AYTU BioScience

STONEGATE CAPITAL PARTNERS

12/12/16

Laura S. Engel, CPA
laura@stonegateinc.com
214-987-4121

MARKET STATISTICS

Exchange / Symbol	AYTU
Price:	$1.33
Market Cap ($mm):	$14.43
Enterprise Value ($mm):	$11.09
Shares Outstanding (mm):	10.85
Float (%):	85%
Volume - 3 month avg. (mm):	.03
52 Week Range (OTCQX):	$1.02-$3.97
Industry:	Pharmaceuticals

CONDENSED BALANCE SHEET

($mm, except per share data)

Balance Sheet Date:	@9/30/2016
Cash & Cash Equivalent:	$3.33
Cash/Share:	$0.31
Equity (Book Value):	$7.19
Equity/Share:	$0.66

CONDENSED INCOME STATEMENTS

($mm, except per share data)

FY - 06/30	Revs	Loss	Adj. EBITDA	EPS
FY14	$0.06	$(5.58)	$(5.75)	$(9.63)
FY15	$0.26	$(7.72)	$(6.50)	$(10.07)
Fy16	$2.56	$(28.18)	$(19.93)	$(16.18)
Fy17E	$5.10	$(18.72)	$(11.70)	$(2.07)

LARGEST SHAREHOLDERS

Alpha Venture Capital Management, LLC

Sabby Management, LLC

Pacific Capital Management

One East Capital Advisors, LP

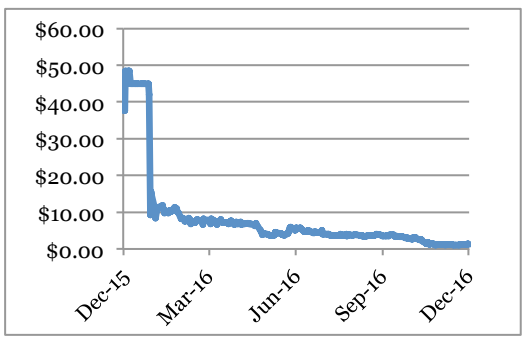
Dendera Capital, LP

Sentinel Capital Solutions, Inc.

Auriga Global Investors

Guggenheim Partners, LLC

STOCK CHART



COMPANY DESCRIPTION

Aytu Bioscience, Inc. is a specialty pharmaceutical company focusing on the field of urology, specifically hypogonadism, prostate cancer, urinary tract infections and male infertility, with plans to expand into other urological indications. Aytu currently markets three FDA approved products – Natesto®, a nasally administered testosterone for the treatment of hypogonadism, ProstaScint®, a radioimaging agent used in the detection of prostate cancer, and Primsol®, an oral solution for urinary tract infections. Aytu markets the MiOXSYS® system under the CE Mark in Europe and the Middle East as a point-of-care semen analysis system used in the diagnosis and management of male infertility. The Company's headquarters are in Englewood, CO, and as last reported, Aytu had approximately 60 employees.

SUMMARY

The Company has demonstrated an impressive ability to organize and scale a newly formed organization in the past year and a half, with a directed focus on acquiring and launching treatments for urology-related conditions. We believe that management will continue to succeed as it ramps Aytu revenues for several reasons:

- AYTU's target market of urology holds significant potential for the Company's recently assembled nationwide salesforce. It is a large yet concentrated marketplace where the approximate 10,000 practicing urologists in the US can be efficiently targeted by experienced sales reps and urology-focused account managers, and it is an area that currently receives minimal efforts from "Big Pharma" players.
- The Company acquired three FDA-approved products this past fiscal year that have recently launched and are ready to ramp; Aytu also has its CE Marked diagnostic tool MiOXSYS® generating revenue abroad and promising to gain approval in the US in the short-term under the 510k de novo pathway.
- Aytu's products have behind them considerable IP protection; as last reported, the Company had accumulated a total of over 30 issued patents and over 30 patent applications pending worldwide.
- While all of the Company's products address sizable markets, the most recently launched Natesto® targets the testosterone replacement therapy (TRT) population, where current estimates put the market opportunity at $2.4B and growing to over $4B by 2018.
- Natesto®, which is a key driver in the Company's initial targeted marketing approach, offers compelling advantages over the alternatives, including its quick, easy and painless nasal delivery method as well as its safety profile, with no risk of transference to female partners and children.
- The AYTU management team comes with notable backgrounds and experience in the pharmaceutical industry; brothers Josh and Jarrett Disbrow grew Arbor Pharmaceuticals from $0 to $127M in revenues in under 4 years time.
- As of 9/30/16, the Company had approximately $3.3M cash on hand and no long-term debt; subsequent to the quarter-end, AYTU completed a public offering in November 2016 for approximately 5.74M shares (and associated warrants for another 5.74M shares) at $1.50 per share + warrant, which resulted in gross proceeds to the Company of approximately $8.6M, with a 45-day underwriter's option for additional shares/warrants still outstanding.
- Based on a discounted cash flows analysis of AYTU's opportunities in the urology market under certain assumptions, we believe that the stock could trade in the $6.82 – $8.40 range with an approximate mid-point of $7.50 following a successful ramp; see page 7 for further details.

