INNOVATION PHARMACEUTICALS INC.

Company Presentation

September 8, 2017

100 Cummings Center, Beverly, MA

Ticker: IPIX

Safe Harbor; Forward-Looking Statements

This presentation contains forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 that involve risks, uncertainties and assumptions that could cause Innovation's actual results and experience to differ materially from anticipated results and expectations expressed in these forward-looking statements. Innovation Pharmaceuticals has in some cases identified forward-looking statements by using words such as "anticipates," "believes," "hopes," "estimates," "looks," "expects," "plans," "intends," "goal," "potential," "may," "suggest," and similar expressions. These forward-looking statements include, but are not limited to, statements concerning future drug development plans and projected timelines for the initiation and completion of preclinical and clinical trials; the potential for the results of ongoing preclinical or clinical trials and the efficacy of Innovation Pharmaceuticals' drug candidates; the potential market opportunities and value of drug candidates; other statements regarding future product development and regulatory strategies, including with respect to specific indications; any statements regarding Innovation Pharmaceuticals' future financial performance, results of operations or sufficiency of capital resources to fund its operating requirements; any statements relating to Innovation Pharmaceuticals planned uplisting or use of proceeds; and any other statements that are not statements of historical fact. Forward-looking statements involve risks and uncertainties, which may cause Innovation's actual results, performance or achievements to be materially different from those expressed or implied by forward-looking statements. Such forward-looking statements are based upon current expectations that involve risks, changes in circumstances, assumptions and uncertainties. Among other factors that could cause actual results to differ materially from those expressed in forward-looking statements are Innovation Pharmaceuticals' need for, and the availability of, substantial capital in the future to fund its operations and research and development, including the amount and timing of the sale of shares of common stock to Aspire Capital; Innovation Pharmaceuticals' ability to continue to fund and successfully progress internal research and development efforts and to create effective, commercially-viable drugs; and the fact that Innovation's compounds may not successfully complete pre-clinical or clinical testing, or be granted regulatory approval to be sold and marketed in the United States or elsewhere. A more complete description of these risk factors is included in Innovation Pharmaceuticals' filings with the Securities and Exchange Commission. You should not place undue reliance on any forward-looking statements. Forward-looking statements speak only as of the date on which they are made. Innovation Pharmaceuticals undertakes no obligation to release publicly the results of any revisions to any such forward-looking statements that may be made to reflect events or circumstances after the date of this presentation or to reflect the occurrence of unanticipated events, except as required by applicable law or regulation.

Innovation Pharmaceuticals Overview

Value Proposition

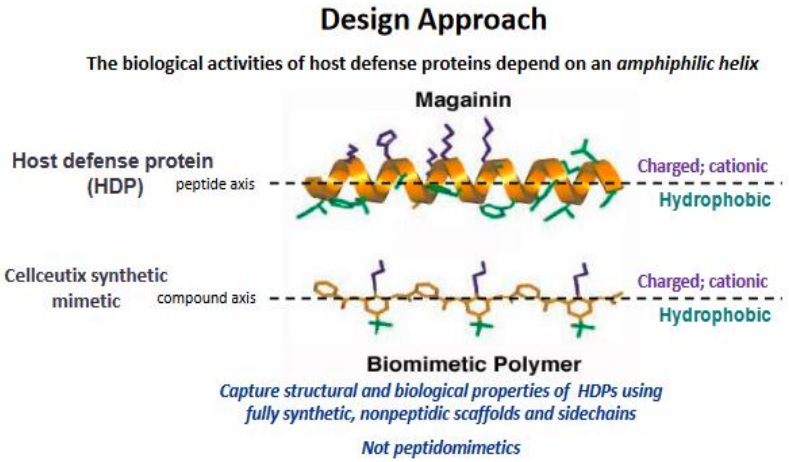
INNOVATIVE SCIENCE AT THE CORE OF THE COMPANY

AN EXCEPTIONALLY STRONG CLINICAL PIPELINE

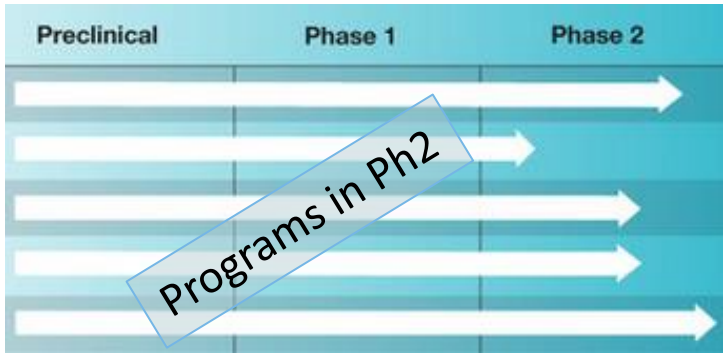
ADDRESSING $BILLION MARKET OPPORTUNITIES

Novel Mechanisms of Action

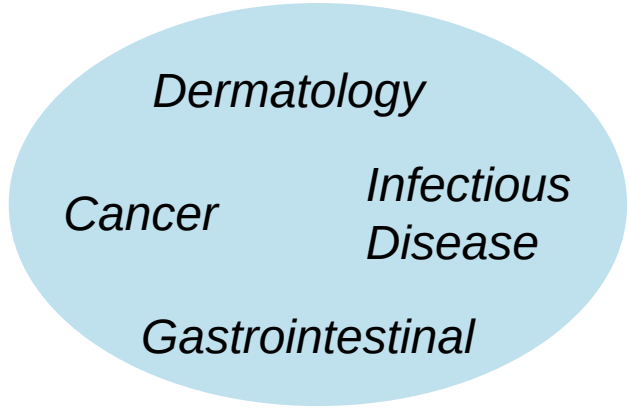
e.g., Brilacidin



Mid-Late Stage Candidates



Multiple Therapeutic Areas

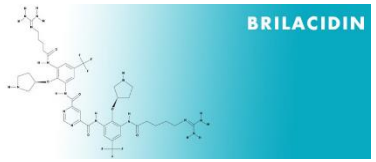


Innovation Pharmaceuticals Pipeline

Drug Candidates

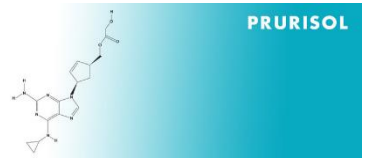
Innovation has **three drug candidates**, each with first-in-class potential, advancing in clinical trials under various special FDA designations.

