

NanoViricides CEO's Letter to Shareholders, March 11, 2014

Since NanoViricides, Inc (NNVC) has recently filed the Company's December 31, 2013 Form 10-Q (Quarterly report) with the Securities Exchange Commission (SEC), I wanted to take this opportunity to present a Calendar Year report to our shareholders. In this report, I will address 7 specific topics about NanoViricides:

- 📍 Recent "bear" attack on NNVC stock
- 📍 Corporate governance procedures
- 📍 NNVC's stock market performance
- 📍 Intellectual Property exclusivity
- 📍 Rigorous development of new nanoviricides® drugs
- 📍 NanoViricides' achievements during calendar year 2013
- 📍 Select highlights of NanoViricides in calendar year 2014 and beyond

Recent "Bear" Attack

As many of you know, a malicious and possibly criminal attack on our common stock was carried out on February 11, 2014, through the publication of a false and misleading article on Seeking Alpha. The intent of the article was to dramatically drive down our stock price. The article resulted in a highly increased daily trading volume of eight million shares, approximately 20 times our daily average. The information we have gathered suggests that this was an organized attack using false and inaccurate information designed to benefit short sellers in the stock. We have reported this conduct to the regulatory authorities and have retained legal counsel to investigate both the website that hosted this article and the anonymous blogger who authored it.

Corporate Governance procedures

Over the past few months, I have received emails from our investors asking me to clarify certain elements within our corporate governance procedures, in particular, in relation to the fact that Dr. Diwan is an Officer and Director of both TheraCour Pharma, Inc. and NanoViricides, Inc. The writers asked for clarification regarding possible conflicts of interest that could arise in such situations. I would like to assure you that we have strong corporate governance policies and procedures in place to handle such issues readily.

In the biotech industry, a management structure where the innovator of a technology is involved with the original company that develops the technology, and also holds a position with the operating company that exclusively uses the technology, is not uncommon. In fact, we believe this is the very reason why NanoViricides has been able to accomplish such remarkable results in a relatively short period of time with very modest expenditure compared

to others. We have been able to develop drugs against at least 5 different viruses in about 6 years, and we are now advancing our first 2 drug candidates towards human clinical trials while spending as little as \$2M per quarter (even less in our earlier years). If you look at other biopharma companies, I am sure you will be surprised by how much expenditure is involved in finding even a single drug candidate, and then advancing it towards human clinical trials. Most biotech companies spend between \$10M to \$50M per quarter and the estimated cost for a single drug approval is over \$1.2B, with over half of that cost going into finding the drug candidate.

Of course, having the innovator hold positions in both companies could potentially create conflicts of interest, whether real or perceived. Therefore, even before we became an SEC reporting company in 2007, NanoViricides has always proactively designed and implemented strong corporate governance policies in order to handle potential conflicts. As the Company has grown over the years, it has strived to improve corporate governance with the addition of staff and Board members. In particular, our Corporate Governance has always required that any Director or Officer recuse self from any issues where there is, or could be, an actual or perceived conflict of interest. Thus, Dr. Diwan cannot vote or participate in decision-making on any NanoViricides issues that could impact him or TheraCour Pharma. The same is true for decisions regarding NanoViricides that could impact me. In addition, NanoViricides, Inc. is represented by our own attorney whereas Dr. Diwan and TheraCour Pharma have a different attorney. Finally, we have solicited the counsel of external independent consultants as needed, where their guidance was deemed to be required for effective and good governance.

In June 2013, we completed the important step of assembling a majority independent Board of Directors. We had elected Mr. Stanley Glick, CPA, a renowned and well respected practicing accounting and finance professional in mid-2012. In addition, we elected Professor Mukund Kulkarni, Professor of Finance and Chancellor of Penn State University, and Professor Milton Boniuk, MD, Caroline F. Elles Chair Professor of Ophthalmology, Baylor College of Medicine, to our Board in mid-2013. These experienced and well-qualified external, independent board members constitute our Audit, Compensation, and Nomination Committees. Our Executive Team, currently comprised of Dr. Diwan and myself, reports to the Independent Board and executes under their direction. In case of a perceived conflict of interest by a member of the Executive Team, the member recuses self while the other member(s) consults appropriate advisors for the issue at hand, develops relevant strategies and/or options, and then consults with the Board in order to choose a path that would be in the best interests of NanoViricides' shareholders.

