17 May 2017
AIM: REDX

REDX PHARMA PLC
("Redx" or "the Company")

Interim results for the six months ended 31 March 2017

- **Clinical trial application filed for Porcupine inhibitor RXC004**
- **Development candidate chosen for reversible BTK inhibitor RXC005 for drug resistant chronic lymphocytic leukaemia**
- **Strategic restructuring completed post period; estimated £4.2 million annual cost saving**
- **Iain Ross appointed as Non-Executive Chairman of the Board from 1 May 2017**
- **£12 million gross raised in March 2017, including a subscription with a related sharing agreement**

Pipeline highlights:

- **RXC004 – our "best-in-class" Porcupine inhibitor**
  - Clinical trial application (CTA) filed post period in April
  - Scheduled to enter first-in-human studies upon CTA approval
  - Shown to have the potential to be used in combination with immune checkpoint inhibitors (anti-PD-1)

- **RXC005 – our "best-in-class" reversible BTK inhibitor**
  - *In vivo* proof of concept achieved for the reversible BTK program
  - Development candidate nominated for drug resistant chronic lymphocytic leukaemia (CLL)
  - Pre-clinical profile presented at ASH meeting in December 2016 and iwCLL in May 2017
  - Investigational new drug (IND) application and CTA to be filed around the end of 2017

Other highlights

- Fibrotic disease selected as core immunology research area
- Redx acquired the locally acting Rho kinase (ROCK) inhibitor AMA0825 from Amakem NV in March 2017 for an undisclosed amount. ROCK is a promising anti-fibrotic target and AMA0825 is at late lead optimisation stage
- Redx was awarded US$1 million competitive grant by CARB-X to enable the Company to advance its Gram-negative anti-infective program with a prospective partner

Dr Neil Murray, Chief Executive Officer of Redx Pharma, commented, "Redx Pharma is now optimally positioned to capitalise on the potential of its world class discovery engine with the transition to clinical development of our two best-in-class assets RXC004 and RXC005 in oncology. I am also excited by the potential of our pipeline in fibrosis, bringing novel medicines to areas of severe unmet need. We look forward to announcing the start of our first clinical trial with RXC004 and to building greater value for our shareholders as a clinical stage business."

Iain Ross, Chairman of Redx Pharma, added, "I have been impressed by the potential of Redx Pharma's science, approach to drug discovery and the speed with which the Company has created a world class pipeline of best-in-class products. Following the recent re-structuring of the organisation we are now focused on implementing an aggressive strategy to accelerate the "realisation of value" by progressing the clinical and commercial development of our lead programs and maximising the long term potential of the pipeline. I am delighted to be working with the Redx team."

Key Financials

- Net cash at 31 March 2017: £5.1m (2016: £4.4m)
- Comprehensive loss: £10.7m (2016: £7.1m)
- Strategic refocus expected to deliver annual cost savings of £4.2 million

Presentation and Conference Call

Redx Pharma will host a presentation and conference call for analysts and investors at 12:30pm BST / 7:30am EDT today at the offices of Consilium Strategic Communications, 41 Lothbury, London, EC2R 7HG, UK. A presentation will be available on the Redx Pharma website 10 minutes before the start of the call at http://redxpharma.com/investors.html. To access the conference call, please dial one of the appropriate numbers below quoting the conference ID.

United Kingdom: +44 (0) 1452 555 566

United States: +18 669 669 439

Conference ID: 21560455

The call will be conducted in English and a replay will be available on the Company website for 30 days.

For further information, please contact:

Redx Pharma Plc
Neil Murray, Chief Executive **+44 1625 469 900**
Karl Hård, Head of IR & Corporate Communications **+44 7491 651 406**

Cantor Fitzgerald Europe (Nomad & Broker) **+44 207 894 7000**
Phil Davies/ Michael Reynolds

WG Partners (Joint Broker) **+44 203 705 9317**
Claes Spång/ Chris Lee/ David Wilson

Consilium Strategic Communications **+44 203 709 5701**
Amber Fennell/ Matthew Neal/ Melissa Gardiner
redx@consilium-comms.com

About Redx Pharma Plc
Company website: Redxpharma.com

Redx is focused on the discovery and development of proprietary, small molecule therapeutics to address areas of high, unmet medical need, principally in cancer, immunology and infection providing a pipeline of assets to larger and emerging companies. By improving the characteristics of existing drug classes to create highly differentiated, novel, best-in-class drugs, Redx has already established a broad portfolio of proprietary drug programs.