Brilacidin



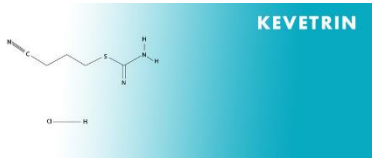
*Drug candidate in a **new immunomodulatory class** with anti-inflammatory and antibiotic properties advancing in clinical trials under Fast Track designations*

Prurisol



*Orally-delivered **psoriasis** drug candidate in a Phase 2b trial utilizing advantages of the 505(b)(2) development approach*

Kevetrin



*p53-modulating drug candidate with three Orphan Drug designations in a Phase 2a trial for **ovarian cancer***

Company Highlights

COMPANY APPROACHING KEY INFLECTION POINTS

Brilacidin, a Novel Immunomodulatory Agent…
Prurisol an Oral Psoriasis Medicine… and;
Kevetrin, a p53-Modulating Drug Candidate

All three **Clinical Assets targeting Multi-Billion Markets** in numerous therapeutic areas, across multiple clinical indications

Near-Term Catalysts by Year-End—trial completion, results reporting; collaboration/partnership opportunities

Pipeline Potential

Innovation: The Challenge and The Opportunity in Drug Development

DRUG SAFETY	DRUG EFFICACY	DRUG DELIVERY
Are there adverse side-effects?	What is the therapeutic effect?	Is there a preferable way to administer?
Could drug be Safer?	Could drug be Better?	Could drug be Easier?
Even at Higher Doses	Improved Response Rates	Optimal Formulation

How We're Different

Innovative Drug Candidates with Multi-Indication Potential

BRILACIDIN	PRURISOL	KEVETRIN
*ABSSSI	PSORIASIS	OVARIAN CA
ORAL MUCOSITIS	PSORIATIC ARTHRITIS	RENAL CA
ULCERATIVE COLITIS		PANCREATIC CA
ECZEMA		RETINOBLASTOMA
CROHN'S		
**HS		
ACNE		

POTENTIAL FOR LIFE-CHANGING, LIFE-SAVING TREATMENTS

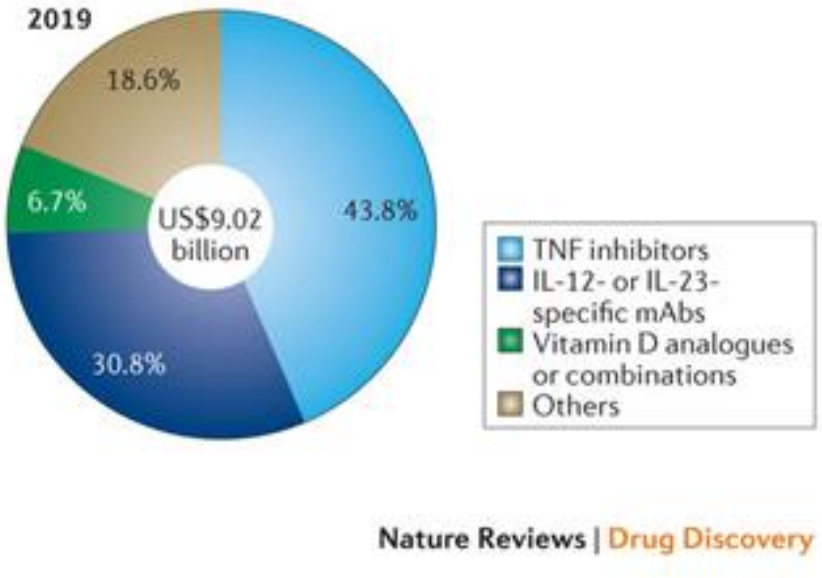
* ABSSSI - Acute Bacterial Skin and Skin Structure Infection ** HS - Hidradenitis suppurativa

Multi-Billion Market Opportunity

Innovative Products Will Merit Higher Premiums

Prurisol

Psoriasis

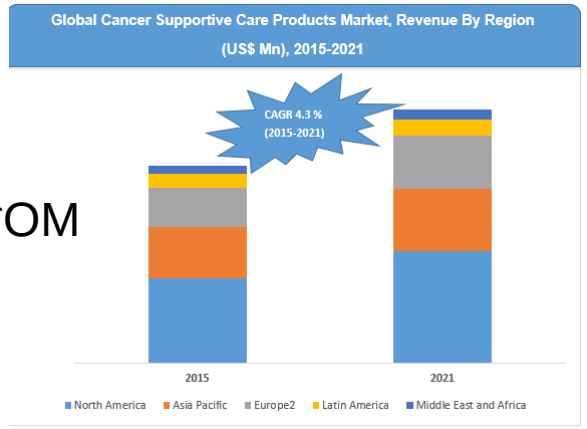


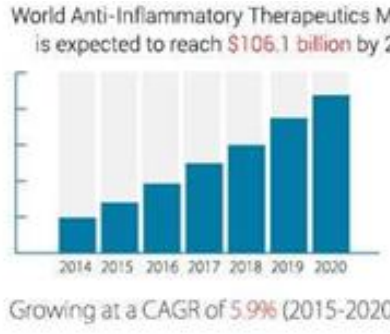
* ABSSSI = Acute Bacterial Skin and Skin Structure Infection