BUSINESS OVERVIEW

Aytu Bioscience was created approximately one year ago with the vision of becoming a leading specialty pharmaceutical company focused on therapies for the urology marketplace. Brothers Josh and Jarrett Disbrow, both with extensive backgrounds in the pharmaceutical industry, combined their efforts and successfully acquired the Company's first assets through a reverse merger in April 2015 and then quickly followed up with purchases of the Company's first FDA-approved products in mid- 2015. In the past fiscal year, a total of three revenue-generating products were added to the Company's portfolio (in addition to ones gained through the reverse merger), focusing on the areas of:

- Hypogonadism
- Prostate cancer
- Male infertility
- Urinary tract infections
- Sexual dysfunction

By brand name the products include Natesto®, an FDA-approved nasally administered testosterone for hypogonadism, ProstaScint®, an FDA-approved radioimaging agent used in the detection and assessment of prostate cancer, Primsol®, an FDA-approved oral treatment for urinary tract infections, MiOXSYS®, a CE Mark approved diagnostic tool for male infertility, and Zertane™, a therapeutic in clinical trials to treat premature ejaculation.

The Company has assembled a strategically placed nationwide salesforce; following the most recent launch, these reps are in the field currently selling Natesto®, ProstaScint®, and Primsol®, with a primary focus on Natesto®. The diagnostic MiOXSYS® is currently being marketing in Europe and the Middle East, with a 510k de novo pathway in the US being pursued. Zertane™ is Phase 3 ready in the US; however, as of its fiscal year-end, the Company announced its decision not to spend any additional resources on the progression of Zertane™ and wrote the asset off.

Exhibit 1: AYTU Marketed Products

Natesto testosterone nasal gel

ProstaScint (Capromab Pendetide)

MiOXSYS

PRIMSOL solution trimethoprim hydrochloride oral solution 50 mg/5 mL

Source: Company Reports

Aytu is targeting large, addressable markets with its portfolio of individually selected IP protected products. To date, the Company reports a total of over 30 issued patents and over 30 patent applications pending worldwide. Patent claims cover:

- Chemical composition
- Apparatus and method of delivery
- Method of manufacturing
- Therapeutic and diagnostic uses

PRODUCTS AND PIPELINE

Aytu's US portfolio consists of the following FDA-approved products in their bags – Natesto®, ProstaScint®, Primsol®.

Natesto® (testosterone nasal gel) is the Company's leading product and most recent purchase; Aytu acquired exclusive US rights in April 2016 from Acerus Pharmaceuticals Corporation (TSX: ASP) after winning a competitive bidding process and subsequently launched the drug a few months later. It is the only FDA-approved, nasally administered testosterone, and Aytu's rights will last through the greater of the last expiring patent in February 2024, or the introduction of an AB-rated generic drug into the market. Natesto® was approved in May 2014 for the treatment of hypogonadism without a black box warning (due to the risk of partner transference during application for other currently marketed products, they are required to carry a special warning on the label). As Natesto® is applied very simply and discreetly 2 – 3 times daily through the nostrils, there is no risk of exposure to others as opposed to the risks surrounding topical application. It is an androgen (hormone) indicated for replacement therapy in males showing a deficiency or absence of endogenous testosterone, often referred to as "Low T" in current marketing.

Presently there are several topical gel treatments or solutions on the market, all of which have black box warnings related to transference.

Exhibit 2: Competing Products for Natesto®

Brand Name	Delivery	Marketer	Black Box Warning?
AndroGel®	Gel	AbbVie	YES
Axiron®	Solution	Eli Lilly & Company	YES
Fortesta®	Gel	Endo Pharmaceuticals	YES
Testim®	Gel	Endo Pharmaceuticals	YES
Vogelxo®	Gel	Upsher-Smith	YES
Natesto®	Nasal	Aytu Bioscience	NO

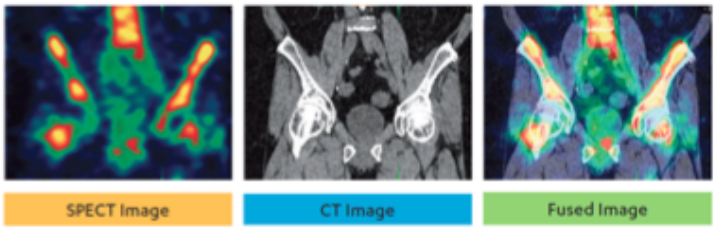
Source: Company Reports

Side effects in females include the enhancement of undesirable traits such as atypical hair growth and male pattern baldness, among others. The regime required to apply/administer these topical gels and solutions is arduous and time-consuming. There are also therapies offered in subcutaneous (Testopel®) or IM injections (AVEED®), which can be painful to administer and tedious to receive given that patients are given these implants and injections in a physician's office - as frequently as every two weeks.

