THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

RXII - Q1 2018 Rxi Pharmaceuticals Corp Earnings Call

EVENT DATE/TIME: MAY 10, 2018 / 8:30PM GMT

CORPORATE PARTICIPANTS

Tamara McGrillen *RXi Pharmaceuticals - Head of Investor Relations*

Geert Cauwenbergh *RXi Pharmaceuticals - President & CEO*

Gerrit Dispersyn *RXi Pharmaceuticals - Chief Development Officer*

Caitlin Kontulis *RXi Pharmaceuticals - Principal Accounting Officer*

CONFERENCE CALL PARTICIPANTS

John Vandermosten *Zacks Small Cap Research - Analyst*

Steven Zeltzer *- Private Investor*

Michael May *- Shareholder*

Lawrence Kate *- Private Investor*

PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to today's webcast entitled RXi Pharmaceutical First Quarter 2018 Conference Call. Today's call is being recorded.

At this time, it is my pleasure to turn the floor over to Head of Investor Relations for RXi, Ms. Tamara McGrillen. Ma'am, the floor is yours.

Tamara McGrillen *- RXi Pharmaceuticals - Head of Investor Relations*

Thank you, operator, and good afternoon, ladies and gentlemen, and thank you for participating on our call today. We are joined by our President and CEO,

Dr. Geert Cauwenbergh; our Chief Development Officer, Dr. Gerrit Dispersyn; and our Principal Accounting Officer, Ms. Caitlin Kontulis.

I would like to remind listeners that this call will contain certain statements concerning RXi's future expectations, plans and processes which constitute forward-looking statements. For the purposes of the Safe Harbor Provisions under the Private Security Litigation Reform Act of 1995. Actual results may differ materially from those indicated by these forward-looking statements and as a result of various important factors including those disclosed in our most recent Form 10-Q filed with the SEC. In addition any forward-looking statements represent our views only as of the date of this recording and shall not be relied upon as representing our views as of any subsequent date. We specifically disclaim any obligations to update such statements.

Now, I would like to turn the call over to our President and CEO, Dr. Cauwenbergh.

Geert Cauwenbergh *- RXi Pharmaceuticals - President & CEO*

Thank you, Tammy, and good afternoon everybody. During the first quarter of 2018, RXi's core strategy has evolved significantly to solely focus our efforts on the development of the immune-based cancer therapeutics. This was announced in early January after an in-depth and diligent review of our financial bandwidth in relation to our development activities. It was clear that there was value in sharpening our focus from three therapeutic areas, dermatology, ophthalmology and immuno-oncology/Adoptive Cell Therapy to only one immuno-oncology.

Taking into account time to market, size of the markets, valuation of young biotech companies and most importantly potential life saving and life changing relevance to patients in those three therapeutic categories. This decision sets our Company up to become a valued player in this rapidly expanding field. Thanks to our self-delivering RNAi technology, which has become more recognized by both academic centers and other innovative biotechnology companies in immuno-oncology as a potential game changer.

[The support is focused] development effort. We are actively seeking to monetize our dermatology and ophthalmology assets to provide both short term non-dilutive funding and potential long term revenues from royalties as part of a business development deal. To achieve that goal, we have prepared two virtual data rooms for our dermatology and ophthalmology franchises. And that in the past several weeks with the support of an advisory firm, reached out to the numerous companies in those therapeutic areas.

It is our intention to out-license those two franchises including an exclusive license to our sd-rxRNA technology, specific intellectual property for those therapeutic areas. The more formalized part of this process is starting in the coming weeks as the results of the recently completed clinical studies, which are also being presented during the upcoming International Investigative Dermatology meeting that have been uploaded in the data rooms.

We aim at consummating licensing deals with the usual upfront milestones and royalty structure. The upfront portion of such deal will allow us to accelerate our efforts in immuno-oncology and Adoptive Cell Therapy using more non-dilutive cash.

In this out-licensing context, we are obviously pleased to report the most recent to our patent estate, with the U.S. patent being granted for methods of use of RXI-109 in fibrotic disease including hypertrophic scars, extending the breadth of our dermatology IP estate.

Dr. Gerrit Dispersyn, our Chief Development Officer, will provide more color on the clinical data reporting in support of the ongoing out-licensing process.

Our financial forecast for the next few quarters is obviously also changing as a result of the focus in our corporate strategy mentioned earlier. As such, we expected our cash burn for the next few quarters is going to be reduced by about $500,000 or about 20% from the $2.5 million quarterly burn that we have experienced in the past several quarters. We expect this quarterly burn to increase again to the previous level of $2.5 million per quarter in the middle of 2019 as we start gearing up for our first clinical research activities with RXI-762, our anti-PD-1 sd-rxRNA.

We will update our financial guidance as we get closer to that pivotal point. Ms. Caitlin Kontulis will provide more detail later on, on our financial picture since the beginning of this year.

In addition, we have previously mentioned that we have entered into research agreements with several academic institutions and more recently have expanded our collaborative efforts to corporate biotech and pharmaceutical companies. The first one we already mentioned is a collaborative R&D agreement with the Medigene in Germany.

It is with great pleasure that I am able today to also announce that we have added a new collaborative agreement to this with Iovance Biotherapeutics from California, the premier clinical-stage biotech Company focused on the development and commercialization of novel cancer immunotherapies based on tumor infiltrating lymphocytes, TILs.

We have approached our collaborative efforts against specific goals we have outlined as part of our corporate strategy and goals for 2018. Both academic as well as industrial partners have realized the multifaceted potential of our sd-rxRNA therapeutic platform in immuno-oncology as well as in Adoptive Cell Therapy.