** Oral Mucositis

Brilacidin

**OM





IBD

*ABSSSI

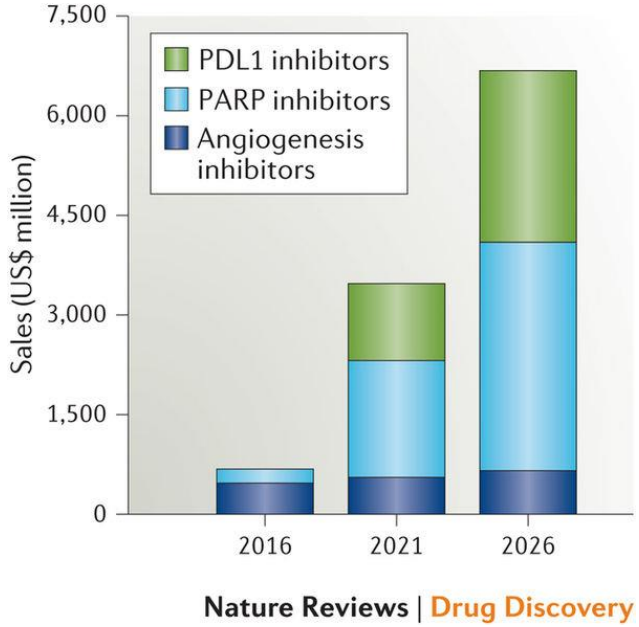
Table 10: Estimates of Total Market Size, by Indication (in $ Million)

ESTIMATE	ABOM	ABSSSI	CABP	CIAI	CUTI	HABP/VABP
1	$2,720	$3,070	$2,290	$2,530	$5,760	$1,780
2	$2,950	$6,590	$7,970	$4,660	$6,540	$3,470
3	$9,230	$9,230	$9,230	$9,230	$9,230	$9,230

Source: (IMS Health, 2012)

Kevetrin

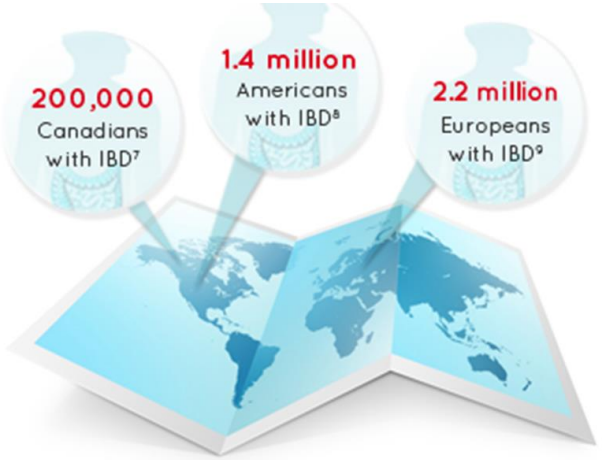
Ovarian Cancer



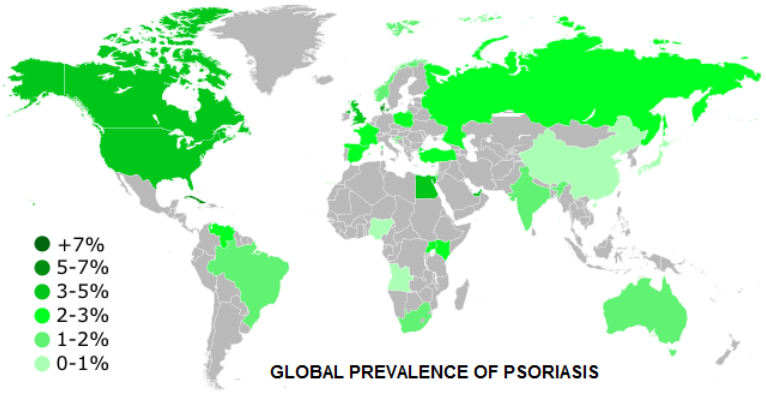
Pipeline Potential

Targeting Major Therapeutic Areas

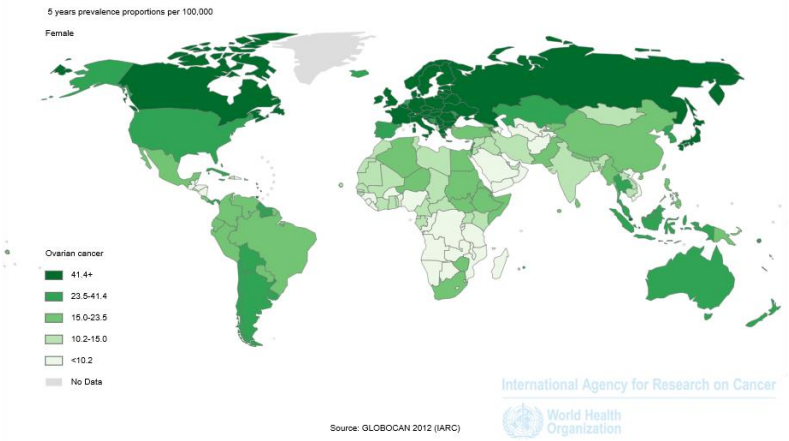
INFLAMMATORY BOWEL DISEASE



PSORIASIS



OVARIAN CANCER



Recent Deals / Market Potential

$7.2bn — Celgene / receptos — S1P modulation

$2.5bn — Celgene / nogra pharma — Smad7 inhibition

$2.075bn — GILEAD / Galápagos — JAK1 inhibition

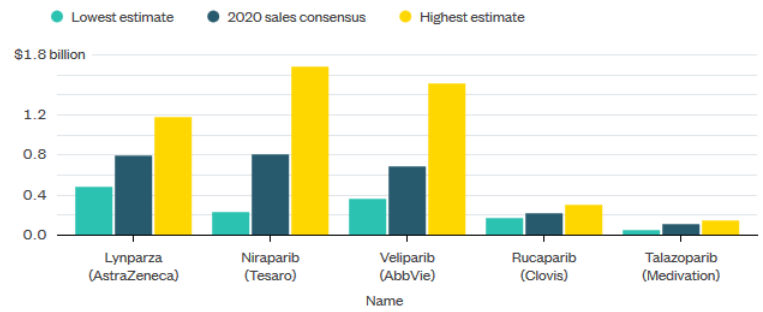
$2.6bn — Salix / SANTARUS — corticosteroids (budesonide)