ProstaScint® (capromab pendetide) was the Company's first acquired urology product following its formation, purchased from Jazz Pharmaceuticals, Inc. in May 2015. It is the only FDA-approved diagnostic imaging agent that can help identify prostate cancer cells that have spread to tissue outside of the prostate gland. This monoclonal antibody binds distinctly to Prostate Specific Membrane Antigen (PSMA is a glycoprotein expressed by prostate epithelium or outer layer, which is up regulated in prostate cancer). The drug was originally approved in 1996 but lost marketing priority following a series of acquisitions by pharmaceutical companies.

Accurate staging for prostate cancer patients is critical, given the high recurrence rate and significant mortality rate if not properly diagnosed. Similar in some ways to a bone scan, the ProstaScint® scan involves an injection of low-level radioactive material to locate cancer that has spread beyond the prostate and can provide in excess of 95% accuracy, sensitivity and positive predictive values. Since its FDA approval, further advances in technology have been made, and today fused SPECT – CT images enable this high degree of success.

Exhibit 3: Fused SPECT-CT Imaging Example



Source: W. Rieter et al., Clinical Nuclear Medicine, 2011

Primsol® (trimethoprim hydrochloride) is an oral solution indicated for urinary tract infections. It is currently the only FDA-approved trimethoprim oral solution and has historically seen significant script-writing by urologists even with little to no promotion by previous rights holders. The drug serves as an effective option for those allergic to sulfa drugs (it is sulfa-free) and also those that have difficulties swallowing pills (approximately 70% of the elderly). Primsol® was purchased from FSC Laboratories, Inc. in October 2015 but has been FDA-approved since 2000. It is a pleasant-tasting liquid proven to be effective at killing most common strains of urinary tract pathogens. While originally marketed to pediatricians, as Aytu's second acquired product, the Company sees significant opportunity for this drug as it is re-positioned in the marketplace to urologists as a treatment for one of the most common diagnoses in the US – the UTI. Additionally, AYTU is considering ex-US partnership opportunities and has licensed rights domestically to Allegis for the pediatric acute otitis media (middle ear infection) indication.

MiOXSYS® is a first-in-class *in vitro* diagnostic device that enables rapid testing for male infertility. It is small, portable, and can be used in office to screen for male infertility in conjunction with semen analysis tests. MiOXSYS® measures oxidative stress, which is a leading indicator in male infertility. While currently CE Marked and being sold in Europe and the Middle East, the US clinical pathway should be short and well defined under the 510k de novo approach. As most recently reported, AYTU is partnering with major infertility institutions including the Cleveland Clinic and Tulane University, among others, with a total of 6 US study sites that have been engaged to initiate testing in the near-term.

The device operates under a razor/razorblade commercial model, generating recurring revenues from the disposable sensors required by the system. Currently, other available testing options for oxidative stress are costly and burdensome, with most being too impractical at this point for IVF centers and urology clinics; MiOXSYS® has the potential to change that being a rapid 2 ½ minute test with no capital cost.

Zertane™ (tramadol ODT) is a first-in-class therapy for the treatment of premature ejaculation. The FDA accepted the Company's IND application, making Zertane™ Phase 3 ready in the US. The Zertane™ product candidate has a significantly de-risked approval pathway with the FDA, given that it has shown success in:

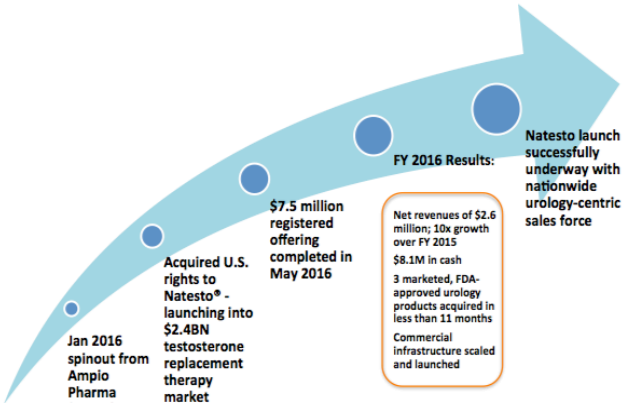
- Two European Phase 3 trials
- Two Phase 2 trials, and
- Two Phase 1 trials.

However, with three other FDA-approved urology therapeutics as the center of management's focus, Aytu has decided not to spend any additional resources on the development of this product. While this asset was been written off as of fiscal year-end, its true residual value is undetermined at this point.