CHAIRMAN'S AND CHIEF EXECUTIVE'S STATEMENT

INTRODUCTION

We are pleased to report on the progress Redx has made in the six months ended 31 March 2017.

The Company has continued to make excellent across its proprietary research programs and we remain very encouraged with the potential of the drug assets we are developing. As we have previously indicated, we intend to commercialise these assets through partnerships, out-licensing or co-development at the pre-clinical stage or in early clinical phases.

In October we announced that we have identified a drug development candidate for our reversible Bruton's tyrosine kinase (BTK) inhibitor program. The compound, named RXC005, has the potential to treat the majority of patients suffering from chronic lymphocytic leukaemia (CLL), including those who become resistant to the increasingly used treatment ibrutinib (IMBRUVICA®). RXC005 is equally potent against the most common type of BTK protein implicated in CLL and the mutant C481S BTK protein, which is resistant to ibrutinib.

The Company's first clinical trial application (CTA) was filed for our Porcupine inhibitor, RXC004, in April 2017.

In March 2017, we successfully completed a share placing and subscription to raise £12 million gross. Lanstead Capital L.P. agreed to subscribe for 11,500,000 subscription shares at 37.5 pence representing gross proceeds of £4,312,500. £646,875 of the subscription proceeds (being 15 per cent. of the gross proceeds of the subscription) was retained by the Company and £3,665,625 (being 85 per cent. of the gross proceeds of the subscription) was pledged to Lanstead under a sharing agreement pursuant to which Lanstead will make monthly settlements (subject to adjustment upwards or downwards, as measured against a benchmark price of 50 pence per ordinary share) to the Company over 18 months. As a result of entering into the sharing agreement the aggregate amount received by the Company under the subscription and the related sharing agreement may be more or less than £4,312,500.

These new funds mean that Redx can continue to progress its promising pipeline.

We also announced in March a strategic refocus and restructuring of the Company. This restructuring has (post period) been completed according to plan and will result in an estimated £4.2 million annual saving in fixed costs. Redx is refocusing its business to concentrate on its key assets in oncology and immunology. The Company remains committed to discovery research, but at a reduced level. Anti-infective research will continue only under external collaborations and, to this end, we announced the receipt of a US$1 million grant from CARB-X to support our NBTI program.

PIPELINE DEVELOPMENT

Overview

Redx's research focus remains on scientifically well-validated targets which are commercially attractive, differentiable, fit Redx capability and have limited competition. Going forward the focus will be on oncology and immunology, with particular emphasis on immuno-oncology, direct tumour targeting and fibrosis. Infectious disease targets will only continue under external collaboration.

Our most advanced assets are in oncology, namely the Porcupine inhibitor RXC004 for pancreatic, gastric and biliary cancer and the BTK inhibitor RXC005 for chronic lymphocytic leukaemia. We filed a clinical trial application (CTA) for RXC004 in April and we plan to start first-in-human studies upon receipt of CTA approval.

Oncology Pipeline

The Oncology pipeline continued to make good progress in the period, with the nomination of a drug development candidate for the reversible BTK inhibitor RXC005. We highlight the new candidate below, together with our Porcupine inhibitor RXC004.

Porcupine inhibitor (RXC004)

The initial development focus for RXC004 will be as a monotherapy for pancreatic, gastric and biliary cancer. These three types of cancer have a poor prognosis and the medical need for new treatments is compelling.

In November we presented novel efficacy data on our Porcupine inhibitor in combination with an anti-PD-1 checkpoint inhibitor. The synergistic effect between our compound and the anti-PD-1 antibody has encouraged us to implement a fourth combination arm into our Phase I clinical trial plan for RXC004.

Our RXC004 program in oncology is now awaiting CTA approval after which first-in-human clinical trials can commence.

Reversible BTK inhibitor (RXC005)

We are seeking to develop a "best-in-class" reversible inhibitor to treat primarily chronic lymphocytic leukaemia (CLL) patients who have become resistant to the currently used treatment, IMBRUVICA® (ibrutinib), which is an irreversible BTK inhibitor.

We selected a drug development candidate in October 2016 and have swiftly moved forward with IND-enabling studies with the aim to file a CTA/IND around year end 2017.