$640 million — Allergan / vitae Pharmaceuticals — RORγt IL-17 modulation

$490 million — Dr. Reddy's / XenoPort — Monomethylfumarate prodrug

$790 million — PURDUE / exicure — SNA-based therapeutics

$595 million — Boehringer Ingelheim / abbvie — Anti-IL-23 mAb



Source: Bloomberg

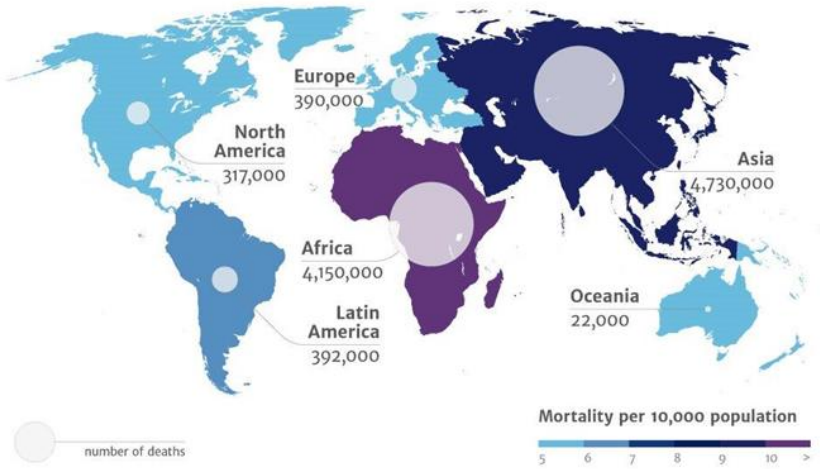
CLOVIS ONCOLOGY — TESARO

INNOVATION PHARMACEUTICALS INC.

Pipeline Potential

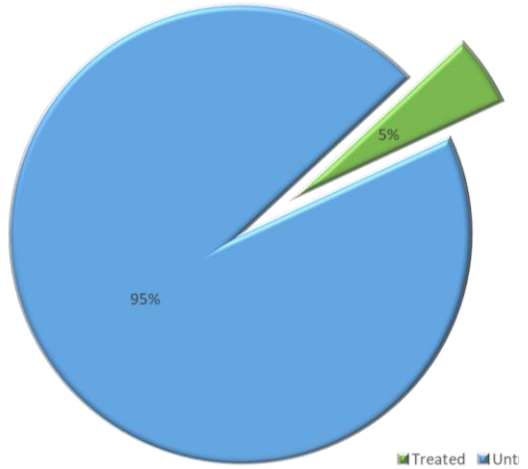
Targeting Major Therapeutic Areas (continued)

INFECTIOUS DISEASE



ORAL MUCOSITIS

~450,000 patients/year in U.S. alone



Less than 5% of patients currently prescribed any OM treatment

Recent Deals / Market Potential

CUBICIN® (daptomycin for injection) 500 mg

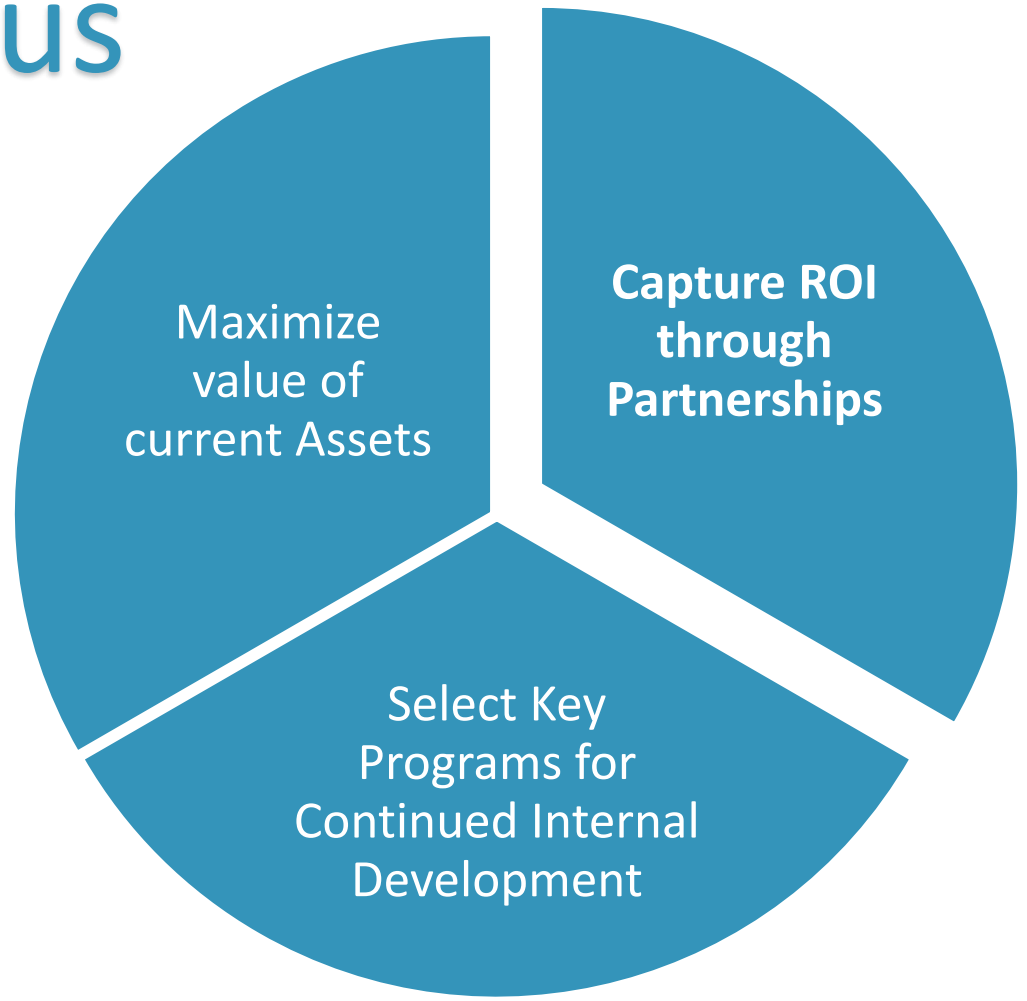
$1.087bn sales in 2016

Product	Company	Phase	Indication	Comment / Issue
Kepivance	Amgen	Approved (drug)	Prevent OM-HSCT	Inconvenient IV dosing 3x pre + 3x post chemo, over priced
Gelclair	DARA	Approved (device)	Palliation	Poor reimbursement, poor data
Mucotrol	Edwards Pharmaceutical	Approved (device)	Palliation	Poor reimbursement, poor data
Caphosol	EUSA	Approved (device)	Palliation	Poor reimbursement, poor data
Episil	Camurus	Approved (device)	Palliation	
Mugard	Access	Approved (device)	Palliation	Poor reimbursement; recent controlled study confirmed activity as a palliative agent

INNOVATION PHARMACEUTICALS INC.