GROWTH STRATEGY

In just over a year, Aytu Bioscience has methodically executed different parts of its strategic plan to position the Company to become a leading player in the urology pharmaceuticals market. Step by step since last June 2015, the Company has made tremendous progress to where it stands today. This includes getting to the Company's current capital structure, acquiring 3 FDA-approved urology products in less than 11 months, developing infrastructure, partnerships, as well as an internal salesforce, continuing to progress its pipeline in the clinic, and launching its CE Mark approved system for male infertility in Europe and the Middle East.

Exhibit 4: AYTU History



Source: Company Reports

Going forward, management has set out the following approach to reaching Aytu's long-term goals.

Acquire/Integrate Additional Urology Products: AYTU is actively seeking out additional revenue-generating urology products and late-stage, efficient development assets that can be added to its line-up. Whether through acquisitions or partnerships, the Company will continue to entertain new ideas related to urology as well as collaborations for global expansion of existing offerings.

Scale Sales Team and Continue To Build as Revenues Increase: The Company plans to grow sales of its current urology products through its internally-developed sales team. Management has assembled a team with the knowledge and experience of the urology marketplace to successfully motivate physicians to increase scripts for Aytu's offerings. Spread nationwide, the sales team will identify and engage top historical and category prescribers, and it will build its territories beginning primarily with Natesto® targets; a secondary focus will be on ProstaScint® centers.

Build Internal Commercial and Operational Functionality: In addition to creating a broad-reaching salesforce throughout the US, management continues to focus on building commercial infrastructure and establishing additional operational functions that the Company must have going forward to properly ramp revenues and execute on its long-term plans; as part of this, Aytu has established agreements for outsourced manufacturing of its products and developed in-house regulatory, medical affairs, quality and operations functions.

We note that the currently assembled management team has a history of successfully growing commercial organizations.

Exhibit 5: Management's History of Growing Successful Commercial Organizations

Josh Disbrow - Chairman and CEO
- Former VP of Commercial Operations at Arbor Pharmaceuticals where revenues grew from $0 to over $127M in less than 4 years - Previous COO of Ampio Pharmaceuticals/CEO of Luoxis, a specialty biotechnology company - Progressive commercial roles at LipoScience, Cyberonics, and GlaxoSmithKline
Jarrett Disbrow - COO
- Founder and original President/CEO of Arbor Pharmaceuticals where revenues grew from $0 to over $127M in less than 4 years - Former CEO of Vyrix Pharmaceuticals, a specialty pharmaceutical company focused on sexual dysfunction - Progressive commercial roles at Accentia Pharmaceuticals, GlaxoSmithKline
Gregory Gould, CPA - CFO
- Former CFO of publicly traded life science companies: SeraCare Life Sciences, Atrix Laboratories, and Colorado MedTech - Significant transactional experience in M&A, product acquisition, divestiture, and licensing across pharma and diagnostics (including the sale of Atrix Laboratories to QLT Pharma for over $800M)
Jonathan McGrael, MS - VP of Commercial Operations
- Former Director of Sales at Arbor Pharmaceuticals; significant history building Arbor with current AYTU management - Commercial leader who built scaling organization from 12 to over 400 employees in a 5-year period - Progressive experience in sales, sales management, and marketing at TAP Pharmaceuticals (now Takeda)
Douglas Miller, PhD - VP of Technical Operations
- Co-founded Otologics LLC to commercialize an electronic implantable medical device that he co-developed while leading clinical research at Washington University School of Medicine; 25 years in medical device, diagnostics, and therapeutics R&D and clinical affairs - Former Senior Research Engineer at Cochlear Ltd., the world's leading cochlear implant manufacturer, where he directed all external research for the North American division

Source: Company Reports

UROLOGY MARKET

The urology market is characterized as a large yet concentrated specialty that offers the opportunity to target practitioners in a relatively efficient manner. Out of the approximate 10,000 urologists in the US, it is estimated that approximately 90% practice in metropolitan areas and approximately 81% participate in group practices; out of these practice groups, approximately 60% employ 4 or more physicians per the American Urological Association and the Large Urology Group Practice Association.

Larger urology physician practices tend to treat a wide range of therapeutic areas, with sub-specialists in prostate, infertility, "Low T", sexual dysfunction, and incontinence. With limited marketing efforts by Big Pharma in this area and a significant portion of these clinics and laboratories being privately owned urology groups, there is a unique channel for sales of several products from one bag.

Currently, Aytu is focusing resources on the following areas:

Testosterone Replacement Therapy
Per Statista.com, the US the testosterone replacement therapy market is estimated at around $2+ billion in annual sales, and it is expected to reach almost $4 billion by 2018. Approximately 13 million men in the US have hypogonadism.

Prostate Cancer
According to the National Cancer Institute, it is estimated that approximately 181,000 new cases of prostate cancer will be diagnosed in 2016, and there will be approximately 26,000 deaths in the same year. Prostate cancer is the most common cancer in men in the US, other than skin cancer, and represents approximately 11% of all new cancer cases in the US.