Our Corporate Governance policies have been disclosed since we commenced quoting on the OTCBB in 2007. Since then, the Company has undergone and passed SOX audits as well as annual audits by our public accounting firm (which is itself audited biennially by the PCAOB). The Company further strengthened its corporate governance by appointing Ms. Meeta R. Vyas, (MBA-Finance - Columbia, BS-Chem. Eng. - MIT), an accomplished ex-CEO of a public company, as the interim CFO, in May, 2013. Ms. Vyas was chosen after more than two years of search for an appropriate candidate. Ms. Vyas happens to be the wife of Dr. Diwan. In 2013, NanoViricides' Corporate Governance was extensively reviewed by the New York Stock Exchange (NYSE) MKT Listing Committee prior to the up-listing. The review included the appointments of our CFO and board members, and their qualifications. These reviews specifically evaluate conflict of interest issues and NanoViricides was found to be

compliant in all these reviews. Of course, NanoViricides continues to be under the regulatory and compliance scrutiny of the New York Stock Exchange as well as FINRA and the SEC.

NNVC Stock Market Performance

Until the recent “bear attack” on the company's stock, NNVC had reached a market capitalization approaching \$300 million. This represents an almost 100 times increase since the founding of the company in 2005. Our average trading volume has now climbed to over 900,000 shares a day. Since up-listing to the NYSE MKT, we have also acquired a number of institutional investors (see, for example, <http://www.nasdaq.com/symbol/nnvc/institutional-holdings>).

This strong performance largely reflects our accomplishments. Ever since 2005, we have seen strong successes in our antiviral drug development programs. Almost every year, we have added some new drug program(s), backed by strong efficacy data. Collaborators from several prominent government and academic research institutions have conducted all of our biological testing. In addition, our drug candidates have been found to be very safe in the animal studies performed thus far. Of note, these safety studies were conducted in several disease areas and at multiple institutions.

We use a unique 4-pronged drug development strategy to minimize our operating costs, capital expenditures, and infrastructure needs: 1. utilize external expertise for every possible solution, except for the IP-sensitive development of our chemistries and chemical processes, which is done by TheraCour Pharma, Inc., an affiliate; 2. hire independent investigators and academic and institutional experts to perform biological evaluations of our drug candidates; 3. engage external legal, accounting, and finance support for corporate and SEC-related regulatory matters; 4. consult external experts to help us develop our drug regulatory strategies and help us with the regulatory submission processes. This distributed structure has helped us minimize our total costs and expenditures, optimize the size of the organization, and maximize our ability to leverage expert talent.

We have intentionally raised additional necessary capital in relatively small stages compared to others, to match the staged development of our technology. By staging our capital raises in this manner, we have been able to minimize dilution to our shareholders. Over the life of the Company, we have raised a total of approximately \$70M, of which we continue to hold approximately \$38M in our cash and equivalents balance today. We have spent approximately \$32M over the last 8 years. Most other biotech companies have raised capital in much larger chunks and their shareholders have suffered much greater dilution of their investments compared to our approach.

We believe that we have a well justified strong market capitalization for a number of reasons:

- 👉 First, we believe we have a revolutionary technology that I feel is akin to the introduction of penicillin into the world over 70 years ago.
- 👉 Second, we have a 6 drug-wide pipeline already, with two of the programs at IND-enabling drug candidate level. In addition, we have the ability to engage into drug developments against many additional virus targets, limited only by our resources. This is possible because of our industry-leading nanoviricides® platform technology that we

believe offers unmatched features for specifically targeting, attacking, enveloping and destroying the virus particle.

