Redx Pharma

REDX PHARMA PLC

("Redx" or "the Company" or "the Group")

Interim results for the six months ended 31 March 2020

Delivering on strategic objectives

Proposed financing to raise $30 million announced

Alderley Park, 30 June 2020 Redx (AIM: REDX), the drug discovery and development Group focused on cancer and fibrosis, today announces unaudited results for the six months ended 31 March 2020. The Group has also separately announced today the terms of a proposed $30 million financing package provided by two healthcare and Life science specialist investment funds, RedMile Group LLC **("Redmile")**, the Company's major shareholder, and Sofinnova Partners **("Sofinnova")**.

Lisa Anson, Chief Executive of Redx Pharma, commented; "Redx continues to make strategic and scientific progress against our commitment to create high value drugs that treat significant unmet need in cancer and fibrosis. The nomination of RXC007, a ROCK 2 selective inhibitor with potential for development in multiple fibrotic conditions, was an important milestone for the Company and we continue to make progress in our Phase 1 clinical study with RXC004.

Today we also announced a proposed $29 million convertible loan note to Redmile and Sofinnova, together with a direct share subscription of $1 million by Sofinnova, which alongside previously announced new investments during the period, will substantially strengthen the Group's balance sheet. This financing package from these two established specialist healthcare and life sciences funds will enable us to progress our exciting pipeline of projects and execute our business plan to key value inflection points."

Operational Highlights

- Successfully completed dosing of the first two patient cohorts in the Phase 1 clinical trial of lead oncology asset, RXC004 (Porcupine inhibitor).
    - Third cohort initiated and ongoing, Redx remains on track to report clinical study results in H2 2020, despite recruitment delays of up to six months arising from COVID-19
- Second fibrosis development candidate nominated in January 2020.
    - RXC007, a ROCK 2 (Rho Associated Coiled-Coil Containing Protein Kinase 2) selective inhibitor with potential for development in multiple fibrotic conditions, is expected to enter the clinic in 2021;
- Generated new revenue of £1.2m during the period from the ongoing Jazz Research Collaboration on the pan-RAF programme, announced in July 2019
- Secured grant funding from Innovate UK in a joint project with the Medicines Discovery Catapult (MDC) to develop biomarkers in fibrosis, recognising Redx's scientific strength in this area
- Redx continued to present scientific advances at high profile conferences worldwide, including:
    - Oral presentation and poster highlighting Redx ROCK2 inhibitor data in lung, liver and kidney preclinical models, at the 3rd NASH Summit Europe in London and 3rd Annual Anti-Fibrotic Drug Development (AFDD) Summit in Boston

- Poster presentation showcasing RXC006 as a novel and promising drug candidate for the treatment of idiopathic pulmonary fibrosis (IPF), at the European Respiratory Society (ERS) Congress 2019 in Madrid
- Poster presentation on methods to analyse immune response liquid biomarkers; an area highly relevant for immuno-oncology clinical trials, at the European Laboratory Research & Innovation Group (ELRIG) Drug Discovery conference 2019 in Liverpool, attended by >1,300 professionals.

Financial Highlights

- Cash balance at 31 March 2020 of £1.9 million (31 March 2019 £3.3 million)
- Demonstration of control of operating expenses £5.2 million (H1 2019 £5.0 million)
- Moulton Goodies Ltd (MGL) Loan of £2.5 million was capitalised in January 2020
- Loss for the period of £4 million (H1 2019 £2.3 million)
- Redmile Group LLC provided funding to the Company, comprising an initial equity investment of £1.3 million in March, followed by £5 million of short-term debt funding, received in April.
- Post period end as at 30 April 2020 Redmile announced that it either owned or had received valid acceptances for 91.77 % of the Group's issued share capital, through a mandatory offer for shares.

-Ends-

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About Redx Pharma Plc

Redx is a UK biotechnology Group whose shares are traded on AIM (AIM:REDX). Redx is focused on creating and developing first, or potentially best in class drugs, in specific areas of cancer and fibrosis that address significant unmet medical need. Redx has an in-house discovery team with proven world-class chemistry capabilities.

Chief Executive's Statement

When I took over as your CEO in 2018, we put in place a clear and focused strategy and a stronger organisation to create an exciting future focused on our differentiated medicinal chemistry capability and progression of selected drug development programmes.

The interim results for Redx Pharma Plc for the six-month period ended 31 March 2020 demonstrate that we are well established on this journey and poised to achieve key milestones over the next 12-18 months. The Company has made tangible progress in its portfolio with the promising lead oncology asset, RXC004, currently in phase 1, generating some encouraging early data and the nomination of an exciting new development compound RXC007 for fibrosis.