Let me explain how our current collaborations fit together and create value for the Company. First, our collaboration with the Center for Cancer Immune Therapy or CCIT is critical for the clinical translation of our sd-rxRNA technology platform in the context of TILs for the use in the treatment of a number of cancer types. Indeed, CCIT is the leading European center for the use of TILs for metastatic melanoma. And the group that has successfully executed numerous clinical trials based on the direct translation of their discoveries from the laboratory to the patient.

Second, our new collaboration with Iovance Biotherapeutics will further expand our R&A with TILs. And this collaboration may help us also with the future commercial translation of the use of our sd-rxRNA technology with TILs. Indeed, Iovance is focused on the development and commercialization of new treatments based on Adoptive Cell Therapy using tumor infiltrating lymphocytes. Target indications they are looking at include metastatic melanoma, recurrent and/or metastatic squamous cell carcinoma of the head and neck, recurrent metastatic or persistent cervical cancer and locally advanced or metastatic non-small cell lung cancer. Our collaboration with them will study the potential of our sd-rxRNA platform in that context.

Three, the use of sd-rxRNA technology in other forms of Adoptive Cell Therapy outside of TILs has been a focus of our internal R&D, but our collaboration with Medigene fits this strategy as well. Indeed, Medigene focuses on the next generation of recombinant T cells involving their proprietary T cell receptor technology.

Medigene recently announced the start of several clinical trials with its proprietary TCR therapy. And in their collaboration with us, they are evaluating the use of our sd-rxRNA compounds to expand the potential of their engineered T cells with the goal to further potentiate Medigene's T cell therapy for the treatment of cancer patients.

Four, other collaborations are in place that help us explore the use of our proprietary technology platform in areas of immuno-oncology beyond Adoptive Cell Therapy. For instance, for example, we are working with Gustave Roussy in Paris, [in a] leading European cancer center and treatment center to explore certain aspects of direct treatment of tumors using our sd-rxRNA compounds.

Similar to CCIT, Gustave Roussy has been successful in translating research to clinical success. Last but not least, we are also working with the University of Minnesota on evaluating the use of our compounds with different immune cell types as well as identification and set up of relevant animal models.

In summary, we are setting up a network of collaborations that support our key focus area that is to get into the clinic with our lead compound RXI-762, which is an anti-PD-1 sd-rxRNA. Other collaborations help us expand [and] focus in meaningful way, namely to explore the use of sd-rxRNA targeting checkpoints, including RXI-762 in Adoptive Cell Therapy, in other cell types, and other indications. Lastly, come collaborations are put in place to support the use of our technology in immuno-oncology beyond checkpoint inhibition and beyond Adoptive Cell Therapy.

Obviously when evaluating new collaborations, we also want to avoid duplication and make sure that our partners can explore the potential of our compounds in line with their own specific or proprietary interests by using our compounds as direct anti-tumor therapy or as a treatment that extends the usefulness of Adoptive Cell Therapy. Success in their evaluation could lead to exclusive licensing agreements with these companies for the use of our drugs.

Our team has been working hard to selectively expand this collaboration network, and we are confident that some other R&D partnerships as well as results of the first collaborations can be announced in the months ahead.

And with this, I hand the call over to Ms. Caitlin Kontulis, who will provide the details on our financials.

Caitlin Kontulis - *RXi Pharmaceuticals - Principal Accounting Officer*

Thank you, Geert. Good afternoon, everyone. The Company's Form 10-Q for the first quarter of 2018 filed with the SEC includes detailed information on the Company's financial performance for this period. Today's call will focus on select financial highlights from the quarterly period.

The Company's R&D expenses for the quarter ended March 31, 2018 were $1.4 million as compared with $1.3 million for the quarter ended March 31, 2017. The increase was primarily due to increases in lab supplies and manufacturing fees related to the Company's immuno-oncology program.

The Company recorded $4.6 million in acquired in-process research and development expense during the quarter ended March 31, 2017. The expense related to the fair value of consideration given in the Company's acquisition of MirImmune, which included transaction costs, liabilities

assumed, and cancellation of notes receivable, as well as the deferred tax impact of the acquisition. The Company had no such transactions that will require the recording of in-process research and development expense during the three months ended, March 31, 2018.

General and administrative expenses for the quarter ended March 31, 2018, were $0.9 million, as compared with $1.1 million for the quarter ended March 31, 2017. The decrease was primarily attributable to decreases in professional fees for legal related services and payroll related expenses as a result of a decrease in headcount as compared with the prior year quarter.

Net loss for the quarter ended March 31, 2018, was $2.2 million, compared with $5.5 million for the quarter ended March 31, 2017. The decrease in net loss was primarily due to the decrease in acquired in-process research and development expense and the income tax benefit recorded during the prior year quarter related to the Company's acquisition of MirImmune.

At March 31, 2018, the Company had cash of $2.6 million, as compared with $3.6 million at December 31, 2017. In line with the Company's expectations, the Company's quarterly cash burn decreased this quarter to approximately $2 million. To support the Company's cash position, during the quarter the Company sold about 900,000 in shares of the Company's common stock to Lincoln Park Capital Fund under our purchase agreement with them. Subsequent to quarter end, the Company sold an additional $130,000 in shares of Company common stock to LPC.

Additionally, the Company completed a capital raise at the beginning of April, in which the Company issued 1.5 million shares of common stock and warrants to purchase a total of 1.1 million shares of common stock for gross proceeds of [$4.9 million] and net proceeds of approximately $4.1 million.

