

Armata Pharmaceuticals Announces Second Quarter Results and Provides Corporate and Clinical Update

MARINA DEL REY, Calif., Aug. 14, 2019 /PRNewswire/ -- Armata Pharmaceuticals, Inc. (NYSE American: ARMP) ("Armata" or the "Company"), a clinical-stage biotechnology company focused on precisely targeted bacteriophage therapeutics for antibiotic-resistant infections, today announced second quarter results and provided a corporate and clinical update.

Key Second Quarter and Subsequent Period Highlights:

- Successfully completed the merger of C3J Therapeutics, Inc. ("C3J") and AmpliPhi Biosciences Corporation to form Armata Pharmaceuticals.
- Closed \$10.0 million concurrent financing led by existing C3J shareholders.
- Hosted successful Key Opinion Leader meeting featuring Dr. Robert "Chip" Schooley from the University of California-San Diego who discussed the rapidly growing antibiotic resistance crisis and the promise of phage's unique mechanism of action as an effective alternative.
- Strengthened intellectual property portfolio with a U.S. patent covering synthetic bacteriophage and additional patent allowances in Europe and Canada that cover various aspects of the Company's phage program and lead product candidate, AP-SA01, targeting *Staphylococcus aureus*.
- Announced a publication in the peer-reviewed journal *Infection* detailing a case study in which a cystic fibrosis patient was successfully treated for a multidrug-resistant *Pseudomonas aeruginosa* infection with the Company's natural phage product, AP-PA01.
- Provided a corporate update at the 39th Annual Canaccord Genuity Growth Conference.

"This is our first quarterly report since the May 9 merger between C3J and AmpliPhi, and I am pleased to report that the rationale for bringing these two companies together is playing out as planned," said Todd R. Patrick, Chief Executive Officer of Armata. "We are now working toward potentially value-creating milestones, including the initiation of a Phase 1/2 clinical trial of our lead phage product candidate, AP-SA01, in *S. aureus* bacteremia. We are also moving our phage product candidate targeting *P. aeruginosa* respiratory infections, ahead toward the clinic. In 2020, we expect to have both programs in clinical trials under U.S. Investigational New Drug (IND) applications with the FDA. In addition, our engineered phage platform and proprietary phage-specific GMP manufacturing capabilities provide us with significant advantages in the identification and development of new phage candidates and should allow us to efficiently expand our pipeline while pursuing additional potential partnerships."

"The Key Opinion Leader meeting that we hosted in June highlighted the potential for phage therapy to meet the urgent need for new treatments that address antibiotic resistance. We are well positioned to be a leader in the development of phage-based therapeutics," Mr. Patrick concluded.

Upcoming Milestones in 2019/2020:

- Initiate Phase 1/2 study of AP-SA01 in bacteremia; study protocol currently being finalized.
- Conduct pre-IND meeting, file IND and initiate first-in-human clinical study for AP-PA02, a phage product candidate targeting *Pseudomonas* respiratory infections.

Second Quarter Financial Results

Research and Development. Research and Development expenses for the three months ended June 30, 2019 were \$3.1 million as compared to \$2.3 million for the comparable period in 2018. The increase of \$0.8 million was primarily due to an increase in personnel expenses resulting from the merger with AmpliPhi in May 2019.

General and Administrative. General and Administrative expenses for the three months ended June 30, 2019 were \$2.1 million as compared to \$0.6 million. The increase of \$1.5 million was due primarily to a \$0.7 million increase in professional fees associated with the merger and a \$0.6 million increase in personnel and non-cash stock-based compensation expenses.

Loss from Operations. Loss from operations for the three months ended June 30, 2019 was \$5.2 million as compared to \$2.8 million for the comparable period in 2018. The increase of \$2.3 million was due to additional operating costs in connection with the merger and associated transaction costs.