🕒 Third, we may boast to have one of the industry's lowest costs of drug development. This is again a direct result of certain beneficial features of our platform technology, as well as our business model and business strategy. This low cost approach means minimal dilution to our shareholders.

🕒 Fourth, we can continue to develop the drugs on our own, and thereby increase shareholder returns when we eventually do license the drugs or collaborate with a "big pharma" for further commercialization. We can achieve this at least for influenza and dengue, in our opinion, with the cash in hand.

🕒 Fifth, we will be filing specific drug patents as late as possible, as I will explain in the IP section. For example, we can reasonably expect that our FluCide™ patent, when filed, will not expire at least until 2034. In the Pharma industry, the commercialization pathway is so long that most companies find that their patents have very limited life left at the point when they have a drug on the market. In contrast to the general industry trend, we have conserved a very long commercial value creation timeline with our prudent intellectual property management. This strong future benefit directly imputes back into the calculation of valuation today. This is clearly a major reason for our strong valuation today.

🕒 Sixth, we are attacking diseases where there are no effective drugs, available today, and as such the market size is strongly underestimated. An effective drug in any given area springs forth a huge market potential, as exemplified by drugs such as Lipitor, Viagra, as well as anti-HIV therapeutics. Analysts anticipate that at least some of the drugs in our pipeline, such as oral FluCide™, have the potential of transforming therapeutics and exploding the market sizes.

🕒 Seventh, we minimize shareholder dilution by performing capital raises for only the required amount, on an as needed basis - in addition to minimizing total expenditures. Of course, we keep in mind that we should not become illiquid, and therefore, aim to hold at least 18 months of expenses worth of cash in hand.

Intellectual Property (IP) Exclusivity

Our business plan was formed by licensing certain antiviral applications of the TheraCour® technologies from TheraCour Pharma, Inc., a Company that is majority controlled by Dr. Diwan, our co-founder. NanoViricides currently holds two licenses in perpetuity to develop and sell drugs for the treatment of 12 viral diseases. These licenses are provided for all the intellectual property held by TheraCour Pharma, Inc. that relates to our antiviral licensed products. These licenses are not only to underlying patents, but also to the know-how, trade secrets, and other important knowledge-base that is utilized for developing the drugs and making them successful. These licenses are not limited to some specific chemical structures, but comprise all possible structures that we could deploy against the particular virus.

Each license is a much stronger license than just a patent license. Each license is also a much stronger license than just a drug or chemical entity license. Patent licenses and Chemical Entity licenses are the two most common types of license agreements in the Pharma industry. Often, especially in the biotech world, an innovator could license one compound to one company, and could then continue to develop another similar compound

against the same target, and further license the new similar compound to a different party. TheraCour cannot do such a thing at all, because of the strong breadth of the licenses, as I explained above.

In addition, the licenses are held in perpetuity by NanoViricides for world-wide use. The licenses are also exclusively provided only to NanoViricides for the licensed products so NanoViricides is the only party that can further sublicense the resulting drugs to another party, if it so desires. TheraCour cannot further license anything in our licensed products areas because of the breadth of the license.

The licenses can revert only in the case of a default by NNVC. The terms of default are such that TheraCour would be able to take the licenses back only in the extremely unlikely event that NanoViricides files bankruptcy or otherwise declares insolvency and inability to conduct its business. This structure is standard in the licensing world as it saves the IP from being blocked from commercialization in lengthy and potentially fragmentary bankruptcy proceedings.

You can find the License Agreements at: http://www.sec.gov/Archives/edgar/data/1379006/000114420406047712/v057372_ex10-6.htm .