With the proceeds received from the purchase agreement with LPC and our recent financing, the Company expects our cash on hand to fund operations through January 2019. At the end of March, the Company received notification from NASDAQ that the Company was not in compliance with the minimum stockholder's equity requirement of $2.5 million per the NASDAQ listing rule.

With the Company's capital raised as just discussed, this will add an additional $4.1 million to our stockholder's equity balance and therefore we believe enables us to regain compliance with the NASDAQ listing rules relating to stockholder's equity.

Lastly, the Company is holding its annual stockholder's meeting this year in New York City on June 5. We'd like to ask each of our stockholders to please vote on the proposals included in the Company's proxy statement, which is publically available on our website and the SEC's website. We look forward to meeting you in New York on June 5.

With that, I'll turn the call over to Gerrit.

Gerrit Dispersyn - *RXi Pharmaceuticals - Chief Development Officer*

Thank you, Caitlin, and good afternoon, everyone. Our research and development activities in the first quarter of the year have been focused on completing our ongoing clinical studies in dermatology and ophthalmology indications and on the expansion of our pre-clinical R&D efforts in the field of immuno-oncology. I will briefly touch upon each of these.

We're happy to announce that we have made significant process with our 1501 and 1502 clinical studies. As you know, 1501 is our Phase 1/2 study with RXI-109 in patients with neovascular age-related macular degeneration and associated retinal scaring. And we're happy to announce that we're not literally only weeks away for final data analysis and report out of this clinical study.

More progress has been made with our 1502 study, which looks at the safety and efficacy of Samcyprone, our propriety formulation of DPCP in cutaneous warts. We completed all data collection and final analysis for this study is ongoing. Preliminary data reviews are looking promising and we look forward to sharing with you to study data readout very soon. Indeed, as previously announced, a poster presentation on the 1502 study results will be held at the upcoming International Investigative Dermatology conference next week, which will be held in Orlando, Florida. This is the conference organized by the three leading dermatologist societies in the world and it takes place every five years.

In addition the Samcyprone clinical data, the Company will also present two additional posters at this event. One poster will be reporting out the study results of our 1402 study on using our RXI-109 treatment for the reduction of hypertrophic dermal scar formation after scar revision surgery. This study has shown statically significant outcomes for improved visual appearance of the scar when they are treated with 109 compared to control scars.

A third poster will report out the consumer testing results with our RXI-231, our cosmetic ingredient based upon sd-rxRNA and looking at its potential of improving skin tone, by reducing skin pigmentation induced by UV exposure. Each of these three posters will also be available on our website, approximately one hour following the given presentation.

Our R&D efforts in this field of immuno-oncology in the last quarter have been mainly on three fronts. One, the advancement of the preclinical development of our lead immuno-oncology compound, mainly RXI-762. Two, the expansion of our immuno-oncology pipelines through screening and identification of sd-rxRNA compounds for new targets, mainly related to immune cell differentiation and exhaustion. And three, data generation in support of ongoing collaboration and potential new ones.

I will briefly comment on the first one as Geert already provided you with an update on our collaborations. So on our lead compound, our lead immuno-oncology compound, RXI-762, which as Geert mentioned is an anti-PD-1 sd-rxRNA and with this compound, it is our aim to start clinical data collection in the course of 2019. We have made good progress towards that goal. We are on track to have cGMP batch of RXI-762 available over the course of the summer.

In addition, our collaboration with the Center for Cancer Immune Therapy, or CCIT, we're collecting data on the use of RXI-762 in association with cell-based immuno-therapy for solid tumors. More specifically, we are developing further evidence on how RXI-762 can be weaponized -- can weaponize the TILs essentially resulting in improved Adoptive T Cell Therapy for metastatic melanoma and other tumors.

This work with CCIT builds on and extends the data that was recently published in a peer-reviewed journal called, Molecular Therapy. This journal or article describes the results work performed at the Department of Experimental Oncology of the prestigious Karolinska Institutet in Sweden and using the RXi's anti-PD-1 sd-rxRNA compounds, that group was able to show that patient-derived tumor infiltrating lymphocytes can be easily [transected] with our compounds resulting in an increased tumor killing activity of these cells against the patients own tumor as compared to untreated cells.

This data provides further evidence of the clinical relevance of our platform technology in general and of our anti PD-1 compound in specific. In other words, this paper further validates the significance of our technology in Adoptive Cell Therapy and as you can appreciate now by our announcement of the Iovance collaboration, it also helps us to expand our external collaborations and the exploration of our platform in various other cell-based cancer treatment approaches, including TILs, CAR T cells, TCRs, NKs, and engineered-NK cells and so on and so on. So stay tuned.

And with that, I will now turn over the call back to Tammy.

Tamara McGrillen - *RXi Pharmaceuticals - Head of Investor Relations*

Thank you, Gerrit. This concludes the formal presentation for today. Operator, we would like to open the call for questions, please.

QUESTIONS AND ANSWERS

Operator

Thank you. (Operator Instructions) And our first question comes from John Vandermosten from Zacks Small Cap.

John Vandermosten - *Zacks Small Cap Research - Analyst*

First question is on 762, I think you're working with multiple partners on that, can you just clarify that who 762 is being worked with? I think CCIT and others and Iovance, I guess which compound will you target with them?

