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

May 13, 2021

VICTORIA, BC, May 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 financial results and operational highlights for the first quarter ended March 31, 2021. All amounts are expressed in Canadian dollars unless otherwise noted.

Selected Financial and Recent Operational Highlights

- Completed its initial public offering (the "IPO"), raising gross proceeds to the Company of $41,000,000; the Company's Phase 2 clinical trial for lead candidate EP-104IAR is now fully funded;
- 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 osteoarthritis that will begin enrolling patients later this year;
- Completed a US$500,000 investment from NBCD (the "Equity Investment") through offsetting fees payable under the agreement;
- Announced expansion of patient enrollment in the Phase 2 clinical trial of EP-104IAR from 220 to 300 patients;
- Announced the appointment of industry veteran Bruce Cousins as President and CFO;
- Strengthened the board of directors with the addition of Richard Glickman, a well-known Canadian healthcare entrepreneur, as an independent director; and
- Built on EP-104IAR's intellectual property portfolio with a granted Canadian patent for composition and method of use. This joins granted patents in the United States, European Union, China, Japan, Mexico and other key jurisdictions.

"Following the successful completion of our IPO and conclusion of the agreement with NBCD, a global leader in the conduct of osteoarthritis clinical trials, we are moving closer to screening our first patient in our expanded and fully-funded Phase 2 clinical trial of EP-104IAR," said Dr. James Helliwell, CEO of Eupraxia. "Having solidified our balance sheet and strengthened our leadership team with significant industry experience, we are now well positioned to execute on our strategy. Our initial focus is on the timely initiation of our Phase 2 osteoarthritis trial, scheduled to begin in the third quarter."

First Quarter 2021 Financial Review

The Company incurred a net loss of $8.9 million at March 31, 2021. This was driven in part by an increase in research and development expenses as the Company began preparing for its Phase 2 clinical trial, and an increase in general and administrative expenses, which include expenses associated with the Company's recent IPO and listing on the Toronto Stock Exchange.

Following the successful completion of its IPO on March 9, 2021, the Company had a cash balance of $31.1 million and working capital of $24.6 million at March 31, 2021. Management believes it has sufficient resources to fund the Company through late 2022.

Subsequent to quarter end, NBCD agreed to make a US$500,000 investment in the Company on the same terms as the Company's initial public offering. NBCD's subscription for the Equity Investment was satisfied by offsetting US$500,000 of service fees otherwise payable by Eupraxia, in exchange for issuing units (comprising one common share and one half common share purchase warrant) to NBCD, which will also allow Eupraxia to expand enrollment in its EP-104IAR Phase 2 clinical trial. On April 29, 2021, Eupraxia issued NBCD 78,456 units of the Company at a deemed price of C$8.00 per unit.

At March 31, 2021 the Company had 12,865,475 shares outstanding, with an additional 7,806,127 issuable shares should all convertible rights be exercised.

The Company's unaudited financial statements and management's discussion and analysis are available on the SEDAR website at www.sedar.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 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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