The rest of our oncology pipeline continues to progress well including our AstraZeneca collaboration, SHP2 program and programs against several other undisclosed targets.

Immunology

Our immunology team was established in May 2015. It is focussing on developing new therapies for disorders of the immune system and where possible seeks synergies with the work ongoing in our oncology team.

We have chosen fibrosis as a key research area. Therapeutic targeting of the WNT-pathway has utility in several fibrotic diseases, such as idiopathic pulmonary fibrosis (IPF). Therefore we are actively investigating the use of Porcupine inhibitors to treat this and other fibrotic diseases.

We have also acquired a soft (locally acting) pan Rho-kinase (ROCK) inhibitor, AMA0825, from Amakem NV. This compound is in late lead-optimisation stage and is being studied as a potential treatment for inflammatory-bowel disease.

Anti-infectives

As part of the strategic refocussing announced in March we have decided to stop anti-infective research in-house but are looking for partnership opportunities to progress our various infection assets. In support of this we received a US$1 million grant from CARB-X, which can be used for a collaborative program to progress our Gram-negative NBTI program.

BOARD APPOINTMENTS

On 31 March 2017 Dr Peter Jackson, Non-Executive Director and co-founder of Redx stepped down from the Board. Dr Frank M. Armstrong, Non-Executive Chairman of the Board and Mr Peter McPartland, Non-Executive Director, did not stand for re-election at the Annual General Meeting for shareholders held on 20 April 2017, post period.

On 20 April 2017 the Company announced it has appointed Mr Iain Ross as Non-Executive Chairman of its Board, effective from 1st May 2017. Mr Ross has over 35 years' of experience having held Board and Senior Management positions at multiple public and private companies in the Life Sciences sector.

FINANCIAL REVIEW

The cash position at 31 March 2017 stood at £5.1m (31 March 2016: £4.4m). In March 2017 the Company successfully completed a placing, subscription and open offer of new ordinary shares at 37.5p, which raised £12m gross, which included a subscription with a related sharing agreement (as explained on p.3).

The total comprehensive loss for the period was in line with management expectations at £10.7m (2016: £7.1m).

OUTLOOK

Redx has an attractive pipeline of products focused on areas where there is significant market interest. We made good progress across our research programs in the first half and expect this to continue over the second half of the financial year, with a particular emphasis on driving forward our most advanced assets, including our Porcupine inhibitor compound towards initial clinical studies.

The Company remains well positioned to secure value from its assets, including securing further commercial partnerships, and to further develop the business.

Iain Ross	**Neil Murray**
Chairman	Chief Executive

Consolidated Statement of Comprehensive Income

		Unaudited	Unaudited	Audited
		Half Year to 31 March 2017	Half Year to 31 March 2016	Year to 30 September 2016
	Note	**£000**	£000	£000

Operating expenses		**(10,154)**	(8,015)	(16,527)
Non recurring relocation costs		**-**	-	(556)
Reorganisation costs		**(320)**	-	-
Share based compensation	4	**(3)**	(111)	(245)
Other operating income		**642**	1,484	2,380
Loss from operations		**(9,835)**	(6,642)	(14,948)
Finance costs	5	**(1,170)**	(136)	(526)
Finance income	5	**19**	34	67
Loss before taxation		**(10,986)**	(6,744)	(15,407)
Income tax	2	**293**	(390)	(114)
Loss for the period		**(10,693)**	(7,134)	(15,521)
Other comprehensive income, net of tax		**-**	-	-
Total comprehensive loss for period attributable to owners of Redx Pharma plc		**(10,693)**	(7,134)	(15,521)
		pence	Pence	pence
Loss per share - basic and diluted	3	**(10.7)**	(11.0)	(19.8)