Geert Cauwenbergh - *RXi Pharmaceuticals - President & CEO*

Well, John, Gerrit is probably going to add some color. But the question is honing in exactly in our strategy. 762 is a compound that can be used in a variety of cell types. And for instance, that's one of the things that we are trying to do is make sure that there is no overlap. We avoid -- trying to avoid that there is basically people working on the same compounds with the same cell types. And that is really a part -- an essential part of our strategy.

In addition, it is our first -- we have several checkpoint inhibitors, our anti-PD-1, 762, is the one that is most advanced also with the -- in terms of cGMP and that is why we take that direction. But in general, it is basically as a proof of concept and for it of course trying to get into the clinic. But we can also work on other targets.

Gerrit, maybe you want to add something?

Gerrit Dispersyn - *RXi Pharmaceuticals - Chief Development Officer*

Yes, I mean just the big picture, John, is that the work that we recently published -- almost recently published in Molecular Therapy was work done at Karolinska Institutet, and as you know, some institutions, they're really good at providing an early proof of concept and other institutions are very -- more experienced in translating that experience from -- essentially from the bench to the bedside, if you want.

So, that's why we -- our current collaboration on doing that clinical translation is with CCIT in Denmark, that's their key expertise. And the announcement of the Iovance collaboration obviously is also with RXI-762 in TILs, however importantly to understand is that that will help essentially to establish whether or not that compound can improve upon the proven technology platform that Iovance has and essentially for which they are getting significant market evaluation, quite frankly.

So for us, we think it's very important to have the quickest route possible to gather the clinical data in a meaningful way through collaborations with academia. We're also making sure that early on we cast a net of industry collaborators to make sure that we can also generate data that later on may have significant impact from a commercial view point as well because as you know it's not an institution like CCIT who's going to commercialize something like TILs with RXI-762, whereas a Company like Iovance or Medigene or other of the companies that we work with, they are going to focus on turning that technology into a commercially attractive product essentially.

John Vandermosten - *Zacks Small Cap Research - Analyst*

Okay. And then would 762 be precisely the same molecule for all of the partnerships that it's involved with?

Gerrit Dispersyn - *RXi Pharmaceuticals - Chief Development Officer*

Come again, John?

John Vandermosten - *Zacks Small Cap Research - Analyst*

762, would it be precisely the same molecule or might it be modified a bit to adapt to the other programs that it's being developed with?

Gerrit Dispersyn - *RXi Pharmaceuticals - Chief Development Officer*

It would be -- good question, it would be the same molecule, however as you may appreciate, companies like Iovance and others have their proprietary cell culture and cell expansion protocols and so that's essentially -- and again, without going into to much detail, that's why having collaboration with multiple partners can help also to identify how we can maximize the use of 762. But as you may appreciate, 762 was selected -- was essentially identified several -- as a target, as a PD-1 target, several sequences have been screened, so essentially our discovery research has selected 762 as the most potent one of the compounds.

In different settings, in different clinical settings and in different manufacturing settings, it is expected to have -- to find additional data that can support development of our product in for example multiple indications. As we mentioned before, like a center like CCIT, is mostly focusing on melanoma and ovarian cancer, whereas Geert mentioned several other cancer target that for example Iovance is working on. So that's what Geert was referring to, is that we are avoiding to duplicate work. Even though we're working with the same molecule, it's not exactly the same development and it's essentially trying to get a wider net for our products to be used in different settings and for different patients.

Geert Cauwenbergh - *RXi Pharmaceuticals - President & CEO*

And maybe I can add something to that. So, obviously PD-1 as we all know is a validated -- clinically validated target. So it was logical if we wanted to make a splash, if we wanted to convince people soon rather than later, then we needed to [partner] to use our compound strategically in improving and enhancing and actually expanding the potential for their Adoptive Cell Therapy then we will have to do that with the compound against the target that already has clinical validation PD-1.

Which means that once they have done that work, if they want access to other compounds that we already have but still need to upscale to larger scales, that is something that we can then do as well. So we are basically -- I don't want to kill birds with stones, but we're killing two birds with one stone. And that is that thanks to the fact that we're using an anti-PD-1, which is a proven -- clinically proven validated target, we advanced our own product, the 762.

Two words, clinical trials -- and two words, commercialization, and at the same time because of the work those people -- those collaborators are doing, they will convince themselves that the role -- technology platform of sd-rxRNA with highly specific, safe, selective RNAis against specific proteins that play a role in tumor environment in set points that is really the technology that they should adopt that to because it's something that's going to help them in optimizing and going into second generation products for themselves.

John Vandermosten - *Zacks Small Cap Research - Analyst*

Okay. And is animal model work the next step for 762?

Gerrit Dispersyn - *RXi Pharmaceuticals - Chief Development Officer*

So, John, it's a good question. The answer is likely no. Again, if we're focusing -- rather the question was related to the use of 762 in TILs, there is no animal model essentially that can be used. So, in essence, another reason essentially, as Geert mentioned, like the reason we selected PD-1 and the reason that we're selecting TILs is multifold. Again, PD-1 clinically validated. The use of TILs is clinically validated and very well known what the unmet need is, right. The TILs just without using technologies like ours, these tumor infiltrating lymphocytes have limited effect, so it's very well-established what their shortcomings are.

So, therefore, it's a -- and then last but not least, the translation essentially of TILs, again, it says itself it's tumor-infiltrating lymphocytes that are harvest from a patient, there is no way that you can essentially then do that exact same activity in an animal setting.

So we're confident also by looking to see what other companies have done and by getting regulatory input. We're confident essentially that we can bypass some of the required animal testing for our first in man study because of those unique features and also because of the magnitude of data we already have on our technology platform in other indications. So, we believe that with -- that is the reason why we're so bullish around getting into a clinic in a relatively short timeframe.

