupraxia is also developing a formulation of EP-104IAR for use in canine and equine osteoarthritis.

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, 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, the expansion of enrollment in the Company's Phase 2 clinical trial, the potential 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 nonclinical 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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