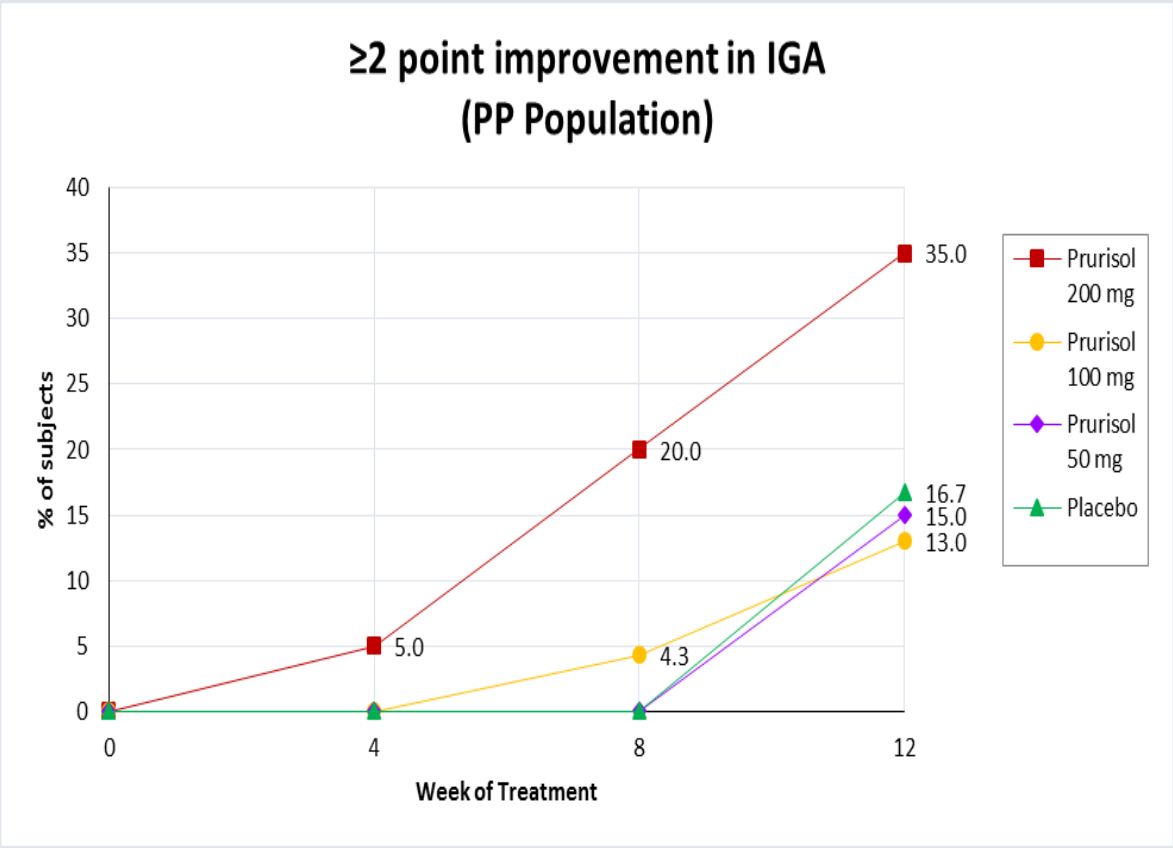
Our Approach

Strategic Focus



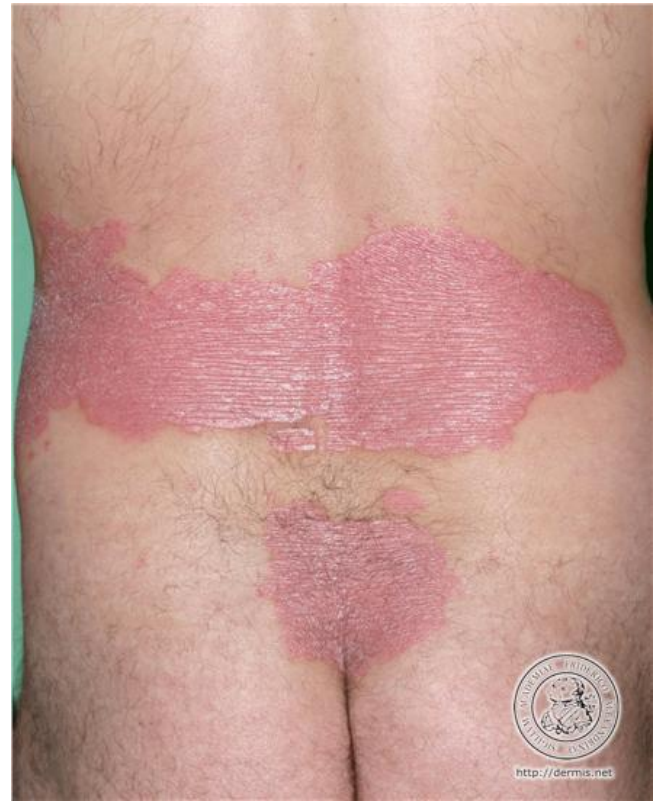
Prurisol: Phase 2a Mild-Moderate Plaque Psoriasis Trial

Positive Results



Source: Table 14.2.1.1.2 and Table 14.2.1.2.4

Psoriasis Affects Over 125 million People Worldwide



- ≥ 2-point Investigator Global Assessment (IGA) improvement (200 mg group) at Week 12 was 35.0% subjects (PP)
  [Provided basis to proceed to next study]