The most significant challenge the Company has had to face during the period was securing sufficient investment capital to fully realise the potential now evident in these programmes and the innovative science in our Company. Whilst it has been a challenging journey since late last year, I am pleased to report that in Redmile Group LLC, a large and well-funded US-based specialist healthcare and life sciences investment firm, we have secured that specialist investor support necessary to create the financial stability to execute our business plan. With Redmile as a major shareholder coupled with the talented team of scientists that we have retained, and our committed leadership team, I believe we now have the key ingredients to execute our strategy successfully.

A Clear and Focused Strategy

Redx's ambition is to become a leading biotech company focused on the development of novel targeted medicines that have the potential to transform the treatment of cancer and fibrosis. Within these areas of focus, the organisation's strategy is firstly to **progress our lead programmes to deliver clinical proof of concept**, a key value inflection milestone.

The second part of the strategy is to leverage Redx's core strength in medicinal chemistry expertise and proven ability to design molecules in order to generate value. We will therefore continue to invest our resources in **discovering the next generation of differentiated drug candidates** against biologically validated targets in our areas of therapeutic focus.

Finally, **partnering** will remain a critical part of the Redx strategy to enable additional development and to drive further shareholder value.

Research & Development

Redx's lead programme, **RXC004**, is a potential best-in-class porcupine inhibitor which is currently in Phase 1 (NCT03447470) clinical development to treat cancer. Redx is developing RXC004 as a targeted oncology treatment for Wnt-driven tumours both as a monotherapy (through direct tumour targeting) and as an immuno-oncology combination agent, each of which represents a potentially large commercial opportunity. RXC004 has shown compelling animal efficacy data through its highly targeted impact on the Wnt pathway. Initial results from the unblinded clinical study are encouraging. The drug was well tolerated in both 0.5mg and 1mg patient cohorts treated so far, with no Dose Limiting Toxicities (DLTs) reported to date. Measured pharmacokinetic parameters were compatible with once daily dosing and importantly, there was strong target engagement detected in markers in skin tissue. A third patient cohort at 1.5mg, was initiated in 2019 and is ongoing. Despite a recruitment pause resulting from COVID-19, Redx still anticipates full safety and tolerability results from this phase 1 study will be available during 2020 with the initiation of Phase 2 studies in early 2021 once safety and dose selection data are available from the ongoing monotherapy phase 1 trial. We remain confident that this programme can unlock the potential of the Wnt pathway as a means to tackle unmet need in a number of cancers.

In January 2020, Redx reached an important milestone in our fibrosis portfolio with the nomination of an exciting new Development Compound, **RXC007**. RXC007, is a selective inhibitor of Rho associated protein Kinase 2 (ROCK2), aiming to enter clinical development in 2021 as a treatment for life-threatening idiopathic pulmonary fibrosis (IPF) and then more broadly as a systemic treatment for fibrotic conditions such as liver fibrosis (NASH). Developing a selective ROCK2 inhibitor is technically challenging as evidenced by the lack of competitor programmes behind Kadmon's ROCK2 inhibitor (KD025), which leads the field. Our lead compounds, including the selected development candidate, have demonstrated good pharmacokinetic and pharmacodynamic profiles in preclinical models as well as strong proof of concept data in a range of fibrosis disease models during the reporting period.

RXC006, a porcupine inhibitor, is Redx's second fibrosis programme which was delayed due to the Company's earlier funding constraints and priorities. RXC006 has progressed through preclinical manufacturing and safety studies and the Company is looking at options to progress this programme, with the aim of entering clinical trials in 2021.

In July 2019, Redx announced the decision to partner with Jazz Pharmaceuticals Plc the Company's **pan-RAF inhibitor** programme for the potential treatment of RAF and RAS mutant tumours. The associated collaboration, under which Redx performs research and preclinical development services with the goal of completing IND-enabling studies, continues to progress well, and has resulted in significant new revenue generation for the Company beyond the partnership milestones.

With respect to intellectual property, we have now been granted US patents that claim composition of matter covering RXC004, RXC006, and our GI-targeted ROCK compounds. Redx's composition of matter patent application claiming ROCK2 inhibitors was published in August 2019.

Finance

Throughout the period we continued to manage our costs carefully and to ensure optimal resource allocation in line with our strategy. A slight increase in overheads arose,after the adoption of IFRS16, as a result of higher professional fees, driven by the significant corporate activity outlined below. Although we had to make some headcount reductions in 2019 in order to preserve our cash position, we have managed to maintain an organisation that is operationally stronger and leaner, allowing us to focus our resources on our priority assets and thereby maintain the integrity of the Company throughout an uncertain period.