John Vandermosten - *Zacks Small Cap Research - Analyst*

Okay. And my last question is just on the grant funds. Do we -- are we expecting any more of those before the end of the year for the --

---

Caitlin Kontulis - *RXi Pharmaceuticals - Principal Accounting Officer*

Sure, this is Caitlin. So our current grant with BioAxone is through the third quarter of this year. We will need to provide the NIH with certain aims that we are doing in this current grant in order to be able to receive the second year of funds. So that is something that we'll work on with BioAxone. And I believe if we are granted that extra year, there will be a formal announcement relating to that. But those are the initial steps that we'll need to take right now.

John Vandermosten - *Zacks Small Cap Research - Analyst*

Okay. Is there any idea of the magnitude of the grant or the number of dollars?

Caitlin Kontulis - *RXi Pharmaceuticals - Principal Accounting Officer*

So, for RXi, we will be able to receive an additional about $130,000 if we're granted that second year. I don't have off the top of my head, but we can certainly provide that number to you what the total second year grant would be. I do believe we have an estimate for that. I just don't have it in front of me at the moment.

Operator

Our next question comes from [Steven Zeltzer], a private investor.

Steven Zeltzer - - *Private Investor*

I'd like to come back to the November 29 press release about the skin lightener. And, Gerrit, you said that you were very pleased with these positive results. So, it's been nearly six months now, and what responses have been received from companies regarding (inaudible - microphone inaccessible)?

Geert Cauwenbergh - *RXi Pharmaceuticals - President & CEO*

You were breaking up at the end. Is it possible to --

Steven Zeltzer - - *Private Investor*

Since the press release on November 29 about the skin lightener, what response have you received from companies? Did you hear this? Did you get this?

Geert Cauwenbergh - *RXi Pharmaceuticals - President & CEO*

Okay. Yes, I got it. We have reached out to a number of companies. The interesting piece is when we talk about our dermatology or skincare franchise, we try to keep it combined. Actually, if you look at the trends in the market, the companies that were active in consumer, OTC, and RX as separate groups or at separate segments of that company, they have all consolidated it in one piece.

Galderma, for instance, has become part of Nestle Health. Sandoz, Novartis' dermatology franchise, has been folded into the Sandoz skin care. And that is why we think, with all that, still think that there is a possibility to keep it combined.

We have been receiving interest in the skin lightening and in the anti-collagenase, but actually a little more in the skin lightening because I suspect that, that is of specific interest certainly for the Asian markets with some very interesting proposals. But at this point in time, we have not moved on that. As I mentioned, we have, with the help of an advisory firm, reached out to a broad spectrum of dermatology companies, and we are first moving on the dermatology piece to see the coordinated and structured formal process with specific timelines associated with how we can get it done.

But, yes, there has been interest in the skin lightening products, a little less in the anti-collagenase, but that didn't have any human data associated with it yet, but for the rest also in the portfolio all together but also in pieces separately.

Gerrit Dispersyn - *RXi Pharmaceuticals - Chief Development Officer*

Yes. And also, quite frankly, logistically, between the announcement, obviously when we do an announcement, we're looking at top-line data; so a full reporting of that study. That's also why I referenced the poster presentation at next week's IID. So, you got to understand that. Also, we'd like to get not only the package together, considering essentially the platform technology for use in any dermatology and cosmetic indications makes sense to license that platform to give essentially partner access to not only those specific products but also to potential other products, but logistically from a clinical data report out and making sure that, that data can appear in the data room and accessible to those potential partners. Obviously we're working on that.

So, yes, next week, we'll have that poster at the IID; so it's additional information that will also be available for the data room. And other than that, we are wrapping the Samcyprone study as well. And so, I mentioned the coordination of getting the final reports and the final data all together is something that's currently ongoing. I gave you the estimated timeline. And that explains essentially also the timeline of the start of the formal partnering process, whereas any discussions so far and any interests have been essentially informal discussions and unsolicited feedback.

Geert Cauwenbergh - *RXi Pharmaceuticals - President & CEO*

Yes. And to be transparent, one of the most common comments we got is, okay, great. We are interested. Can you tell us when you have your final analysis done so that we can take a look at it and make a final decision; so the gating item to start the formal process. Although, as I said, we've been talking to about 40 dermatology companies and not traction with everybody but with quite a few of them. And so, their question was, can we see the complete data set? And, of course, in order to do that, we have to make sure that all the Is are dotted and the Ts are crossed so that there is no contradiction between the reporting of one data.

Steven Zeltzer - - *Private Investor*

I appreciate that. And I'm certainly looking forward to next week's presentation. I mean I am disappointed that the potential for the skin lightener, especially the market size, that you stopped development on it. Maybe that's premature. But I mean, I'd like to get out of dilution hell, so to speak, and get -- make you into a financially stable company.

The immuno-oncology effort, I understand it's very big, very large potential, but it requires money that you simply don't have. And so, if you could monetize a skin lightener and other pipelines, that's what you really need to get done. And with that, that's all I have to say. Thank you.

Geert Cauwenbergh - *RXi Pharmaceuticals - President & CEO*

Well, that is exactly the plan, and I'm glad to hear that our thinking and your thinking are aligned. Thank you.

Operator

(Operator Instructions) Our next question comes from [Michael May], a shareholder.