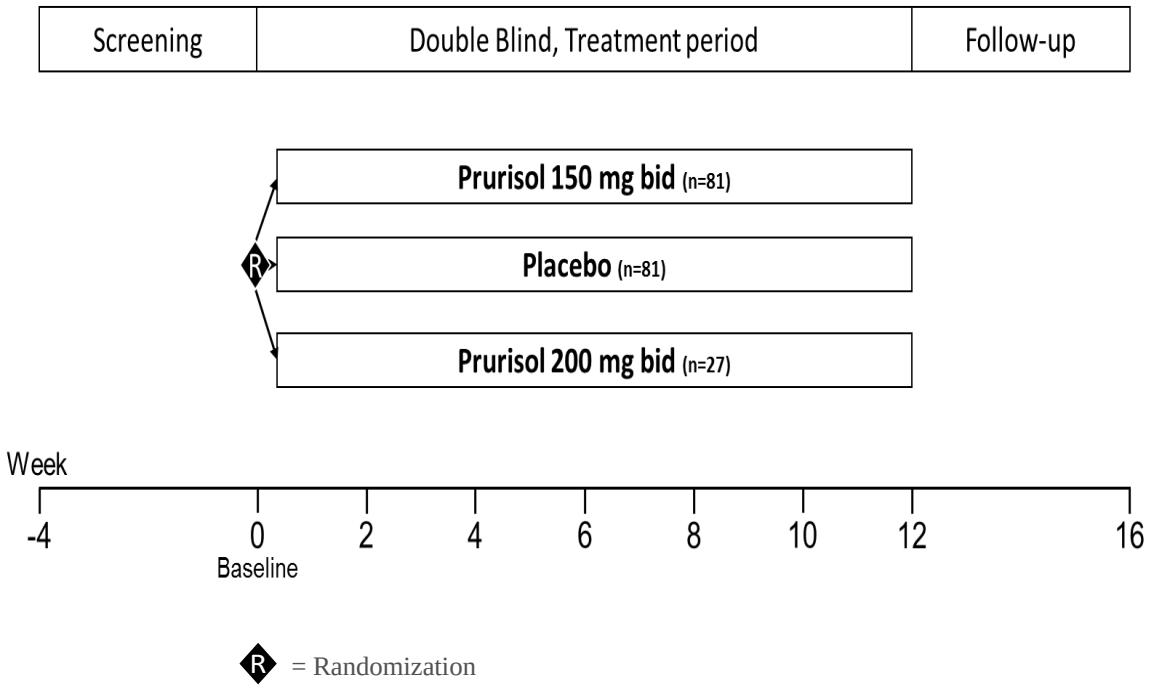
Prurisol: Phase 2b Moderate-Severe Plaque Psoriasis Trial

Ongoing

Anticipated Completion 4Q2017

- **Randomized, double-blind, parallel-group, placebo-controlled**
- **Treatment Groups**
  - Prurisol 300 mg: Pbo: Prurisol 400 mg
  - 3:3:1
- **Number of Subjects**
  - ~189
- **Treatment Duration**
  - 12 weeks
- **Number of Sites (U.S.)**
  - ~30

Study Design Schematic



Brilacidin: Phase 2a IBD Trial (Ulcerative Proctitis/Proctosigmoiditis)

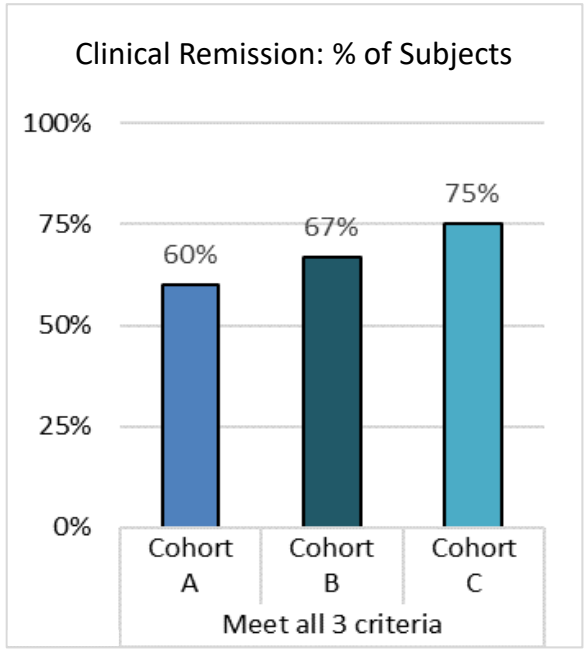
Primary Efficacy Endpoint, Topline Results (Recently Completed)

Clinical Remission in > 50% subjects (Day 42)

Similar across cohorts

- 60% Cohort A (3 of 5)
- 67% Cohort B (4 of 6)
- 75% Cohort C (3 of 4)

Analysis population: Includes subjects with Endoscopy, Rectal Bleeding and Stool Frequency subscores at baseline and Day 42; one subject in Cohort A and one subject in Cohort C are not included due to no Day 42 endoscopy (subjects declined)

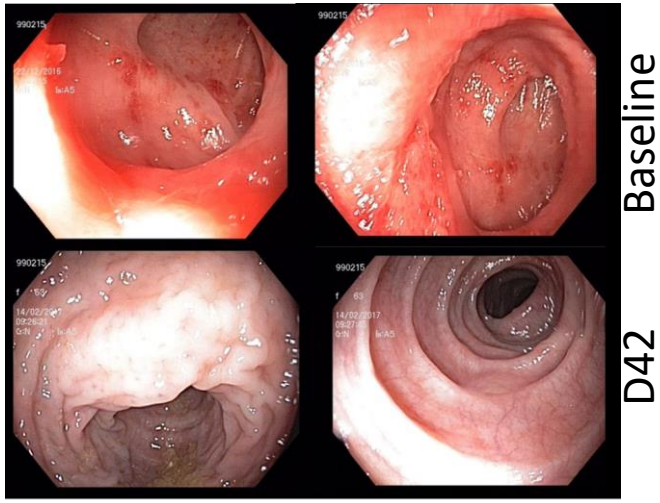


Examples Clinical Remission

Treated with Brilacidin 100mg (Cohort B) per retention enema

Clinical Remission is defined as:

