

**IX BIOPHARMA LTD.**  
(Company Registration no. 200405621W)  
(Incorporated in the Republic of Singapore)

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**QUESTIONS AND ANSWERS PROVIDED BY IX BIOPHARMA LTD AHEAD OF THE UPCOMING EXTRAORDINARY GENERAL MEETING TO BE HELD ON 4 SEPTEMBER 2020**

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The Board of Directors of iX Biopharma Ltd. (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to the Company’s announcements dated 28 July 2020 and 11 August 2020 and its circular to shareholders of the Company (the “**Shareholders**”) dated 11 August 2020 (the “**Circular**”), in relation to the proposed placement (the “**Proposed Placement**”) of 44,491,299 new ordinary shares in the capital of the Company (the “**Subscription Shares**”) at \$0.23 per Subscription Share (the “**Subscription Price**”).

The Company wishes to address key questions received from the Shareholders ahead of the upcoming extraordinary general meeting to be held on 4 September 2020 (the “**EGM**”). The questions submitted to the Company by shareholders and the Company’s responses to those questions are set out below. Unless otherwise defined, all terms and references used herein shall bear the same meanings ascribed to them herein and in the Circular.

The Directors wish to express their appreciation to all Shareholders for their investment and continued support of the Company. Also, the Company is thankful for the messages of encouragement and well-wishes received from Shareholders. It will work hard to execute its plans to increase shareholder value and reward Shareholders for their trust and confidence.

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**1. How was the Subscription Price determined?**

As a result of initiatives taken prior to the COVID-19 outbreak, the Group has managed to build new markets for sales despite the challenging economic situation. These activities were announced by the Company in the last quarter, and include the out-licensing of Wafesil for the China market, the commencement of sales of Entity nutraceuticals into China through its flagship stores on Tmall Global and JD Worldwide, telemedicine sales of Wafesil and Silcap in Australia, and the launch of Xativa sublingual medicinal cannabis wafers in Australia. These new products, markets and sales channels are important drivers of growth for the Group and will position the Group to emerge strongly from the pandemic.

The Company had planned to raise funds in 3Q FY2020 to capture growth and pursue opportunities in these markets. Please see our response to Q3 on details of the Company’s proposed use of Net Proceeds from the Proposed Placement.

Unfortunately, the protracted COVID-19 pandemic and increasingly, the rising tensions between the U.S. and China, have led to a high degree of uncertainty and volatility in the financial markets. Management of the Company commenced fund-raising activities from early June 2020 after Covid-19 restrictions were eased in Singapore. Meetings with the Subscribers generated significant interest and

agreements to participate at a price not more than 10% discount to the weighted average price for trades done on SGX-ST for the full market day on which the subscription agreement is to be signed. During this period, the daily closing share price ranged from \$0.245 to \$0.26. Prior to this, the historical average monthly share price for March, April and May 2020 was \$0.16, \$0.18 and \$0.26, respectively.

As negotiations advanced, there was a sudden surge in interest for pharmaceutical/healthcare companies. The iEdge Singapore Healthcare index saw a 28% increase over the period between 26 June to 27 July 2020, which is the day preceding the execution of the Subscription Agreement. At the same time, the Company's share price also spiked by 27% to \$0.31. Given the market volatility, the Subscribers were unwilling to participate at the elevated share price.

Having regard to the historical trading price, and given that the timing of economic and geopolitical recovery remains unpredictable, the Directors are of the view that the Subscription Price is reasonable, and it is imperative and prudent for the Company to carry out the fund-raising exercise without further delay.

## **2. How were the Subscribers chosen?**

The Company's initial fund-raising strategy was to focus on strategic investors who could bring synergies and add value to the Company's businesses. Management had identified one such strategic investor and was finalising a substantial investment for completion before financial year end in June 2020. However, the worsening COVID-19 pandemic adversely impacted the said strategic investor, and the planned investment was suspended as he was unable to proceed in the set timeframe.

In light of the above, in early June 2020, the Company started to search for alternative funding sources. Management reached out to institutional funds based locally and overseas to introduce the business of the Group. Although the funds were generally positive about the prospects of the Company, due to the turbulent investment and financial climate and the unfamiliarity with the Group, it became clear to the Company that there was a huge gap in expectation on acceptable funding terms.

In order to meet the timelines of the required funding for the Group's commercialisation plans and other business initiatives, Management decided that the most certain and expedient course of action was to approach supporters who were already familiar with the Group's business. Directors and Management therefore identified persons who had supported the Company since IPO, and those who had previously expressed interest in supporting the Company as and when it needs to raise funds for its business expansion.

## **3. Please provide, in more detail, the use of the Net Proceeds.**

The Company intends to utilise the Net Proceeds amounting to \$10.18 million in the following manner:

- (i) approximately 60.0% of the Net Proceeds will be used for the development, manufacturing and marketing activities required for the Group's pharmaceutical and nutraceutical products in the pipeline; and
- (ii) approximately 40.0% of the Net Proceeds will be used for general working capital.

The Net Proceeds allocated to development, manufacturing and marketing activities will give the Group the necessary financial flexibility to pursue sales opportunities in the markets identified by the Group.