Michael May - - *Shareholder*

I have two questions actually. My first question, I'm just trying to get a grasp on the timeline that you presented in December and January in your press releases. It was alluding to a 12- to 18-month time lead before we enter one clinical trial Phase 1 on one particular drug. And my question is since we have these really dynamic and, I think, very exciting relationships with four or five major cancer oncology researchers, by January 2020, which would be 24 months from your January target of this year, given January 2020, how many different types of cancers do you think will be in Phase 1 clinical trials on? And are some of these people's institutions possibly working on the same thing from a different approach?

Gerrit Dispersyn - *RXi Pharmaceuticals - Chief Development Officer*

Michael, thanks for your question. It's an excellent question, right, and I think you've heard some of that back -- information on Geert was presenting on how we see strategically about, one, staying on focus and staying on target, what's currently our direct pathway to the clinic with RXI-762 and then at the same time, making sure that we have, I would call it, multiple shots in goal not only with the same compound but also additional compounds. Today, we didn't give you a lot of information on, let's say, the efforts that are ongoing internally to expand the pipeline beyond checkpoint inhibition but previously we discussed on that.

So the short answer is that we need to do two things: first of all, make sure that, that first timeline that we presented and that essentially going into the clinic with RXI-762 is not jeopardized; and secondly, we've got to make sure that we increase the potential of our pipeline to maximum.

And so, what is the other variable? Well, that's time and resources. And so, you mentioned the time there. And so, the honest answer to that is that with the current financial guidance that we've given, within that same framework and by lack of any additional significant change of our financial position or our resources in general, it could be just that one.

However, with the strategy that we explained today, we are preparing and we are continuing to prepare multiple partnerships and multiple follow-up compounds that can go into an active development, if indeed such resources become available. So you can clearly see that, yes, we are preparing for that. We definitely have no interest with just being a one-trick pony. Quite frankly, our platform technology's way too exciting to not to do that. But it would be very foolish, at least, I mean, people will -- well, call me foolish if I all of a sudden say, "Oh yes, given all the money and all the time in the year, how many of those compounds will you be putting into the clinic?" But for sure, be reassured is that once additional resources become available, we will translate some of these follow-up compounds into an active; so you'll see our pipeline slides being updated and you'll see additional announcements on that.

Michael May - - *Shareholder*

My second question is considering yesterday's SEC filing, it would seem to me very premature that three or four of our largest shareholders are selling. That's a very perplexing and conflicting piece of information, and I was wondering if you give some rationale to that?

Caitlin Kontulis - *RXi Pharmaceuticals - Principal Accounting Officer*

So with the financing that we completed in April, the common shares that we issued were registered under Form S-3 shelf registration statement that we filed with the SEC. The warrants and the underlying common stock were not registered. They were part of a private placement. So as part of the securities purchase agreement with the investors in that financing, we agreed to put up a registration statement for the common stock underlying those warrants. So that's what we did with that filing yesterday.

So it does not necessarily mean that any of those warrant holders have exercised their warrants and are looking to sell their shares. It is just at a time that they choose to do that, which we don't have control of; we don't know of at this time. They'll be able to sell their common stock pursuant to this registration statement.

Geert Cauwenbergh - *RXi Pharmaceuticals - President & CEO*

Well, it is a (multiple speakers) --

Michael May - - *Shareholder*

Well, the thing that was troubling was the fact that yesterday the -- in light of that, the volume was extremely high and the price was at its all-time low. And it just seemed like premature sales are going on for a company that has such high expectations that -- it doesn't make sense to me is where I'm coming from. Thank you.

Caitlin Kontulis - *RXi Pharmaceuticals - Principal Accounting Officer*

Sure. If there's any warrants that do get exercised, the company will receive the proceeds for the exercised price times the number of shares that they exercise. That will be disclosed in any of our quarterly financial statements that come out. So as of this past quarter, the current holders that hold these warrants that we're registering have not exercised their warrants at this time. So we'll continue as we file our financial statements. Such information like that will be included in there as well as [received] proceeds from them.

Michael May - - *Shareholder*

Could you explain the coincidence then of yesterday's filing with the extremely high volume, probably the highest I've ever seen and the price decline as well?

Geert Cauwenbergh - *RXi Pharmaceuticals - President & CEO*

Well, I was flabbergasted myself. I thought that I knew everything, and then I realized when Caitlin told me that we had to file that S-1 for the registration of the shares. It dawned to me that in our -- in the publicly available information, it was known that yesterday was the last day for us to basically file that registration statement with the SEC, and I can only imagine that some people who are smart with electronic trading put in certain dates against which then maneuvering with chance are happening.

That it's just a hypothesis. As I said, it was, like, huh, what's going on? But that's the only rational explanation I could come up with. Electronic trading people who basically knew that yesterday was the last day for us to file with the SEC, and so they were either shorting against that or they were playing against it, betting against it; I don't know. But I could --

---

Michael May - - *Shareholder*

But to your knowledge, that selling wasn't coming from these three or four very large shareholders?

Geert Cauwenbergh - *RXi Pharmaceuticals - President & CEO*

We don't know. We don't know. But the other -- there's a lot of day traders today in our stock, and that explains very often the huge volumes that we see. And we don't know who traded it, but I would -- my guess would be that those who bought those shares, the new shares, those large shareholders bought those shares at $3 something, would probably not see too much value in selling them at $2 whatever.

Michael May - - *Shareholder*

Yes. I wanted to tell you how much I appreciate your hard work. I have been in that position with a startup company and it's extremely difficult. And I really appreciate you keeping the faith and your fortitude. Thank you.

Geert Cauwenbergh - *RXi Pharmaceuticals - President & CEO*

Well, and I appreciate you being a shareholder and all the other shareholders on the line.

