



Sun BioPharma Files Form 10-Q for Third Quarter 2015 and Provides Business Update

- *FDA grants orphan drug status for SBP-101, the Company's lead development drug*
- *Granted Investigational New Drug (IND) status for SBP-101; Phase 1 clinical study expected to begin in Australia in the current fourth quarter*
- *Strengthens Board of Directors and C-Suite Executives*
- *Three presentations detailing the preclinical data SBP-101 presented at the 2015 American Pancreatic Association (APA) annual meeting*

MINNEAPOLIS, MN, November 16, 2015 (GLOBE NEWSWIRE)—Sun BioPharma, Inc. (OTCPink: SNBP), a biopharmaceutical company developing therapies for the treatment of pancreatic diseases, today released financial results for the quarter ended September 30, 2015 and provided a business update.

“The corporate actions we took over the past few months and the positive regulatory progress of our lead drug candidate, SBP-101, has positioned Sun BioPharma for operational and clinical execution,” commented David Kaysen, President and Chief Executive Officer. “Pancreatic cancer is a debilitating disease for which there is no consistent therapy after failure of first line treatment. We believe our Phase 1 clinical trial for SBP-101, which represents a novel treatment approach, will address this large unmet medical need. Our partnerships with leading pancreatic experts and the compelling data, which was recently presented at the 2015 American Pancreatic Association (APA) annual meeting, gives us confidence we are on a successful pathway as we enter the clinic later this year in Australia and in the US in early 2016.”

As previously announced, Sun BioPharma recently accomplished two significant milestones. On September 4, 2015, the Company completed its merger with Cimarron Medical, Inc. in a transaction in which Sun BioPharma obtained control of the combined entity. For additional detail regarding this merger see the Company's quarterly report on form 10-Q filed with the U.S. Securities and Exchange Commission earlier today.

Following the completion of the transaction and in accordance with corporate governance practices, J. Robert Paulson and Jeffrey Mathiesen, were appointed to the Board of Directors, increasing the number of directors to eight with four of them being independent directors. Scott Kellen, with 20 years of healthcare, corporate finance and capital markets experience, also joined as Vice President of Finance and Chief Financial Officer

Financial Results

General and administrative (G&A) expenses increased 32% to \$429,000 in the third quarter of 2015, up from \$325,000 in the prior year period. These increases were due primarily to increased legal and accounting fees associated with completing the Merger with Cimarron Medical Inc. and the reporting and compliance requirements associated with being a public company.

Research and development (R&D) expenses decreased to \$341,000 for the period as compared to \$789,000 for the third quarter of 2014. R&D activity levels declined in the third quarter due to the transition from pre-clinical to clinical activities for the SBP-101 product candidate.

Net loss in the third quarter of 2015 was \$793,000, or \$0.06 per diluted share, compared to a net loss of \$1.1 million, or \$0.22 per diluted share, in the third quarter of 2014.

For the nine months, G&A expenses were \$2.2 million versus \$838,000 for the nine months ended September 30, 2014, and R&D expenses were \$1.9 million as compared with \$1.7 million. The net loss for the first nine months of 2015 was \$4.2 million, or \$0.49 per diluted share, compared to a net loss of \$2.6 million, or \$0.50 per diluted share, for the first nine months of 2014.

Total cash resources, including short-term investments, totaled \$1.8 million as of September 30, 2015, compared to \$2.2 million as of December 31, 2014. Net cash used in operating activities was \$3.0 million in the nine months ended September 30, 2015, compared to \$2.2 million in the nine months ended September 30, 2014. The net cash used in each of these periods primarily reflects the net loss for these periods, offset in part by non-cash share-based compensation, non-cash interest expense and the effects of changes in operating assets and liabilities.

About SBP-101

SBP-101 is a first-in-class proprietary polyamine compound designed to exert therapeutic effects in a mechanism specific to the pancreas. Sun BioPharma originally licensed SBP-101 from the University of Florida in 2011. The molecule has been shown to be highly effective in human pancreatic cancer models, demonstrating superior activity to existing chemotherapy agents. Combination potential has also been shown for pancreatic cancer. SBP-101 is expected to hold an edge over current pancreatic cancer therapies, since it specifically targets the exocrine pancreas and has shown efficacy against primary and metastatic disease in animal models of human pancreatic cancer.