Rigorous Drug Development Process

Almost all of our studies are performed in a “double-blind” fashion, even though this safeguard is not required for pre-clinical studies. “Double blind” means that the investigator does not know which is a negative control, positive control, or our evaluation candidate. Even if the investigator calls the scientist who sent the samples, that scientist cannot tell which sample is what. Only after we receive the study results can we break the key in order to validate the study results. This ensures that investigator bias cannot cause false positive results. We then hold a meeting with the investigators to understand the study results and any specific issues that need to be accounted for in an unbiased interpretation of the data. We analyze the data with the help of the collaborating investigators, put it in an understandable format and draft a press release. The press release is then sent back to the collaborator who must approve it in writing before it can be released to the general public. Most often, not only the investigator, but the collaborating institution as well, must approve the press release.

NanoViricides has both US-based and international collaborators. We rely on research institutes, medical schools, universities, hospital systems and government institutions to perform the testing of our drug candidates for safety and effectiveness. We do not have our own animal facility. We have attracted and continue to collaborate with a marquee slate of external investigators. They agree to perform our drug evaluation studies only after they study our earlier data and investigate our scientific and technological expertise. The investigators have continued to work with us because they believe, as we do, that we will be able to develop clinically important drug candidates from these studies.

Our basic scientific approach and the platform technology are discussed on our [website \(www.nanoviricides.com\)](http://www.nanoviricides.com).

Calendar Year 2013 Achievements

In the calendar year 2013 we have successfully achieved several important milestones. We completed the non-GLP toxicology studies for FluCide with an excellent safety demonstration. In spite of being given the MFD (maximum feasible dose based on volume and concentration), in small animals, we found absolutely no evidence of adverse events. The MFD was estimated to be hundreds of times the therapeutic dose. We started the scale-up and characterization studies for FluCide in our existing laboratories while waiting for the new facility to come online, and this process is progressing satisfactorily. We designated our broad-spectrum anti-influenza drug, FluCide™, as our first drug candidate for human clinical trials. We achieved an “Orphan Drug” designation for our DengueCide™ candidate from both the US FDA and the European Medical Agency (EMA), which covers 27 countries. In addition, we strengthened our Executive Team and added experienced Directors to achieve a majority Independent Board of Directors as described earlier.

One of the most important achievements for NanoViricides as a Company was that we successfully transitioned from the OTCBB to the New York Stock Exchange (NYSE MKT). This allowed greater exposure to the Company, as well as institutional awareness and stock ownership. We believe that opening up of this very important investor segment allowed the Company to achieve a strong market valuation as well. In addition, the up-listing has enabled us to raise \$30M, the largest amount we have ever raised, within less than six months.

We signed an NDA (Non-disclosure Agreement) with Public Health England (PHE UK), the British equivalent of the US Centers for Disease Control and Prevention (CDC). They are very interested in the influenza virus H7N9 as well as the MERS Coronavirus, a disease that has a 60% case fatality rate. We signed an NDA with Lovelace Respiratory Research Institute (LRRI, NM, USA). In addition, we have recently signed an NDA with ViroClinics in Rotterdam. They are the premier virology center in Northern Europe. These additional collaborations with internationally renowned institutions will help with several of our antiviral programs, including testing of FluCide against H7N9, H5N1, and other viruses, as well as testing of our antivirals against novel diseases like MERS (Middle-East Respiratory Syndrome Coronavirus).

One of the more exciting events of 2013 was when we were awarded Orphan Drug Designation by both the 27 countries of the European Union, and the US FDA for our treatment for dengue and Dengue Hemorrhagic fever. An orphan drug designation provides several benefits. We anticipate DengueCide will proceed towards human clinical trials following the injectable FluCide.