Operator

Our next question comes from [Lawrence Kate], a private investor.

Lawrence Kate - - *Private Investor*

Hello, Doctor (multiple speakers) Geert. First, I want to say I was dazzled by your account and Dr. Dispersyn's account of all these fancy kind of things you're doing with oncology and all these things. But as you might now, I'm very concerned about the lack of buying interest in the company. I've been of a sizable -- I've had a sizable stake in this company and increased my stake over the years, and all I saw was lack of interest in buying by anybody and a continual plunging of the stock price, and I just couldn't understand it.

I would read all of these technical medical things that you put on the web, all of these conferences you went to and presentations, and nobody seemed to be interested. I was sold on it, but I just wonder -- and now we're very low on money, it seems to me. We have $2 million as of the last -- as of the end of March with $2 million in debt. And I just couldn't understand how that could happen. We have a market cap of less than $10 million when all of the stuff I read says that there is potential of billions of dollars. And why all these people you talk to, they don't buy any stock in it. All of these companies that you meet with, even their executives or even anybody, you think would be buying. You'd think that there would be people interested in this stock who are insiders who are members of the board of directors of our company. There's a big disconnect.

Now do you find currently that there is interest in making a deal? We talk about these collaborations, Iovance and Medigene, Gustave Roussy. But as far as I can see, they don't put any money into us, and I don't know what the collaboration involves. It may involve giving them a cut of the business when I comes about, I'm not sure. But I just -- I don't know where the money is going to come to continue. Can't keep having secondaries; we're about out of it. That's almost impossible at this price.

And that's my problem. There's a disconnect between what I see as the interest in this in the industry and in the investment community, and the medical situation is you dazzlingly pointed out with Dr. Disersyn this afternoon. So, I'd like to get your response to that.

Geert Cauwenbergh - *RXi Pharmaceuticals - President & CEO*

Well, Larry, maybe first, Caitlin can provide a little bit of -- maybe not correction but clarification with what you said because there may be a few numbers that are not totally correct. Caitlin?

Caitlin Kontulis - *RXi Pharmaceuticals - Principal Accounting Officer*

Sure. So at the end of March, we had about $2.6 million in cash. We completed our raise in April where we raised about $4.1 million in net proceeds. So with our cash at the end of March plus the net proceeds, that brings us to about $6.7 million in cash, which we believe will bring us through January 2019.

Just wanted to clarify, we have about $2 million, $2.5 million in liabilities. We do not have any debt. So there is no debt on the balance sheet. We just have --

Lawrence Kate - - *Private Investor*

No, I misspoke. I knew there was no debt.

Caitlin Kontulis - *RXi Pharmaceuticals - Principal Accounting Officer*

Sure. No, that's fine. We just like to clarify that.

Lawrence Kate - - *Private Investor*

But even at that, we now presumably encouraged people who had these recent warrants to exercise them even though they were exercising them at a price over the current -- way over the current market to get a little bit more money into the company. But where else is it going to come from? Where are we getting this money? Is there any money coming in from any of these collaborations?

Geert Cauwenbergh - *RXi Pharmaceuticals - President & CEO*

Well, then I think (multiple speakers) --

Lawrence Kate - - *Private Investor*

I mean --

Geert Cauwenbergh - *RXi Pharmaceuticals - President & CEO*

Sorry, go ahead.

Lawrence Kate - - *Private Investor*

Yes, go ahead.

Geert Cauwenbergh - *RXi Pharmaceuticals - President & CEO*

I think I mentioned it somewhere in the presentation that these people had approached [us] because they realized -- I mean Adoptive Cell Therapies companies, like Medigene, like Iovance, they realized that they are sitting on the great technology, which is accurate, absolutely accurate, but that they know and the whole oncology space knows that there are current limitations in Adoptive Cell Therapy as such, that there's current limitations

with the use of antibodies. The antibodies, the anti-PD-1s have done a terrific job, for instance, in melanoma bringing five-year survival in late-stage patients from 4% or 5% to 20%, 25%. That still leaves 75% of the patients with late-stage melanoma not making it.

People have started to realize, and that is where there is, indeed, a disconnect; not between us and the academic centers and some of the Adoptive Cell Therapy centers, but between the regular investors and us. There is a disconnect in -- the academic centers get it. Companies like Medigene and Iovance, and there's other companies we're talking with, they get it. And they realize that their second generation could well be of their cell therapy, could well be cell therapy basically with the [add-on] weaponized, as Gerrit mentioned as a word, weaponized with our drugs so that instead of just being active in liquid tumors in hematological malignancies, now they can also bridge to what is a much larger market, which is the solid tumors, which is 80%, 90% of the total oncology market.

And how that is going to happen if those companies work with us and we work together on this project. They convince themselves with our materials and with our guidance that this indeed could be their second generation. I just, for the fun of it, looked up the list of institutional investors of the company like Iovance. It's not incredible but it's impressive. So if we start working together and managing the same thing, if we start working together with those companies, the shareholders in those companies, when there's good data coming from a result of that, may also finally see us on their radar screen.

Today, many of the intuitional investors are limited in who they can invest because of market cap. And that is -- you asked, why is it that people who understand what you are doing are not investing? Because when we are so small, then they, very often, because of the charter of the fund, they cannot invest in the company or take a meaningful position in this company. And we hope that what we are doing, we expect (inaudible) doing that we should be able to break out of that cycle.