About Sun BioPharma

Sun BioPharma Inc. is a next-generation biopharmaceutical company developing disruptive therapeutics for serious unmet medical needs. The company's initial programs are aimed at diseases of the pancreas, including pancreatitis and pancreatic cancer. Sun BioPharma has scientific collaborations with pancreatic disease experts at The Ohio State University, the Fred Hutchinson Cancer Center in Seattle, Translational Genomics (TGen) in Scottsdale, AZ, Cedars Sinai Medical Center in Los Angeles, the University of Minnesota, the Austin Health Cancer Trials Centre and the Box Hill Hospital in Melbourne, Australia and the Ashford Cancer Centre in Adelaide, Australia. Further information can be found at: www.sunbiopharma.com. Sun BioPharma's common stock currently trades on the OTC Pink Exchange under the symbol: SNBP.

Forward-Looking Statements Safe Harbor

Statements pertaining to future financial and/or operating results, future growth in research, technology, clinical development, and potential opportunities for Sun BioPharma, along with other statements about the future expectations, beliefs, goals, plans, or prospects expressed by management constitute "forward-looking statements" For purposes of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Any statements that are not historical fact (including, but not limited to statements that contain words such as "anticipate," "believe," "expect," and "plan,") should also be considered to be forward-looking statements. Forward-looking statements involve risks and uncertainties, including, without limitation, risks inherent in the development and/or commercialization of potential products, uncertainty in the results of clinical trials or regulatory approvals, need and ability to obtain capital and maintenance of intellectual property rights. Actual results may differ materially from the results anticipated in

these forward-looking statements and as such should be evaluated together with the many uncertainties that affect Sun BioPharma and its business, particularly those disclosed from time to time in Sun BioPharma's filings with the Securities and Exchange Commission. Shareholders and other readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date on which they are made. Sun BioPharma disclaims any intent or obligation to update these forward-looking statements.

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Sun BioPharma, Inc.

Consolidated Statements of Comprehensive Loss (unaudited)

(In thousands, except share and per share amounts)

| | Three Months Ended September 30, | | Percent Change | Nine Months Ended September 30, | | Percent Change |
|--|-------------------------------------|------------|-------------------|------------------------------------|------------|-------------------|
| | 2015 | 2014 | | 2015 | 2014 | |
| Operating expenses: | | | | | | |
| General and administrative | \$ 429 | \$ 325 | 32.0% | \$ 2,2224 | \$ 838 | 265.4% |
| Research and development | 341 | 789 | (56.8) | 1,936 | 1,692 | 14.4 |
| Operating loss | (770) | (1,114) | (30.9) | (4,160) | (2,530) | 64.4 |
| Other income (expense): | | | | | | |
| Interest income | — | 2 | nm | 5 | 9 | nm |
| Interest expense | (38) | (41) | (7.3) | (117) | (115) | 1.7 |
| Other income (expense) | (8) | 5 | nm | (45) | 18 | nm |
| Total other income (expense) | (46) | (34) | 35.3 | (157) | (88) | 78.4 |
| Loss before income tax benefit | (816) | (1,148) | (28.9) | (4,317) | (2,618) | 64.9 |
| Income tax benefit | 23 | 4 | 475.0 | 118 | 63 | 87.3 |
| Net loss | \$ (793) | \$ (1,144) | (30.7) | \$ (4,199) | \$ (2,555) | 64.3 |
| Foreign currency translation adjustment gain (loss) | 8 | (13) | nm | (6) | (2) | 200.0 |
| Comprehensive loss | \$ (785) | \$ (1,157) | (32.2)% | \$ (4,205) | \$ (2,557) | 64.5% |
| Basic and diluted net loss per share | \$ (0.06) | \$ (0.22) | (72.7)% | \$ (0.49) | \$ (0.50) | (2.0)% |
| Weighted average shares outstanding—basic and diluted | 13,574,929 | 5,186,268 | 161.7% | 8,532,816 | 5,108,656 | 67.0% |