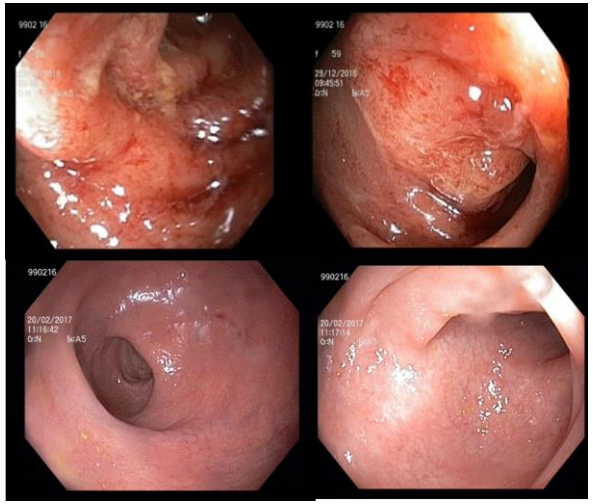
- Endoscopy subscore ≤ 1
- Rectal Bleeding subscore of 0
- Stool Frequency subscore improvement or no change from baseline



Subject 990216 (rectum)

Baseline

D42

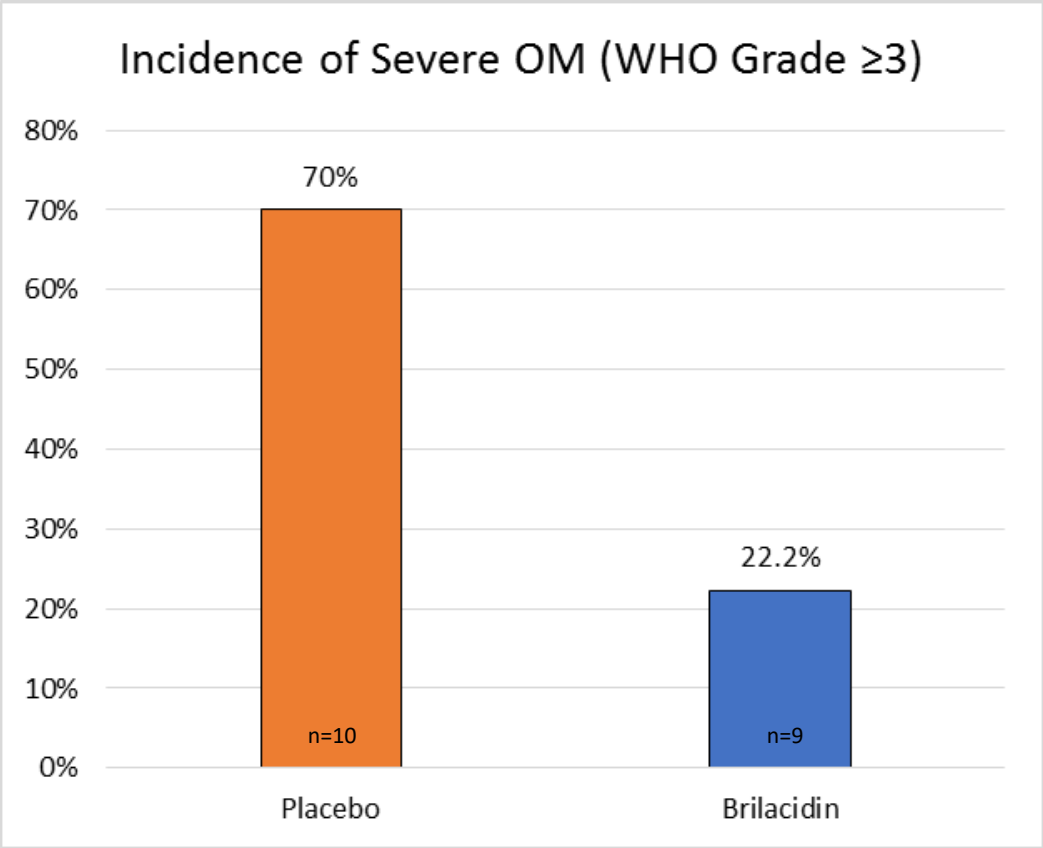


Subject 990215 (rectum)

Brilacidin: Phase 2 Oral Mucositis Trial

Positive Results: *Ad-Hoc* ***Interim Analysis***

Anticipated Completion 4Q2017



A Painful and Common Complication of Chemoradiation

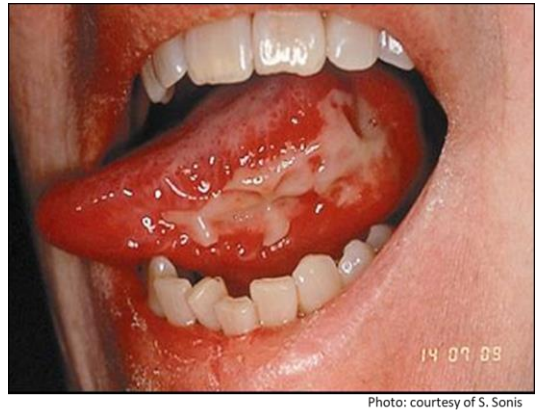


Photo: courtesy of S. Sonis

- **Brilacidin markedly reduced the Incidence of Severe OM (WHO Grade ≥ 3)** experienced during chemoradiation therapy by subjects with Head and Neck Cancer

  - **7 of 10 subjects (70%) in the placebo treatment arm** experienced at least one score of WHO Grade ≥3
  - **2 of 9 subjects (22.2%) in the Brilacidin treatment arm** experienced at least one score of WHO Grade ≥3