Urinary Tract Infections
The American Urological Association estimates that there are over 8 million physician office visits in the US each year due to urinary tract infections. UTIs are one of the most common diagnoses in the US, and they are the #1 complication of catheterized patients. It is also estimated that approximately 25% of women in the US have recurrent UTIs.

Male Infertility
The male infertility market is predicted to grow at a CAGR of approximately 5% 2013 through 2020, reaching in excess of $300M as a global market per Allied Market Research. In the US alone, it is estimated that approximately $90 million of that will be spent on male infertility -- the root of the problem in approximately 50% of the infertility cases reported according to www.ivf.com.

RISKS

As with any investment, there are certain risks associated with Aytu's operations as well as with the surrounding economic and regulatory environments.

- Aytu Bioscience faces operational challenges in executing its long-term strategy. The Company has a limited operating history, including newly formed management and sales teams. Future acquisitions of urology products and/or product candidates as well as additional collaborations, partnerships, and licensing arrangements are uncertain. Being successful in the urology space will require physician acceptance in addition to further third-party payor approvals, which is not guaranteed.

- There are stringent regulatory requirements in the US and abroad where government authorities strictly regulate the research, testing, manufacturing and sales of pharmaceutical products, biologics, and medical devices. All of the Company's products required or will require approval by government agencies prior to being commercialized, and then there are various compliance standards that must be met and/or maintained subsequent to launching a product. Should the Company fail to meet or comply with any of these regulatory requirements, future financial results could be severely affected.

- The Company has patents issued to protect proprietary rights covering its products and product candidates and current know-how related to chemical composition, mechanisms of action, and methods of manufacturing, among others. Even if patents are issued, they can be challenged by competitors. Additionally, competitors can develop modified, non-infringing versions of the drug in order to obtain approval for sales. Litigation related to IP infringement can be lengthy and very costly to prove.

- AYTU has a history of losses; the Company has incurred a net loss since inception. As of 9/30/16, the Company reported an accumulated deficit of approximately $52.3M. Should the Company be unable to obtain additional capital as needed, the result would likely be a delay in the expansion of its product sales and pipeline, which in turn would impair the Company's ability to execute upon its long-term strategic plan to profitability. Additionally, any further capital may not be available under terms beneficial to current shareholders, causing potential dilution or devaluation. As most recently reported, the Company's restricted stock, warrants and options outstanding totaled approximately 4.1M.

INCOME STATEMENTS

Aytu Bioscience, Inc.
Consolidated Statements of Income (in thousands $, except per share amounts)
Fiscal Year: June

	FY 2014	FY 2015	FY 2016	FY 2017 E
Revenue				
Product and service revenue	$ -	$ 176.1	$ 2,050.8	$ 5,098.0
License revenue	58.9	85.7	511.6	-
Total revenue	**58.9**	**261.8**	**2,562.4**	**5,098.0**
Operating expenses				
Cost of sales	-	88.1	957.1	2,291.9
Research and development	4,059.2	3,423.4	6,127.8	1,732.0
R & D - related party	-	-	192.0	192.0
Sales, general and administrative	2,346.6	4,382.6	8,825.3	18,055.5
Impairment of intangible asset	-	-	7,500.0	-
Amortization of finite-lived intangible assets	-	-	664.7	1,787.0
Total operating expenses	6,405.8	7,894.1	24,266.8	24,058.5
Income (loss) from operations	**(6,346.8)**	**(7,632.3)**	**(21,704.4)**	**(18,960.5)**
Other income / (expense)				
Interest income (expense)	(45.6)	(115.0)	(5,491.5)	(415.4)
Unrealized gain (loss) on investment	-	-	-	728.1
Derivative income (expense)	-	-	(984.2)	(70.6)
Total other (expense)	(45.6)	(115.0)	(6,475.7)	242.1
Net loss, before income tax	**(6,392.4)**	**(7,747.3)**	**(28,180.1)**	**(18,718.4)**
Deferred income tax benefit (expense)	813.7	23.9	-	-
Net loss	**$ (5,578.7)**	**$ (7,723.4)**	**$ (28,180.1)**	**$ (18,718.4)**
Basic and diluted EPS (loss)	**$ (9.63)**	**$ (10.07)**	**$ (16.18)**	**$ (2.07)**
Weighted Average Basic and Diluted Shares Outstanding*	579.1	767.3	1,741.1	9,023.8
EBITDA	(6,249.8)	(7,514.3)	(20,830.4)	(15,738.3)
Adjusted EBITDA	(5,749.83)	(6,496.4)	(19,927.4)	(11,694.6)
Margin Analysis				
Cost of sales	0.0%	50.0%	46.7%	45.0%
Research and development	6888.3%	1307.7%	239.1%	34.0%
R & D - related party	0.0%	0.0%	7.5%	3.8%
Sales, general and administrative	3982.0%	1674.2%	344.4%	354.2%
Growth Rate Analysis Y/Y				
Product and service revenue	n/a	n/a	1064.8%	148.6%
License revenue	17.9%	45.5%	496.9%	-100.0%
Cost of sales	n/a	n/a	986.2%	139.5%
Research and development	47.3%	-15.7%	79.0%	-71.7%
R & D - related party	n/a	n/a	n/a	0.0%
Sales, general and administrative	123.9%	86.8%	101.4%	104.6%
Amortization of finite-lived intangible assets	n/a	n/a	n/a	168.8%
Net income (loss)	-96.3%	-38.4%	-264.9%	33.6%
EPS	39.3%	-4.5%	-60.8%	87.2%
EBITDA	-69.1%	-20.2%	-177.2%	24.4%
Weighted Average Basic and Diluted Shares Outstanding	223.2%	32.5%	126.9%	418.3%