Cash and Equivalents. As of June 30, 2019, Armata held \$13.2 million of unrestricted cash and equivalents as compared to \$9.7 million as of December 31, 2018. Concurrent with the closing of the merger on May 9, 2019,

an investor syndicate comprised of certain existing C3J shareholders invested \$10.0 million into the Company. As of August 14, there were approximately 10.0 million shares of common stock outstanding.

Armata is scheduled to present at the Ladenburg Thalmann Healthcare Conference on September 24 and the Cantor Fitzgerald Global Healthcare Conference on October 2-4.

About Armata Pharmaceuticals, Inc.

Armata is a clinical-stage biotechnology company focused on the development of precisely targeted bacteriophage therapeutics for the treatment of antibiotic-resistant infections using its proprietary bacteriophage-based technology. Armata's lead product candidate, AP-SA01, targets *Staphylococcus aureus* including multidrug-resistant strains. The Company is also developing and advancing a broad pipeline of synthetic phage candidates, including a synthetic phage for *Pseudomonas aeruginosa*, leveraging its proprietary phage-specific GMP manufacturing capabilities. In collaboration with Merck, known as MSD outside of the United States and Canada, Armata is developing proprietary synthetic phage candidates to target an undisclosed infectious disease agent.

Forward Looking Statements

This communication contains "forward-looking" statements, including, without limitation, statements related to the anticipated benefits of the merger and related transactions, Armata's ability to meet expected milestones, expand its pipeline, and pursue additional potential partnerships, Armata's ability to be a leader in the development of phage-based therapeutics, and statements related to clinical trials, including the anticipated initiation of a clinical trial of AP-SA01, the timing and outcome of expected pre-IND meetings and IND filings. Any statements contained in this communication that are not statements of historical fact may be deemed to be forward-looking statements. These forward-looking statements are based upon Armata's current expectations. Forward-looking statements involve risks and uncertainties. Armata's actual results and the timing of events could differ materially from those anticipated in such forward-looking statements as a result of these risks and uncertainties, which include, without limitation, risks related to Armata's ability to successfully integrate the operations of AmpliPhi and C3J and achieve the potential benefits of the merger; the Company's ability to advance its preclinical and clinical programs and the uncertain and time-consuming regulatory approval process; the Company's ability to develop products based on bacteriophages and synthetic phages to kill bacterial pathogens; the Company's expected market opportunity for its products; and the Company's ability to sufficiently fund its operations as expected. Additional risks and uncertainties relating to Armata and its business can be found under the caption "Risk Factors" and elsewhere in Armata's filings and reports with the SEC, including in Armata's Annual Report on Form 10-K, filed with the SEC on March 25, 2019, Armata's Proxy Statement on Schedule 14A, filed with the SEC on April 4, 2019, as amended, and Armata's subsequent filings with the SEC. Armata expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in Armata's expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based.

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Armata Pharmaceuticals, Inc. Condensed Consolidated Balance Sheets

| | <u>June 30, 2019</u> | <u>December 31, 2018</u> |
|----------------------------------|----------------------|--------------------------|
| | (Unaudited) | |
| Assets | | |
| Cash and cash equivalents | \$ 13,192,000 | \$ 9,663,000 |
| Prepays and other current assets | 1,010,000 | 697,000 |

| | | |
|---|----------------------|----------------------|
| Total current assets | 14,202,000 | 10,360,000 |
| Property and equipment, net | 6,132,000 | 3,249,000 |
| Other long term assets | 836,000 | 936,000 |
| Intangible assets, net | 13,746,000 | - |
| Total assets | \$ 34,916,000 | \$ 14,545,000 |
| Liabilities and stockholders' equity | | |
| Total current liabilities | \$ 5,634,000 | \$ 2,032,000 |
| Long term liabilities | 3,575,000 | 3,702,000 |
| Derivative liabilities | - | 1,117,000 |
| Deferred tax liability | 3,077,000 | - |
| Total liabilities | 12,286,000 | 6,851,000 |
| Stockholders' equity | 22,630,000 | 7,694,000 |
| Total liabilities and stockholders' equity | \$ 34,916,000 | \$ 14,545,000 |