Consolidated Statement of Financial Position

	Note	**Unaudited 31 March 2017**	Unaudited 31 March 2016	Audited 30 September 2016
		£000	£000	£000
Assets				
Property, plant and equipment		**386**	369	533
Intangible assets		**426**	309	309
Derivative financial instrument	6	**894**	-	-
Other receivables		**623**	767	605
Total non-current assets		**2,329**	1,445	1,447
Trade and other receivables		**1,481**	1,083	1,553
Derivative financial instrument	6	**1,788**	-	-
Cash and cash equivalents		**5,106**	4,394	5,758
Current tax		**930**	786	637
Total current assets		**9,305**	6,263	7,948
Total assets		**11,634**	7,708	9,395
Liabilities				
Trade and other payables		**7,434**	5,031	5,675
Borrowings		**2,000**	2,000	2,000
Total current liabilities		**9,434**	7,031	7,675
Non-current liabilities				
Non-current borrowings		**-**	-	-
Total liabilities		**9,434**	7,031	7,675
Net assets		**2,200**	677	1,720
Equity				
Share capital		**1,265**	650	936
Share premium		**33,367**	13,516	22,526
Share-based compensation		**870**	733	867
Capital redemption reserve		**1**	1	1
Retained deficit		**(33,303)**	(14,223)	(22,610)
Equity attributable to shareholders		**2,200**	677	1,720

Consolidated Statement of Changes in Equity

	Unaudited Share capital	Unaudited Share premium	Unaudited Share-based payment	Unaudited Capital redemp'n reserve	Unaudited Retained deficit	Unaudited Total equity
	£000	£000	£000	£000	£000	£000
Movements by half year						
As at 30 September 2015	650	13,516	622	1	(7,089)	7,700
Share options lapse	-	-	(7)	-	-	(7)
Transactions with owners in their capacity as owners	-	-	(7)	-	-	(7)
Loss and total comprehensive income for the period	-	-	-	-	(7,134)	(7,134)
Share-based compensation	-	-	118	-	-	118
As at 31 March 2016	650	13,516	733	1	(14,223)	677
Share issue	286	9,714	-	-	-	10,000
Share issue costs	-	(704)	-	-	-	(704)
Transactions with owners in their capacity as owners	286	9,010	-	-	-	9,296
Loss and total comprehensive income for the period	-	-	-	-	(8,387)	(8,387)
Share-based compensation	-	-	134	-	-	134
As at 30 September 2016	936	22,526	867	1	(22,610)	1,720
Share options exercised	1	69	-	-	-	70
Share issue	328	11,966	-	-	-	12,294
Share issue costs	-	(1,194)	-	-	-	(1,194)
Transactions with owners in their capacity as owners	329	10,841	-	-	-	11,170
Loss and total comprehensive income for the period	-	-	-	-	(10,693)	(10,693)
Share-based compensation	-	-	3	-	-	3
As at 31 March 2017	1,265	33,367	870	1	(33,303)	2,200

Consolidated Statement of Cash Flows

	Unaudited Half Year to 31 March 2017	Unaudited Half Year to 31 March 2016	Audited Year to 30 September 2016
	£000	£000	£000
Net cash flow from operating activities			
Loss for the period	**(10,693)**	(7,134)	(15,521)
Adjustments for:			
Income tax	**(293)**	390	114
Finance costs (net)	**1,151**	102	459
Depreciation and amortisation	**178**	117	262
Share based compensation	**3**	111	245
Movements in working capital			
Decrease/(increase) in trade and other receivables	**71**	324	(124)
Increase in trade and other payables	**1,573**	837	1,272
Cash used in operations	**(8,010)**	(5,253)	(13,293)
Tax credit received	**-**	325	750
Interest received	**2**	19	36
Net cash used in operations	**(8,008)**	(4,909)	(12,507)
Cash flows from investing activities			
Purchase of intangible assets	**(117)**	-	-
Sale of property plant and equipment	**-**	-	2
Purchase of property, plant and equipment	**(31)**	(133)	(444)
Net cash used in investing activities	**(148)**	(133)	(442)
Cash flows from financing activities			
Proceeds from share issues	**12,364**	-	10,000
Share issue costs	**(1,194)**		(704)
Derivative financial instrument	**(3,666)**	-	-
Loan granted	**-**	-	(25)
Net cash from financing activities	**7,504**	-	9,271
Net decrease in cash and equivalents	**(652)**	(5,042)	(3,678)
Cash and cash equivalents brought forward	**5,758**	9,436	9,436
Cash and cash equivalents carried forward	**5,106**	4,394	5,758

Notes to the Financial Statements

1. Basis of preparation and accounting policies

1.01 Description of Group and approval of the interim financial statements

Redx Pharma plc (“Redx” or "the Company") is a limited liability company incorporated and domiciled in the UK. Its shares are quoted on AIM, a market operated by The London Stock Exchange. The principal activity of the Group is drug discovery, pre-clinical development and licensing.