*Adjusted for 6/30/16 reverse split 1:12

Source: Company Reports, Stonegate Capital Partners estimates

VALUATION

Brothers Josh and Jarrett Disbrow previously founded and grew Arbor Pharmaceuticals from $0 to $127M in just under four years. Now, steering the helm of Aytu Bioscience, the Company successfully acquired three FDA-approved products this past fiscal year that have recently launched and are ready to ramp. Additionally, Aytu also has its CE Marked diagnostic tool MiOXSYS® generating revenue abroad and promising to gain approval in the US in the short-term under the 510k de novo pathway.

We have created a discounted cash flows analysis (2017 – 2026) to look at the potential for AYTU's three FDA-approved and commercialized drugs – ProstaScint®, Primsol®, and Natesto® - as well as its CE Marked diagnostic tool MiOXSYS®. At this point, no additional acquisition assumptions have been made.

Our DCF includes the following basic assumptions, providing sensitivity for discount rates and terminal growth rates:

- Sales already being recognized from ProstaScint®, Primsol® and MiOXSYS® continue to grow at low to mid-single digit growth rates annually, with a US approval for the male infertility diagnostic tool in the US in FY17
- Natesto® sales begin to ramp in FY17 and are modeled to steadily capture up to 5% of the market opportunity for TRT patient candidates for the nasally administered drug
- Licensing and milestone arrangements have been appropriately netted out of the calculation
- We have also made conservative assumptions on changes in working capital, depreciation and amortization, as well as capex going forward
- We incorporated a tax rate of 35% beginning in 2019
- Our selected discount rates and terminal growth rates are detailed in the summary analysis below

Based on a discounted cash flows analysis of AYTU's opportunities in the urology market, we believe that the stock could trade in the $6.82 – $8.40 range, with a mid-point of approximately $7.50 per share following a successful ramp, with upside potential should AYTU exceed our assumptions. With a newly assembled sales team and a bag of FDA-approved products, fiscal year 2017 should be pivotal for the Company and add significant insight to top line potential.

Exhibit 6: Summary of DCF Analysis

		Terminal Growth Rates				
		0%	1%	2%	3%	4%
Discount Rate	23.0%	$8.57	$8.75	$8.96	$9.18	$9.43
	24.0%	$7.88	$8.04	$8.21	$8.40	$8.61
	25.0%	$7.26	$7.40	$7.55	$7.71	$7.88
	26.0%	$6.70	$6.82	$6.95	$7.09	$7.24
	27.0%	$6.20	$6.30	$6.41	$6.53	$6.66

Source: Stonegate Capital Partners

This page intentionally left blank

RECENT EVENTS

November 2016 – Aytu closes public offering of 5,735,000 shares of common stock and warrants to purchase up to 6,020,245 shares at combined price of $1.50 /share and related warrant, raising approximately $8.6M

July 2016 – Company announces a $10.5M common stock purchase agreement with Lincoln Park Capital Fund, LLC

July 2016 – Aytu appoints two pharmaceutical industry veterans as independent Board directors

June 2016 – Company executes 1 for 12 reverse stock split 6/30/16

May 2016 – Company closes public offering of 18.75M shares plus warrants to purchase 20.8M shares at a combined purchase price of $0.40 per share + warrant

April 2016 – Aytu acquires US rights to Natesto®, testosterone in a nasal gel form, from Acerus Pharmaceuticals Corporation (TSX: ASP) with plans to launch July 2016

March 2016 – MiOXSYS® system receives Health Canada Class II medical device approval

March 2016 - Company signs co-promotion agreement with Allegis Pharmaceuticals, licensing rights for Allegis to exclusively promote Primsol® to pediatricians in US

February 2016 - First commercial sales of the MiOXSYS® System for male infertility in Europe and the Middle East announced, one month following the award of the CE Mark

December 2015 - Aytu upgrades to the OTCQX

October 2015 - Aytu acquires its second revenue-generating urology product Primsol® from FSC Laboratories, Inc., the only FDA-approved liquid formation of trimethoprim, an antibiotic to treat uncomplicated UTIs