Looking forward to Calendar Year 2014 and beyond

We have reported excellent results across a number of different viral diseases. Some of the data have been summarized in the recent presentations available on the NanoViricides website. As all of you know, we are focusing on our injectable influenza drug called FluCide™ for hospitalized influenza patients. This will be the first drug submitted to the regulatory authorities. We already held a pre-IND meeting with the FDA for this drug candidate. We are now working on scaling up the manufacturing process and developing the requisite quality control systems as needed under the CMC section (“Chemistry, Manufacturing, and

Controls”) guidance of the US FDA and international regulatory agencies. Essentially, we are developing procedures and analytical tools so that different production batches will be consistent in quality. We are also scaling up the production process to kilogram quantities. The very strong safety of our drug candidate meant that we need very large quantities for the safety and toxicology evaluation study (“Tox Package”). We intend to make the drug substance for the tox package study in our current R&D facilities. The tox package study does not require a cGMP product. Scale-up is always a major engineering challenge, and it is even more so for nanomedicines and polymeric materials. However, we believe we are progressing successfully towards our goal of developing reproducible processes.

We expect the scale up of injectable FluCide in our current facility to be completed in 2014. We would then have sufficient material to begin the FluCide “Tox Package” studies, and expect to initiate the same. We are eagerly awaiting the move into the new facilities. A lot of invisible work will go into preparing for the move, moving, and then bringing the new facility to an operational status. We are planning to perform this with as little disruption of our existing programs as possible. Once operational, we plan to implement our scaled up processes in the new facility, and then perform another scale-up step to the full scale that the facility is designed for. We plan to make multiple product batches of FluCide, evaluate them for consistent quality, and set up the necessary cGMP manufacture as well as QA/QC procedures and processes. We anticipate the tox package report on FluCide about 6 to 9 months after commissioning the study. We are hoping to have c-GMP compliant FluCide production batches completed at around the same time. This will then enable us to write the necessary reports, and file the sponsor applications for human clinical trials internationally, and also an Investigational New Drug application (IND) in the USA.

The c-GLP Tox Package study will be conducted by BAS incorporated (BASi), a well-known contract laboratory excelling in such studies. As we institute this study, we plan to use the same material for additional efficacy studies of our drug candidate against a number of different influenza virus types, subtypes, and strains. This is required to ascertain the broad-spectrum nature of the drug candidate. Our earlier studies have already demonstrated that this drug candidate is highly effective against both Type I and Type II Influenza A viruses in highly lethal animals studies. We believe that it should be capable of attacking almost any Influenza A virus, because it mimics the sialic acid receptor that all influenza viruses use to enter a host cell. After these studies are complete, and we have the reports in hand, we will be able to submit an “Investigational New Drug” application (IND) to the US FDA. An IND also requires at least two consistent cGMP batches of the drug to have been produced. However, certain international regulatory agencies do not require cGMP product, but rather cGMP-like product. The difference is subtle, but can make a difference of several months. We plan on taking advantage of this and try to request permission for human clinical trials abroad soon after we can make cGMP-compliant product in the new facility. The number of patients that need to be enrolled in a clinical trial depends upon how good the drug is. If the drug effect is very easily separated from the placebo, and more so, from the standard of care, then the trial would require fewer patients to reach the clinical end point of determining that the drug is indeed effective or superior, as the case may be. Therefore we believe, based on the very strong efficacy observed in our animal studies, that our influenza clinical trials will be short, and will be relatively inexpensive.

We knew from the day we founded the Company that clinical product manufacture was going to be a critically important factor for us. We continued to build our drug pipeline over the years as we were investigating various options such as contract manufacturing organizations (CMO), as well as leasing or purchasing existing cGMP or GMP-ready facilities. As we widened our drug pipeline to six commercially important candidates and several R&D projects, clinical product manufacture had become a bottleneck for us. The very high costs of working with CMO's, the long timelines of the work plans, the additional resources that we would need just to dedicate to managing the process, and finally, the fact that important intellectual property know-how would have to be transferred to the CMO, led us to conclude that having our own facility would be a better option. We tried to interest several parties into renovating an existing facility for subsequent lease. However, pharmaceutical manufacturing facilities are highly specialized, and are not "standard" commercial real estate deals. When this did not come through, Dr. Diwan, our co-founder and technology inventor, took it upon himself to make the clinical product cGMP facility "happen" for us. He pushed the Company's programs forward by acquiring a building in Shelton in August 2011. He took a major personal risk in doing so when the Company did not have sufficient capital to engage into such a project, using personal funds, funds raised from a sale of his founder's NNVC stock, as well as high rate personal loans that he acquired, to finance the project. As you know, Dr. Diwan took extreme personal risk in enabling c-GMP manufacture of nanoviricides® drugs for clinical scale by personally arranging funds to acquire a facility and to totally renovate it as needed to meet our stringent requirements.