Armata Pharmaceuticals, Inc.
Condensed Consolidated Statements of Operations

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|------------------------------------|-----------------------|----------------------------------|------------------------|
| | 2019 | 2018 | 2019 | 2018 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Revenue | \$ - | \$ - | \$ - | \$ - |
| Operating expenses: | | | | |
| Research and development | 3,076,000 | 2,286,000 | 5,137,000 | 4,473,000 |
| Acquisition of in-process research and development | - | - | - | 6,767,000 |
| General and administrative | 2,082,000 | 557,000 | 3,462,000 | 1,196,000 |
| Total operating expenses | 5,158,000 | 2,843,000 | 8,599,000 | 12,436,000 |
| Loss from operations | (5,158,000) | (2,843,000) | (8,599,000) | (12,436,000) |
| Other income (expense): | | | | |
| Change in fair value of derivative liabilities | 1,157,000 | (101,000) | 1,117,000 | (135,000) |
| Other income (expense), net | (198,000) | (223,000) | (456,000) | (259,000) |
| Total other income (expense), net | 959,000 | (324,000) | 661,000 | (394,000) |
| Loss before income taxes and Net Loss | \$ (4,199,000) | \$ (3,167,000) | \$ (7,938,000) | \$ (12,830,000) |
| Net loss per share, basic | \$ (0.56) | \$ (0.68) | \$ (1.30) | \$ (2.76) |
| Weighted average shares outstanding, basic | 7,505,097 | 4,652,777 | 6,086,816 | 4,652,777 |
| Net loss per share, diluted | \$ (0.69) | \$ (0.68) | \$ (1.38) | \$ (2.76) |
| Weighted average shares outstanding, diluted | 7,720,977 | 4,652,777 | 6,452,413 | 4,652,777 |

Note: Historical share numbers have been adjusted for the merger and reverse 1-for-14 reverse stock split to provide comparability with the current period.

Armata Pharmaceuticals, Inc.
Condensed Consolidated Statement of Cash Flows

| | Six Months Ended June 30, | |
|--|----------------------------------|-----------------|
| | 2019 | 2018 |
| | (Unaudited) | (Unaudited) |
| Operating activities: | | |
| Net loss | \$ (7,938,000) | \$ (12,830,000) |
| Adjustments required to reconcile net loss to net cash used in | | |

| | | |
|---|--------------------|--------------------|
| operating activities: | | |
| Acquisition of in-process research and development | - | 5,691,000 |
| Change in fair value of derivative liabilities | (1,117,000) | 135,000 |
| Stock-based compensation | 725,000 | 39,000 |
| Deferred taxes | | - |
| Depreciation and amortization | 683,000 | 802,000 |
| Other non-cash adjustments, net | 536,000 | 547,000 |
| Changes in operating assets and liabilities, net | (1,175,000) | 204,000 |
| Net cash used in operating activities | (8,286,000) | (5,412,000) |
| Investing activities: | | |
| Cash acquired in reverse merger transaction | 3,008,000 | |
| Purchase and sale/maturity of investment securities, net | - | 9,624,000 |
| Purchases of property and equipment, net | (268,000) | (264,000) |
| Net cash used in investing activities | 2,740,000 | 9,360,000 |
| Financing activities: | | |
| Payment of deferred consideration for asset acquisition | (1,000,000) | - |
| Proceeds from sale of common stock, net of offering costs | 9,975,000 | - |
| Net cash provided by used in financing activities | 8,975,000 | - |
| Net increase in cash and cash equivalents | 3,429,000 | 3,948,000 |
| Cash, cash equivalents and restricted cash, beginning of period | 10,463,000 | 12,276,000 |
| Cash, cash equivalents and restricted cash, end of period | \$ 13,892,000 | \$ 16,224,000 |

SOURCE Armata Pharmaceuticals, Inc.

<https://investor.armatapharma.com/2019-08-14-Armata-Pharmaceuticals-Announces-Second-Quarter-Results-and-Provides-Corporate-and-Clinical-Update>