Sun BioPharma, Inc.
Consolidated Balance Sheets (unaudited)

(In thousands, except share amounts)

| | <u>September 30, 2015</u> | <u>December 31, 2014</u> |
|---|---------------------------|--------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 1,786 | \$ 1,654 |
| Short-term investments | — | 499 |
| Stock subscription receivable | — | 94 |
| Prepaid expenses and other current assets | 49 | 18 |
| Income tax receivable | 123 | 108 |
| Total current assets | <u>1,958</u> | <u>2,373</u> |
| Other assets, net | 83 | 105 |
| Total assets | <u>\$ 2,041</u> | <u>\$ 2,478</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 638 | \$ 335 |
| Accrued expenses | 31 | 132 |
| Current portion of notes payable | 250 | — |
| Total current liabilities | <u>919</u> | <u>433</u> |
| Long-term liabilities: | | |
| Convertible notes payable | 2,775 | 3,000 |
| Long-term debt | 300 | 300 |
| Accrued interest | 36 | 27 |
| Total long-term liabilities | <u>3,111</u> | <u>3,327</u> |
| Stockholders' deficit: | | |
| Preferred stock, \$0.001 par value; 10,000,000 authorized; no shares issued or outstanding as of September 30, 2015 and December 31, 2014, respectively | — | — |
| Common stock, \$0.001 par value; 100,000,000 and 20,000,000 authorized as of September 30, 2015 and December 31, 2014, respectively; 29,892,806 and 5,688,927 shares issued and outstanding, as of September 30, 2015 and December 31, 2014, respectively | 30 | 6 |
| Additional paid-in capital | 10,943 | 7,264 |
| Accumulated deficit | (12,939) | (8,569) |
| Accumulated comprehensive loss, net | (23) | (17) |
| Total stockholders' equity | <u>(1,989)</u> | <u>(1,316)</u> |
| Total liabilities and stockholders' equity | <u>\$ 2,041</u> | <u>\$ 2,478</u> |

Sun BioPharma, Inc.
Consolidated Statements of Cash Flows (unaudited)
(In thousands)

| | Nine Months Ended September 30, | |
|---|--|-------------|
| | 2015 | 2014 |
| Cash flows from operating activities: | | |
| Net loss | \$ (4,199) | \$ (2,555) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Amortization of debt issuance costs | 21 | 20 |
| Non-cash interest expense | 9 | 100 |
| Share-based compensation | 933 | 105 |
| Issuance of common stock for services and technology rights | 42 | 91 |
| Changes in operating assets and liabilities: | | |
| Income and other tax receivables | (2) | 85 |
| Prepaid expenses | (31) | 20 |
| Accounts payable and accrued expenses | 208 | (40) |
| Net cash used in operating activities | (3,019) | (2,174) |
| Cash flows from investing activities: | | |
| Proceeds from sales and maturities of short-term investments | 500 | — |
| Net cash provided by investing activities | 500 | — |
| Cash flows from financing activities: | | |
| Proceeds from issuance of common stock, net of selling costs of \$12 | 1,513 | — |
| Proceeds from issuance of debt | — | 2,400 |
| Proceeds from the exercise of stock options | 762 | 11 |
| Proceeds from the exercise of stock purchase warrants | 400 | — |
| Net cash provided by financing activities | 2,675 | 2,411 |
| Effect of exchange rate changes on cash and cash equivalents | (23) | (4) |
| Net increase in cash and cash equivalents | 133 | 233 |
| Cash and cash equivalents at beginning of period | 1,653 | 2,693 |
| Cash and cash equivalents at end of period | \$ 1,786 | \$ 2,926 |
| Supplemental disclosure of cash flow information: | | |
| Cash paid during period for interest | \$ 87 | \$ 34 |
| Supplemental disclosure of non-cash transactions: | | |
| Conversion of notes payable into common stock | \$ 226 | \$ — |
| Notes payable assumed in merger | \$ 250 | \$ — |