Construction is nearing completion on our cGMP clinical product pilot plant and R&D facility in Shelton, CT. We are evaluating the lease-versus-purchase options at present, and have not signed a lease yet. With our strong financial position from the new \$20M raise in January 2014, it is likely that acquiring this plant rather than leasing it would be in the best interests of our shareholders and the Company. Of course, we will make the final decision only after properly evaluating the options. Neither Dr. Diwan nor Ms. Vyas are involved in NanoViricides decision-making related to the facility.

This facility is designed as a fully customizable operation. Any of our antiviral ligands, our nanomicelle polymer, and any of our nanoviricides drugs can be manufactured in cGMP-compliant manner in this facility. After this facility is completed, it will need to go through validation studies, and then we will deploy our chemistry and operational processes in the facility. We will need to develop standard operating procedures (SOP's) as well as cGMP Quality Control and Quality Assurance systems. As we develop these systems, we will be able to perform scale up operations, as well as achieve c-GMP-compliant drug substance manufacture, at the batch scale needed for the initial human clinical trials.

Once we have accomplished taking our first drug through cGMP manufacture and into human clinical trials, we will be able to accelerate our other drug development programs. Our pipeline maturity process will then be limited only by available financial and human resources. Thus this facility was an extremely critical venture and I am personally extremely happy and proud that Dr. Diwan took it upon himself to make it happen even while we as a Company were struggling in terms of the capital level of funding at that time. He has already agreed that NanoViricides may lease, lease-to-purchase, or purchase the facility outright, whatever the Company determines as being the best option for the Company and in the best interest of

our shareholders. As always, Dr. Diwan continues to recuse himself from any strategic decision-making regarding these options.

As I have outlined above, we are dependent upon a number of outside collaborators for accomplishing all of the tasks involved in taking our drug candidates into human clinical trials. As such, we cannot provide guidance on specific timelines for the trials, but we can assure you that we are proceeding with great care and extreme commitment towards getting our drug candidates into human clinical trials as rapidly as possible.

Thank you for your continued support of our mission to bring game-changing nanomedicine technologies against viruses that affect humankind into clinical use for the benefit of billions of people worldwide.

/s/ Eugene Seymour
Eugene Seymour, MD, MPH
Chief Executive Officer

Cautionary Statement Relating to Forward - Looking Information for the Purpose of "Safe Harbor" Provisions of the Private Securities Litigation Reform Act of 1995

This letter contains forward-looking statements which are made pursuant to the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Statements contained in this letter, other than statements of historical fact, constitute "forward-looking statements." The words "expects," "believes," "anticipates," "estimates," "may," "could," "intends," "potential," "possible," "might," "look forward," and similar expressions are intended to identify forward-looking statements. These forward-looking statements are based on our current expectations and are subject to a number of risks, uncertainties and assumptions. These statements are not guarantees of future performance and are subject to risks, uncertainties, and other factors, some of which are beyond our control, are difficult to predict, and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. We believe these forward-looking statements are reasonable; however, you should not place undue reliance on any forward-looking statements, which are based on current expectations. Furthermore, forward-looking statements speak only as of the date they are made. If any of these risks or uncertainties materialize, or if any of our underlying assumptions are incorrect, our actual results may differ significantly from the results that we express in or imply by any of our forward-looking statements. These and other risks are detailed in the documents that we file with the Securities and Exchange Commission (the "Commission"). We do not undertake any obligation to publicly update or revise these forward-looking statements after the date of this letter to reflect future events or circumstances. We qualify any and all of our forward-looking statements by these cautionary factors.