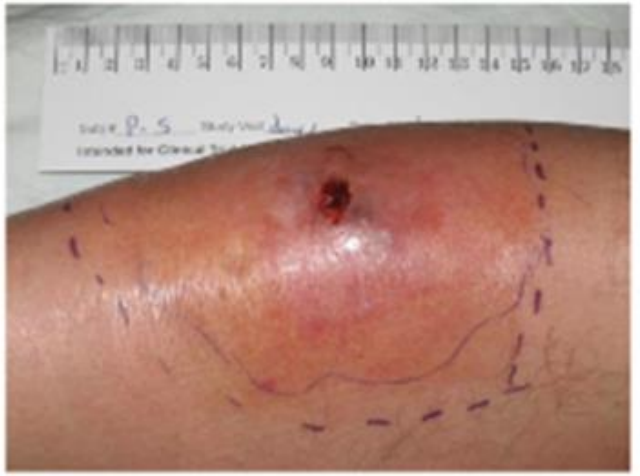
Brilacidin: Phase 2b *ABSSSI Trial

Positive Results (Antibacterial; Completed)

- **Single Dose Brilacidin Efficacy comparable to 7-day regimen of robust comparator (Daptomycin x 7 days)**

	Brilacidin 0.6 mg/kg IV x 1 day (N=53)	Brilacidin 0.8 mg/kg IV x 1 day (N=53)	Brilacidin x 3 days (N=53)	Daptomycin x 7 days (N=50)
Number Assessed	51	48	52	48
Clinical Response (%)	47 (92.2)	46 (95.8)	51 (98.1)	45 (93.8)
95% C.I.	(84.8, 99.5)	(90.2, 100)	(94.3, 100)	(86.9, 100)

Active Skin Infection

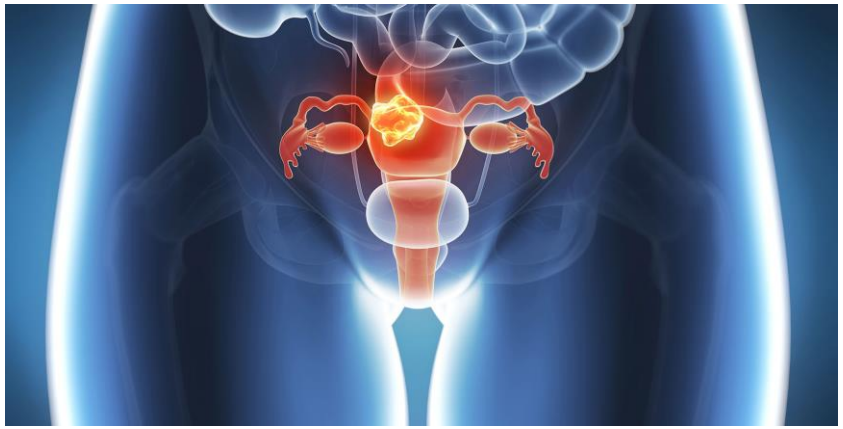


*Acute Bacterial Skin and Skin Structure Infection

Kevetrin for Ovarian Cancer

Program Summary

A p53-modulating Drug Candidate



Source: publichealthwatch

- **Ovarian Cancer (OC) Indication**
  - Supported by Phase 1 solid tumor trial
- **Ongoing Phase 2a Trial for Platinum-Resistant Ovarian Cancer**
  - p53 pathway modulation being measured in tumors
- **Oral Formulation Underway**
  - Better aligns with Kevetrin's PK profile (short half-life)
  - May provide for even better drug exposure and toleration
- **Granted Multiple FDA Orphan Drug Designations**

Proven Team With Deep Experience

Senior Management, Key Advisors

LEO EHRLICH Co-Founder, CEO, CFO, Board Chairman	• >25 years of executive leadership experience in building and managing emerging growth companies • Multiple C-suite roles at private and public companies
ARTHUR P BERTOLINO, MD, PHD, MBA President and CMO	• >15 years of domestic and global drug development and management experience • Extensive senior leadership (VP of Dermatology at Novartis)
KRISHNA MENON, PHD, DVM Co-Founder, CSO, an Board Member	• >30 years of drug development experience • Key pre-clinical oncology group leader (Gemzar and Alimta)
JANE HARNESS, MS, MP Sr Vice-President, Clinical Sciences and Portfolio Management	• >20 years in domestic and international clinical drug development • Extensive pharma leadership positions across entire career
Francis A Farraye, MD, MSC Scientific Advisor	• Professor of Medicine, Clinical Director, Section of Gastroenterology and Co-Director, Center for Digestive Disorders, at Boston University School of Medicine
Paul Ginsburg, PHD Scientific Advisor	• Patent expert in the pharmaceutical and biotechnology fields; former head of NY-based patent department at Pfizer
Stephen T Sonis, DMD, DMSC Scientific Advisor	• Recognized expert in cancer-related oral mucosal toxicities • Professor of Oral Medicine at Harvard School of Dental Medicine, Senior Surgeon at the Dana-Farber Cancer Institute and Brigham and Women's Hospital

INNOVATION PHARMACEUTICALS INC.

Commercial Expanse and Intellectual Property

Intellectual Property Estate

Prurisol

- #US Patents granted
  - 1
- Prurisol Mfg method
  - Prov. pending
- Countries Granted
  - Various EU
  - Japan
  - Others

Brilacidin

- # US Patents granted
  - 9
- Brilacidin Mfg method
  - In-process
- Countries Granted
  - Various EU
  - Japan
  - Others

Kevetrin

- # US Patents granted
  - 1
- # Patents pending
  - Others
- Countries Granted
  - Various EU
  - Japan
  - Others

Innovation Pharmaceuticals

Remaining Anticipated Clinical Milestones 2017

Prurisol

Psoriasis- Complete Ph2b trial

Brilacidin

Oral Mucositis- Complete Ph2 trial

Kevetrin

Ovarian Cancer- Preliminary p53 Modulation Results Ph2a trial

Innovation Pharmaceuticals Strategic Direction

- Leverage 2017 Milestones to Support Partnering Opportunities
  - Multiple CDAs Signed, Ongoing Interactions with Big Pharma and other Global Rx Companies
- Advance Formulation Work to Tailor Drug Delivery
- Continue to Build Value by Addressing Areas of Unmet Medical Need for the Benefit of Patients and Shareholders
- Anchor Each Drug Candidate in Additional Trials to Further Provide Favorable Return-On-Investment

Innovation Pharmaceuticals Inc.

100 Cummings Center
Beverly, MA

September 2017

Ticker: IPIX