September 2015 - Company completes third and final tranche of a $5.175M private placement convertible note financing

June 2015 - Aytu acquires the commercial-stage imaging agent ProstaScint® from Jazz Pharmaceuticals (NASDAQ: JAZZ), approved to detect the extent and spread of prostate cancer

June 2015 - Company executes a 12.174 to 1 reverse stock split and reincorporates in Delaware

June 2015 - Rosewind Corporation becomes Aytu Bioscience, Inc. and announces that its ticker will change from OTCQB: RSWN to AYTU. The recently formed specialty healthcare company was created through a reverse merger and incorporates the assets of Vyrix Pharmaceuticals and Luoxis Diagnostics, both former subsidiaries of Ampio Pharmaceuticals, Inc.

CORPORATE GOVERNANCE

Josh Disbrow, Chairman and Chief Executive Officer - Josh Disbrow has been in the life sciences industry for over eighteen years across pharmaceuticals, diagnostics, and medical devices. Prior to forming Aytu BioScience, Josh was the Chief Operating Officer of Ampio Pharmaceuticals (NYSE MKT: AMPE) and led the Luoxis Diagnostics subsidiary. Luoxis was merged into Aytu in April 2015. Prior to joining Ampio in 2012, he served as Vice President of Commercial Operations at Arbor Pharmaceuticals. Josh began as Arbor's second employee and oversaw the commercialization of the company's first product, scaling the commercial organization to over 150 people across sales, marketing, payer markets, distribution, commercial operations, and national accounts. In less than four years, Arbor grew from a company without any product revenues to a company with net sales in excess of $127 million. When Arbor was sold to a private investment group in 2010, Josh maintained his position and continued to build the company's commercial infrastructure and capabilities. Prior to joining Arbor, he was the Director of Marketing at LipoScience (NASDAQ: LPDX), a cardiovascular in vitro diagnostic company with CLIA-certified laboratory operations. Josh also served as Regional Sales Manager for Cyberonics (NASDAQ: CYBX), a medical device company commercializing implantable neuromodulation devices. Josh started his career at Glaxo Wellcome (now GlaxoSmithKline), holding positions in both sales and marketing. He has a Master of Business Administration from Wake Forest University and Bachelor of Science in Management from North Carolina State University.

Jarrett Disbrow, Chief Operating Officer - Jarrett Disbrow previously served as President & CEO of Vyrix Pharmaceuticals since November 2013 until the merger to form Aytu BioScience in April 2015. Mr. Disbrow has over eighteen years of experience in the pharmaceutical industry with "Big Pharma" and specialty pharmaceutical companies. Mr. Disbrow was the Founder, President and Chief Executive Officer of Arbor Pharmaceuticals – a specialty pharmaceutical company focused initially on pediatrics. As the sole founder of Arbor he was responsible for all aspects of the company's start-up and growth phases including fundraising, business and product development, commercial strategy, product marketing and partnering. Mr. Disbrow was also responsible for negotiating the acquisition of the company to a private investor group in 2010 and remained with the company post-acquisition as Vice President of Commercial Development. In less than five years Arbor grew from a company with no product revenues to net sales in excess of $127 million. Prior to founding Arbor Pharmaceuticals, he was head of marketing for Accentia Biopharmaceuticals, Inc. Mr. Disbrow began his career with GlaxoWellcome, Inc. (now GlaxoSmithKline plc) where he held positions of increasing responsibility in sales and marketing. Mr. Disbrow received a BS in Business Management from North Carolina State University in Raleigh, NC.

Gregory Gould, CPA, Chief Financial Officer, Treasurer and Secretary – Greg Gould has held senior management positions in the life sciences industry for over 20 years. Prior to the formation of Aytu BioScience, he provided financial and operational consulting services to the biotech industry through his consulting company, Gould LLC from April 2012 until June 2014. Mr. Gould was Chief Financial Officer, Treasurer and Secretary of SeraCare from November 2006 until the company was sold to Linden Capital Partners in April 2012. During the period from July 2011 until April 2012 Mr. Gould also served as the Interim President and Chief Executive Officer of SeraCare Life Sciences. Mr. Gould has held several other executive positions at publicly traded life sciences companies including the Chief Financial Officer role at Atrix Laboratories, Inc., an emerging specialty pharmaceutical company focused on advanced drug delivery. During Mr. Gould's tenure at Atrix he was instrumental in the negotiation and sale of the company to QLT, Inc. for over $855M. He also played a critical role in the management of several licensing agreements including the global licensing agreement with Sanofi-Synthelabo of the Eligard® products. Mr. Gould was the Chief Financial Officer at Colorado MedTech, Inc., a publicly traded medical device design and manufacturing company where he negotiated the transaction to sell the company to KRG Capital Partners. Mr. Gould began his career as an auditor with Arthur Andersen, LLP. He currently serves on the board of directors of CytoDyn, Inc., a publicly traded drug development company pursuing anti-viral agents for the treatment of HIV. Mr. Gould graduated from the University of Colorado with a BS in Business Administration and is a Certified Public Accountant. Greg also serves as the Chief Financial Officer, Treasurer, and Secretary of publicly traded Ampio Pharmaceuticals (NYSE MKT: AMPE).

