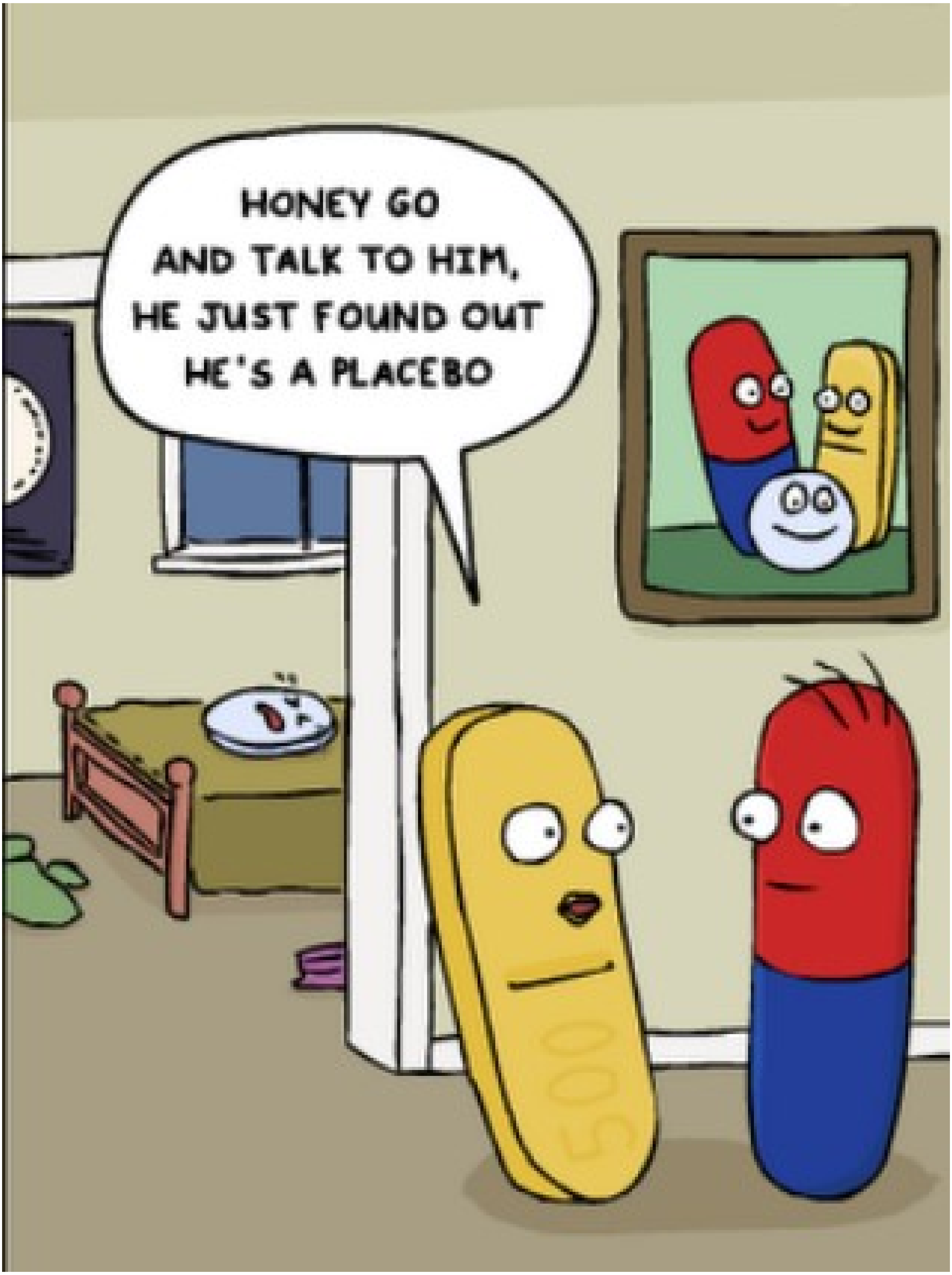
WHITE DIAMOND RESEARCH

10 REASONS WHY WE REMAIN CONFIDENTLY SHORT AMPIO PHARMACEUTICALS

January 9, 2018


HONEY GO AND TALK TO HIM, HE JUST FOUND OUT HE'S A PLACEBO
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RESEARCH SUMMARY

Although we started shorting Ampio (AMPE) in the high $3s, we continue to hold our short position. We don't believe that Ampio's osteoarthritis drug, Ampion, will ever get approved, and the company will likely be required by the FDA to do another trial to seek approval. Their next trial will likely have the same result as their previous Ampion trial, which failed to show improvement over saline injections. If our thesis is true, the stock will go sub $2 in short order. The following are 10 reasons why we are confident in our thesis.

1. In Ampio's latest trial on its osteoarthritis drug, Ampion, it wasn't compared to a placebo, as the CEO, Michael Macaluso, stated December 14, 2017 in this conference call at time 11:52. He states: "This was not a saline controlled trial."
2. Ampio's recent JP Morgan presentation on January 8th has no information about a path to approval, nor does it say the company is confident that it will get approved.
3. The CEO states about the Ampion trial in this conference recording in March 2017, that out of 9 trial options CBER (Center for Biologics Evaluation and Research) gave Ampio for an FDA-approvable trial, Ampion's trial was none of those 9 options. He stated this at time 51:00 in the recording.
4. Ampion's previous larger phase 3 trial, which was randomized, saline-controlled and done under real SPA, failed. This was announced in June, 2016.
5. On January 2, Adam Feuerstein published an article stating that saline is just as effective a treatment as Ampion. We trust Adam F's judgement as a top biotech analyst.
6. This PR from May 1, 2017, announced the Ampion trial. It uses the words "unmet medical need" in parentheses, which in itself is odd, and the drug doesn't have fast track with the FDA.
7. Ampio's CEO has a shady background, he was CEO of a previous company Isolagen that had numerous transgressions against shareholders. They got hit with a shareholder lawsuit that they settled in 2008 as shown here.
8. Ampio was trading below $1 between February and October, 2017. That's an indication that biotech investors didn't take this trial seriously.
9. A scientific paper from the World Journal of Orthopedics, published here, shows that drugs have an exceptionally high placebo effect in osteoarthritis trials in particular.
10. As shown in its latest 10-Q, Ampio issued 11M units at $0.60 apiece for $66M in gross proceeds. Each unit represented one share and one warrant at a $0.76 exercise price. Some of those warrants are now being exercised, as stated in the December 14, 2017 conference call. This dilutes the outstanding shares, and the increased trading volume will more easily push the stock price down. Ampio's fully diluted share count is roughly 100M.

At only 19% borrow rate on Interactive Brokers, we are fine holding our AMPE short position for 2-3 weeks as we expect the traders and weak hands to churn out of the stock as it declines to below $2 per share.

Position Update: We remain short AMPE. On 3/12/18, we published a follow-up article on Seeking Alpha in regards to the CEO's conference call on 3/7/18, where he backtracked from claims of partnership negotiations. See article here.

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