The Group’s interim financial statements are presented in pounds sterling, which is the Group’s presentational currency, and all values are rounded to the nearest thousand (£000) except where indicated otherwise.

The interim financial statements were approved by the Board of Directors on 16 May 2017.

1.02 Basis of preparation

The Group's interim financial statements, which is unaudited, consolidates the results of Redx Pharma plc and its subsidiary undertakings made up to 31 March 2017. The Group’s accounting reference date is 30 September.

The interim financial statements have not been audited and do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006 and have been prepared in compliance with International Accounting Standard (‘IAS’) 34, ‘*Interim Financial Reporting’*.

Statutory accounts for the year ended 30 September 2016, prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) and with those parts of the Companies Act 2006 applicable to entities reporting under IFRS, were approved by the Board on 20 March 2017 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498(2) or section 498(3) of the Companies Act 2006.

1.03 Significant accounting policies

The accounting policies used in the preparation of the financial information for the six months ended 31 March 2017 are in accordance with the recognition and measurement criteria of International Financial Reporting Standards ('IFRS') as adopted by the European Union and are consistent with those which will be adopted in the annual statutory financial statements for the year ending 30 September 2017.

While the financial information included has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), the interim financial statements do not contain sufficient information to comply with IFRS's.

Valuation of derivative financial asset

The Company has placed shares with Lanstead Capital L.P. and at the same time entered into equity swap and interest rate swap agreements in respect of the subscriptions for which consideration will be received monthly over an 18 month period as disclosed in the notes to these financial statements.

The amount receivable each month is dependent on the Company's share price performance. At each period end the amount receivable is restated based on the share price of the Company at that date. Any change in the value of the receivable is reflected in the income statement.

1.04 Segmental information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Board of Directors and the Chief Financial Officer are together considered the chief operating decision-maker and as such are responsible for allocating resources and assessing performance of operating segments.

The Directors consider that there are no identifiable business segments that are subject to risks and returns different to the core business. The information reported to the Directors, for the purposes of resource allocation and assessment of performance is based wholly on the overall activities of the Group.

The Group has therefore determined that it has only one reportable segment.

1.05 Going concern

As part of their going concern review the Directors have followed the guidelines published by the Financial Reporting Council entitled ''Guidance on Risk Management and Internal Control and Related Financial and Business Reporting''.

The Group incurred a net loss of £10.7m during the period; however, the Directors are satisfied, based on detailed cash flow projections and after the consideration of reasonable sensitivities, that sufficient working capital is available to meet the Group's needs as they fall due for the foreseeable future and at least 12 months from the date of signing the interim financial statements.

The detailed cash flow assumptions are based on the Group's annual budget, prepared and approved by the Board, which reflects a number of key assumptions in addition to revenue forecasts, underpinned by the current pipeline.

Within the revenue forecasts, there are inherent judgements regarding the commercial and technical risk of programs. Whilst acknowledging the uncertainties in the operating environment and their resultant impact on revenues, the Directors have identified a number of opportunities to manage working capital, to mitigate against any deteriorations and uncertainties in trading.

On the basis of the above review, the Directors are confident that the Group has sufficient working capital to honour all of its obligations to creditors as and when they fall due. Accordingly, the Directors continue to adopt the going concern basis in preparing the interim financial statements.

2. Income tax

	Unaudited 31 March 2017 £'000	Unaudited 31 March 2016 £'000	Audited 30 September 2016 £'000
Current income tax			
UK corporation tax (R&D tax credits)	**-**	-	-
Research and Development Expenditure credit	**(293)**	(277)	(637)
Prior year adjustment	**-**	667	751
Income tax (credit) / charge per the income statement	**(293)**	390	114

The Group is in continuing discussion with HMRC regarding the impact of RGF funding on the recoverability of R&D tax credits. Whilst the directors remain confident that such credits are fully recoverable, they consider it prudent not to provide on such a basis at the current time. Amounts due under Research and Development Expenditure credit are unaffected.

3. Loss per Share

Basic loss per share is calculated by dividing the net income for the period attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the period.

In the case of diluted amounts, the denominator also includes ordinary shares that would be issued if any dilutive potential ordinary shares were issued following conversion of loans or exercise of share options.