Lawrence Kate - - *Private Investor*

Yes. Well, I understand that. I mean I've heard this kind of thing for years now, that all of these great things and all of these people are interested. We just -- we don't have wealthy individual buying into it. I mean for the market cap we have, we should have somebody just reaching his back pocket and pull out, what is it, less than $10 million. That's nothing in this field. And we just seem to not be convinced. As far as I can tell, the proof is in the pudding, and I have seen no reason to believe that anybody thinks that this will work except you, I, and Dr. Dispersyn. We may be the true believers, but I don't see any evidence that anybody believes it because no one has ever since I've been an investor here, has there ever really been taken -- buying it. Even the people in our own company have almost no stake in it except you. I mean I'm just surprised, I hope I'm wrong. I think maybe I am and I seem to be talking against my own interest.

But something - what worries me is that we're going to run out of money because there aren't many. There is nothing -- you can't get blood out of a turnip as the old saying goes. We can't get it internally anymore. We have to get non-dilutive financing. And if we don't get it pretty soon, somebody else is going to end up with this company and is going to do very well and run it into billion dollars someday.

But I hope, I just hope, that people have listened today to you and Dr. Dispersyn and your great explanation of the science, and start getting interested because so far it isn't that people have been using these fancy things to short the stock and to drive it down using technology. If there was interested buying and people who really believed in this out there and who understood it, they would be overwhelming; such shenanigans. It's that there has been no buying pressure ever and that worries me. I mean I just don't know. I hope that this changes around pretty soon. I think maybe it will. Maybe something is a spark out there that I haven't seen yet, but I haven't seen any evidence of it.

So, anyway, I do appreciate what you've done, and you are a very nice guy. And I have heard that everybody who knows you and works with you thinks you are terrific and I agree with that. But something's got to happen here and soon it looks to me like.

Gerrit Dispersyn - *RXi Pharmaceuticals - Chief Development Officer*

So, sir, I mean like your analysis -- this is Gerrit. Your analysis is sharp but also explains -- essentially provides the explanation why we announced the therapeutic shift. If you are working with a technology, beautiful technology like ours on a chronic indication for non-life threatening disease

such as dermatology, everyone to really be excited and to really open up their wallets will like to see late-phase clinical studies because there is no dermatology product or ophthalmology product that can get approved with just Phase 1 or Phase 2 data. So you need that late-stage data, which we now are getting close to getting, right? So that's what we are working on.

In addition, the reason why we're focusing on immuno-oncology right now is that because that landscape is very, very different. The landscape is different from an investment viewpoint but the landscape is also different from a regulatory viewpoint in that sense that as we explain, we feel that we can get A into the clinic much faster than what we would be able to do so in a dermatology-ophthalmology indication. And in addition to get also approval with much more quicker, with much less data as we discussed previously, companies that have innovative adoptive cell therapy, nowadays like Novartis and Kite, get approvals based upon small, very small Phase 2 data.

So, in essence, what you are sensing and experiencing is an explanation and essentially why we're doing this turnaround and why indeed we're really on the cusp of getting, reaping the benefits of that because of the wrapping up of our dermatology and ophthalmology R&D and because of our speed by which we will get into the clinic with our immuno-oncology component. And quite frankly, what you are seeing today and what we announced today, the additional collaborations is just a prelude to that. But having additional companies, interestingly enough, is gradually going to open up the interest from other companies and hopefully other investors as well. So I would say, thank you for your loyalty and your explanations, and stay tuned.

Lawrence Kate - - *Private Investor*

Let me ask one -- just a couple more questions and then I'll be done. Is it your opinion -- suppose, just hypothetically that you don't get a dermal out-licensing deal, will there be enough money somehow available to get to a later stage I-O, immuno-oncology clinical situation?

Geert Cauwenbergh - *RXi Pharmaceuticals - President & CEO*

Having been a person who have been dealing with startups and also my own company that I started, sometimes it's -- there's always some doubt, am I going to be able to raise the money? Thus far, in 15 years, I've never had an issue in raising money because the science has always been there. It's just a matter of talking to enough people and finding the right people.

Being a public company, it doesn't mean get necessarily easy because there's a lot of limitations and there's a lot of rules that you have to keep in mind. And so, Caitlin makes sure that I don't do anything stupid. But I feel reasonably confident that we should not run out of money, if that is your concern. I think we have --

---

Lawrence Kate - - *Private Investor*

Yes, that's my concern, right.

Geert Cauwenbergh - *RXi Pharmaceuticals - President & CEO*

I think we have enough irons in the fire to make sure that does not happen.

Lawrence Kate - - *Private Investor*

Well, I believe you're the man; so if you say so, I'll get my dollar up because you have quite a track record in your life. And so, you've done it before, so I think I'll believe that you'll do it this time too. Thanks a lot.

Geert Cauwenbergh - *RXi Pharmaceuticals - President & CEO*

Look, I didn't know this technology before I came on board. I've seen what it can do. I fell in love with it. And probably love is not rational, so that's not good. But at the same time, I have also put my money where my mouth is. And I'm not the kind of person that throws money away. Just ask my wife if you ever would meet her.

Lawrence Kate - - *Private Investor*

Okay, well, let's go get them.

Geert Cauwenbergh - *RXi Pharmaceuticals - President & CEO*

Okay. We'll do that.

Operator

Thank you. And there appears to be no more questions at this time.

Tamara McGrillen - *RXi Pharmaceuticals - Head of Investor Relations*

Well, thank you, everybody. We'd like to thank you for participating on the call today. Operator, you may close the call.

Operator

Thank you. This does conclude today's conference. We thank you for your participation. You may all disconnect your lines right now. Thank you.