Board of Directors:

Joshua R. Disbrow – *Chairman and Chief Executive Officer*

Gary V. Cantrell – *Independent Director, Chair of Compensation Committee*

Carl C. Dockery – *Independent Director, Chair of Nominating and Governance Committee*

John A. Donofrio, Jr. – *Independent Director, Chair of Audit Committee*

Michael Macaluso – *Director*

IMPORTANT DISCLOSURES AND DISCLAIMERS

The following disclosures are related to Stonegate Capital Partners (SCP) research reports.

ANALYST DISCLOSURES
I, Laura S. Engel, CPA, hereby certify that the view expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the recommendations or views expressed in this research report. I believe the information used for the creation of this report has been obtained from sources I considered to be reliable, but I can neither guarantee nor represent the completeness or accuracy of the information herewith. Such information and the opinions expressed are subject to change without notice.

INVESTMENT BANKING, REFERRALS, AND FEES FOR SERVICE
SCP does not provide nor has it received compensation for investment banking services on the securities covered in this report. SCP does not expect to receive compensation for investment banking services on the securities covered in this report. SCP has a non-exclusive Advisory Services agreement to provide research coverage, retail and institutional awareness, and overall Investor Relations support and for which it is compensated $5,000 per month. Stonegate Capital Markets (SCM) is an affiliate of SCP and a member of FINRA/SIPC. SCM may seek to receive future compensation for investment banking or other business relationships with the covered companies mentioned in this report. In certain instances, SCP has contracted with SCM to produce research reports for its client companies.

POLICY DISCLOSURES
SCP analysts are restricted from holding or trading securities in the issuers that they cover. SCP and SCM do not make a market in any security nor do they act as dealers in securities. Each SCP analyst has full discretion on the content and valuation discussion based on his or her own due diligence. Analysts are paid in part based on the overall profitability of SCP. Such profitability is derived from a variety of sources and includes payments received from issuers of securities covered by SCP for services described above. No part of analyst compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in any report or article. No employee of SCP serves on the Company's Board of Directors. Research analyst and/or a member of the analyst's household do not own shares of this security. Research analyst and/or a member of the analyst's household do not serve as an officer, director, or advisory board member of the Company. This security is eligible for sale in one or more states. This security is subject to the Securities and Exchange Commission's Penny Stock Rules, which may set forth sales practice requirements for certain low-priced securities. SCP or its affiliates do not beneficially own 1% or more of an equity security of the Company. SCP does not have other actual, material conflicts of interest in the securities of the Company.

ADDITIONAL INFORMATION
Please note that this report was originally prepared and issued by SCP for distribution to their market professional and institutional investor customers. Recipients who are not market professional or institutional investor customers of SCP should seek the advice of their independent financial advisor prior to making any investment decision based on this report or for any necessary explanation of its contents. The information contained herein is based on sources that we believe to be reliable, but is not necessarily complete and its accuracy cannot be guaranteed. Because the objectives of individual clients may vary, this report is not to be construed as an offer or the solicitation of an offer to sell or buy the securities herein mentioned. This report is the independent work of SCP and is not to be construed as having been issued by, or in any way endorsed or guaranteed by, any issuing companies of the securities mentioned herein. The firm and/or its employees and/or its individual shareholders and/or members of their families and/or its managed funds may have positions or warrants in the securities mentioned and, before or after your receipt of this report, may make or recommend purchases and/or sales for their own accounts or for the accounts of other customers of the firm from time to time in the open market or otherwise. While we endeavor to update the information contained herein on a reasonable basis, there may be regulatory, compliance, or other reasons that prevent us from doing so. The opinions or information expressed are believed to be accurate as of the date of this report; no subsequent publication or distribution of this report shall mean or imply that any such opinions or information remains current at any time after the date of this report. All opinions are subject to change without notice, and we do not undertake to advise you of any such changes. Reproduction or redistribution of this report without the expressed written consent of SCP is prohibited. Additional information on any securities mentioned is available on request.

RATING & RECOMMENDATION
SCP does not rate the securities covered in its research. SCP does not have, nor has previously had, a rating for any securities of the Company. SCP does not have a price target for any securities of the Company.

CONTACT INFORMATION

Aytu Bioscience, Inc.
Josh Disbrow, CEO
373 Inverness Parkway, Ste. 206
Englewood, CO 80112
Phone: 855-298-8246
www.aytubio.com

Investor Relations
Stonegate Capital Partners
8201 Preston Rd., #325
Dallas, TX 75225
Phone: 214-987-4121
www.stonegateinc.com