The basic and diluted calculations are based on the following:

	Unaudited Half Year to 31 March 2016	Unaudited Half Year to 31 March 2016	Audited Year to 30 September 2016
	£000	£000	£000
Loss for the period attributable to the owners of the Company	**(10,693)**	(7,134)	(15,521)
	Number	Number	Number
Weighted average number of shares – basic and diluted	**99,524,002**	64,981,209	78,360,552
	Pence	Pence	Pence
Loss per share - basic and diluted	**(10.7)**	(11.0)	(19.8)

The loss and the weighted average number of shares used for calculating the diluted loss per share are identical to those for the basic loss per share. This is because the outstanding share options would have the effect of reducing the loss per share and would therefore not be dilutive under IAS 33 *Earnings per Share*.

4. Share-based compensation

Share options have been issued to certain directors and staff during the period, and the charge arising is shown below. The fair value of the options granted has been calculated using a Black-Scholes model.

	Unaudited	Unaudited	Audited
	Half Year to 31 March 2016	Half Year to 31 March 2016	Year to 30 September 2016
	Number	Number	Number
Options granted and vested in period	**-**	-	35,294
Options exercised in period	**(145,319)**	-	-
Options cancelled in period	**(199,538)**	(90,000)	(226,282)
Options granted and vesting in future periods	**-**	1,145,350	1,362,997
	(344,857)	1,055,350	1,172,009
	£000	£000	£000
Charge to Statement of Comprehensive Income in period	**3**	111	245

Assumptions used were an option life of 5 years, a risk free rate of 2% and no dividend yield. Other inputs were:
Volatility 40%
Share price at date of grant in a range between 41.5p and 85p
Weighted average exercise price in a range between 33p and 85p
Weighted average fair value of each option in a range between 16.1p and 47.2p

5. Finance expense and finance income

	Unaudited Half Year to 31 March 2017	Unaudited Half Year to 31 March 2016	Audited Year to 30 September 2016
Finance expense			
Loan interest	**186**	136	346
Fair value adjustment	**984**	-	180
	1,170	136	526
Finance income			
Bank and other short term deposits	**1**	16	32
Loan interest	**18**	18	35
	19	34	67

6. Derivative financial instrument

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into three levels based on the degree to which the fair value is observable as defined by IFRS 7:

Level 1 fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets and liabilities;

Level 2 fair value measurements are those derived from inputs, other than quoted prices included within Level 1, that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The derivative financial instrument included in the Statement of financial position, which is classified as a Level 3 derivative financial instrument, is the fair value of the equity swap with Lanstead Capital L.P. ("Lanstead") in the amount of £2,682,000. This is disclosed as amounts due within and after one year.

In March 2017 the Company initially issued 11,500,000 new ordinary shares of 1p each ("Ordinary Shares") at a price of 37.5p per share to Lanstead for £4,312,500. The Company simultaneously entered into an equity swap with Lanstead for 85 per cent of these shares with a reference price of 50p per share (the "Reference Price"). The equity swap is for an 18 month period ending in October 2018. All 11,500,000 Ordinary Shares were allotted with full rights on the date of the transaction.

Of the subscription proceeds of £4,312,500 received from Lanstead, £3,665,625 (85 per cent) was invested by the Company in the equity swap.

Investment in the equity swap was a condition of the placing with Lanstead.

To the extent that the Company's volume weighted average share price is greater or lower than the Reference Price at each swap settlement, the Company will receive greater or lower consideration calculated on a pro-rata basis i.e. volume weighted average share price/Reference Price multiplied by the monthly transfer amount. As the amount of the effective consideration receivable by the Company from Lanstead under the swap agreements will vary subject to the movement in the Company's share price and will be settled in the future, the receivable is treated for accounting purposes as a derivative financial asset and has been designated at fair value through profit or loss, where it is included in financial expenses.

The fair value is determined by using the share price at the measurement date and a historical volatility calculated based on the remaining life of the swap. Historical volatility, the unobservable input in the fair value measurement, was 56.7% at 31 March 2017. A reasonably possible change in the volatility used would not lead to a significant change in the fair value of the instrument.

7. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and other related parties are disclosed below:-

Trading transactions

The Group has purchased services in the normal course of business from the following companies related to individuals who are or were Directors of the Group:

Acceleris Capital Ltd – of which N. Molyneux is a Director
Norman Molyneux Consultancy Ltd – owned by N. Molyneux
Dr Frank M Armstrong Consulting Ltd – owned by F. Armstrong

The Group has provided services in the normal course of business to the following companies related to individuals who are or were Directors of the Group:

Redag Crop Protection Ltd – of which N. Molyneux is a Director. A loan has also been granted as part of the sale of this company.