#### Access to China market

During the year, the Group gained access to the vast Chinese market. Entity Health has commenced cross border e-commerce sales of its nutraceutical products into China on Tmall Global and JD Worldwide stores. Since Entity's online sales commenced in April 2020, the Group has observed strong demand from Chinese consumers particularly for anti-aging and beauty supplements. Entity's skincare and beauty product, LumeniX, sold out within three weeks of launch and again during the annual mid-year sale event, and is one of the top ten best-selling skin fairness products on JD Worldwide. Its NAD products, Restorix and MetaboliX Plus, have similarly recorded strong uptake, selling out its allocation during the mid-year sale event. The Group intends to use the Net Proceeds to, among others, invest in marketing for its leading products, fund the development and introduction of new products in high growth product categories, and pursue new opportunities to widen its sales and distribution network in China.

There are also opportunities in the pharmaceutical business segment to collaborate with Chinese companies to develop novel pharmaceutical medicines using the Group's patented sublingual delivery technology, WaferiX.

#### Expanding the medicinal cannabis market overseas

The Group is also well-positioned to capture growth in the exciting medicinal cannabis segment with the launch of Xativa, a sublingual wafer containing broad spectrum CBD (cannabidiol) 12.5mg in end-April 2020 in Australia. Xativa is available through doctors' prescription for the treatment of a variety of conditions, including anxiety and insomnia. The Company intends to fortify its medicinal cannabis range of products by launching Xativa in a higher dose, and introducing products containing THC and CBD in various combinations. This will allow the Group to target the entire addressable patient population. In addition to the Australian market, the Group is reviewing interest from companies to distribute its medicinal cannabis wafers in other markets. It intends to utilise the Net Proceeds to fund the development and marketing of these products, including regulatory compliance and registration expenses in Australia and other markets.

#### Manufacturing

Part of the proceeds will be allocated for the purchase of manufacturing equipment to support the increased demand for the Group's products across all product segments. This will include specialised freeze-drying equipment for the production of the Group's patented sublingual wafers.

#### **4. Will part of Net Proceeds be used to finance the Phase 3 clinical trials of Wafermine in the U.S.?**

No, the Group's strategy in relation to Wafermine is to out-license it to a suitable partner who will fund its Phase 3 clinical development in the U.S.

#### **5. What value will the Proposed Placement deliver to the Company? Is the Company confident of becoming profitable and rewarding Shareholders with dividends in the future?**

The Directors and Management believe that the Proposed Placement will deliver great value to the Company as it provides the Group with funds to execute its growth strategy of accessing and expanding the markets it has identified as well as increasing manufacturing capacity to meet demand. This strategy will place the Company on a trajectory of profitability. Like Shareholders, the Directors hope to be able to declare dividends in the future.

**6. With the current low interest rate environment, did Management consider debt financing to bridge working capital instead of additional equity placement to prevent dilution of minority shareholders?**

Where possible, the Company will look to debt financing before any fund-raising exercise. For example, we have successfully extended property loan facilities of A\$3.5 million to June 2023 and renewed a revolving credit facility of A\$1.5 million, totalling A\$5 million. Without this extension, the Group would have a total repayment of A\$3.7 million due by the financial year ending 31 June 2021.

**7. Did the Company consider a rights issue to Shareholders instead of a placement and will it consider a further rights issue or other capital raising exercises to let minority Shareholders participate?**

The Company proceeded with the Proposed Placement after considering many factors such as the certainty and expediency of the exercise. The Company will certainly consider a rights issue to Shareholders in the future if it requires further funding.

**8. With Victoria, Australia in lockdown, how has this impacted the Group's production and revenue?**

The demand for the Group's sublingual wafer products, LumeniX and Xativa, has exceeded the Group's current wafer production capacity. The Group had invested in new production equipment which was scheduled to be installed in April 2020 and will increase its wafer production capacity by six-fold. However, the COVID-19 pandemic and the measures that followed with border restrictions imposed by the Australia government have resulted in a delay to the installation of equipment. The equipment supplier is from a leading manufacturer from China, and with the border closed the installation engineers has had to postpone its trip to the Group's facility to provide support for installation and training.

Under the current circumstances, the Group anticipates that the new equipment will be installed by March 2021 and this will allow Entity to capitalise on the strong sales momentum for LumeniX and Xativa garnered from the Chinese and Australian markets.

In addition to the above, the Group has observed cost increases and delays to deliveries with certain logistics partners, which impact its supply chain management.

**9. Can Management provide further updates to latest patents approval and if/or further plan in pipeline?**

The Company announced on 9 June 2020 and 4 August 2020 that it had received allowances from the U.S. Patent and Trademark Office for its WaferiX and Wafermine patent applications, respectively. The U.S. patents were to be issued once the patent office concludes its administrative procedures and will expire no earlier than October 2030. The Directors are pleased to inform Shareholders that the U.S. patent for WaferiX was issued on 18 August 2020.

The Company's intellectual property rights for its sublingual wafer technology are now secured in 5 continents, including all major markets such as USA, China, countries in the European Union, Australia, New Zealand, Singapore, Japan, South Korea, India, Malaysia, Indonesia and others.

The Company is also continually evaluating other ways to fortify its intellectual property portfolio, including through extending patent life. In addition to patents, the Company adopts a blended strategy to protect its intellectual property rights through trademarks, proprietary information and trade secrets.

BY ORDER OF THE BOARD

Eddy Lee  
Chairman & CEO

28 August 2020

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This announcement has been reviewed by the Company's sponsor, CIMB Bank Berhad, Singapore Branch ("Sponsor") in accordance with Rule 226(2)(b) of the Catalist Rules. This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

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