The Group has purchased arms length administration services from Mrs. J. Murray, who is the wife of N. Murray.

The Group has purchased other services, and has paid deal fees and commissions, in connection with external fundraising from Acceleris Capital Ltd. These are also set out below, and were charged to the share premium account.

The amounts outstanding are unsecured.

The Group has a loan of £623k due from Redx Crop Protection Ltd. N. Molyneux and N. Murray are shareholders in Redag Crop Protection Ltd, that company's parent undertaking.

7. Related party transactions (cont'd)

Purchases from/(charges to) related parties	**Unaudited Half year to 31 March 2017 £'000**	Unaudited Half year to 31 March 2016 £'000	Audited Year to 30 September 2016 £'000
Redag Crop Protection Ltd	**(126)**	(69)	(163)
Acceleris Capital Ltd	**53**	45	88
Acceleris Capital Ltd (fundraising items)	**111**	-	309
Norman Molyneux Consultancy Ltd	**-**	10	10
AMR Centre Ltd - consultancy	**(2)**	-	-
Dr Frank M Armstrong Consulting Ltd	**2**	3	5
Mrs J Murray	**12**	12	24
	50	1	273

Amounts owed to/(by) related parties	**Unaudited 31 March 2017 £'000**	Unaudited 31 March 2016 £'000	Audited 30 September 2015 £'000
Redag Crop Protection Ltd	**(60)**	(34)	(33)
Redag Crop Protection Ltd - loan	**(623)**	(767)	(605)
Acceleris Capital Ltd	**28**	6	18
AMR Centre Ltd – short term loan	**(25)**	-	(25)
Norman Molyneux Consultancy Ltd	**-**	10	-
AMR Centre Ltd - consultancy	**-**	-	-
Dr Frank M Armstrong Consulting Ltd	**-**	-	1
Mrs J Murray	**2**	2	2
	(678)	(783)	(642)

8. Events after the reporting period

There have been no significant events between the reporting date and the date of signing these interim financial statements.

INDEPENDENT REVIEW REPORT TO REDX PHARMA PLC

Introduction

We have been engaged by the Company to review the interim financial information in the interim financial report for the six months ended 31 March 2017 which comprises the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related explanatory Notes 1 to 8. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the interim financial information.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our review work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The interim financial report, is the responsibility of, and has been approved by the directors. The directors are responsible for the preparation and presentation of interim financial information that gives a true and fair view of the financial position of the Group as at 31 March 2017 and of the financial performance of the Group and the cash flows of the Group for six months period then ended in accordance with the applicable law and International Financial Reporting Standards and International Financial Reporting Interpretations Committee pronouncements as adopted by the European Union. The directors are also responsible for preparing and presenting the interim financial report in accordance with the AIM Rules of the London Stock Exchange.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards and International Financial Reporting Interpretations Committee pronouncements as adopted by the European Union. The interim financial information included in this interim financial report has been prepared in accordance with International Financial Reporting Standards and International Financial Reporting Interpretations Committee pronouncements as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the interim financial information in the interim financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not give a true and fair view of the financial position of the Group as at 31 March 2017 and of the financial performance of the Group and the cash flows of the Group for the six month period then ended in accordance with International Financial Reporting Standards and International Financial Reporting Interpretations Committee pronouncements as adopted in the European Union and the AIM Rules of the London Stock Exchange.

RSM UK Audit LLP
Chartered Accountants
9th Floor,
3 Hardman Street,
Manchester,
M3 3HF
16 May 2017

FURTHER INFORMATION FOR SHAREHOLDERS

AIM:	REDX
Company number:	07368089
Investor website:	http://redxpharma.com/investors.html
Registered office:	Floor 9, Lowry House, 17 Marble Street, Manchester M2 3AW
Directors:	Iain Ross (Non-Executive Chairman)
	Neil Murray (CEO)
	Norman Molyneux (Non-Executive Director)
	Bernhard Kirschbaum (Non-Executive Director)
	David Lawrence (Non-Executive Director)
Company Secretary:	Simon Thorn

END