Furthermore, with the support of a fixed rate £2.5million short-term loan facility provided in June 2019 by Moulton Goodies Limited (MGL), at the time the Company's largest shareholder, the Company was able to strengthen its balance sheet by fully capitalising this loan with shareholder support at the General Meeting held in January 2020.

Thereafter, we entered a further period of uncertainty when the Company was subject of a third-party approach, which was concluded when the Company was able to announce that Redmile Group would provide funding to the Company. This comprised an initial equity investment of £1.3 million and £5 million of short-term debt funding, following which Redmile reached a holding of 92% of the issued share capital of Company in April 2020.

In parallel, the Company continues discussions with potential industry partners regarding the funding and/or monetisation of certain early stage programme assets. In addition, the Company has announced recently that Redmile and Sofinnova Partners, a leading European life sciences venture capital firm, intend to commit further investment into the Company in the form of a $29 million convertible loan and a $1 million equity investment by Sofinnova. The current loan due to Redmile, together with accrued interest, will be settled immediately on receipt of this investment.

Outlook

During the period, whilst navigating our way through various financial scenarios, we also made real scientific progress with RXC004 in the clinic and the nomination of two fibrosis assets which are progressing towards the clinic next year. On a personal note I want to thank the Board, Management, staff and shareholders for their resilience and support during what has been a challenging period in the Company's history. I now look forward to getting on with the job I came here to do, which is to build a world-class biotech company.

I continue to be really excited by the differentiated programmes in our pipeline and taken together, I believe that with the strength of our science, the proprietary position of our assets and their commercial potential now combined with strong investment partners, we are in a position to deliver meaningful results in the clinic which will drive benefits for patients and value for shareholders.

Lisa Anson
Chief Executive Officer

Consolidated Statement of Comprehensive Income

	Note	**Unaudited IFRS 16 Half Year to 31 March 2020**	Unaudited IAS 17 Half Year to 31 March 2019	Audited IAS 17 Year to 30 September 2019
		£000	£000	£000
Revenue	2	**1,172**	-	3,131
Cost of sale of programme		**-**	-	(350)
Operating expenses		**(5,185)**	(4,964)	(10,170)
Onerous lease charge	9	**2**	4	146
Derivative financial instrument		**67**	-	(67)
Recovery of derecognised asset	3	**-**	869	869
Share based compensation	4	**(26)**	19	(45)
Other operating income		**382**	20	241
Loss from operations		**(3,588)**	(4,052)	(6,245)
Finance costs	5	**(374)**	(36)	(102)
Finance income	5	**7**	5	12
Loss before taxation		**(3,955)**	(4,083)	(6,335)
Income tax	6	**(27)**	1,762	2,017
Total comprehensive loss for period attributable to owners of Redx Pharma plc		**(3,982)**	(2,321)	(4,318)
		Pence	Pence	Pence
Loss per share - basic & diluted	7	**(2.7)**	(1.8)	(3.4)

IFRS 16 was adopted on 1 October 2019 for our statutory reporting, without restating prior year figures. As a result the primary statements are shown on an IFRS 16 basis for 2020 and an IAS 17 basis for 2019. Note 11 provides a reconciliation of the two measures. The adoption of IFRS 16 in the 6 months to 31 March 2020 resulted in an increase in depreciation of £301k and finance costs of £167k. Other operating expenses, excluding depreciation, relating to accommodation, decreased by £393k.

Consolidated Statement of Financial Position

	Note	**Unaudited IFRS 16 31 March 2020**	Unaudited IAS 17 31 March 2019	Audited IAS 17 30 September 2019
		£000	£000	£000
Assets				
Property, plant and equipment		**121**	175	134
Right of use asset – property lease	8	**3,874**	-	-
Intangible assets		**415**	421	417
Total non-current assets		**4,410**	596	551
Trade and other receivables		**1,371**	717	1,232
Cash and cash equivalents		**1,895**	3,314	3,704
Current tax		**849**	1,530	871
Total current assets		**4,115**	5,561	5,807
Total assets		**8,525**	6,157	6,358
Liabilities				
Current liabilities				
Trade and other payables		**2,206**	2,144	3,445
Borrowings		**-**	-	468
Lease liabilities		**482**	-	-
Derivative financial instrument		**-**	-	648
Provisions	9	**156**	405	306
Total current liabilities		**2,844**	2,549	4,867
Non-current liabilities				
Lease liabilities		**3,466**	-	-
Provisions	9	**-**	184	-
Total liabilities		**6,310**	2,733	4,867
Net assets		**2,215**	3,424	1,491
Equity				
Share capital	10	**1,900**	1,265	1,265
Share premium		**36,647**	33,263	33,263
Share-based compensation		**1,009**	1,066	1,104
Capital redemption reserve		**1**	1	1
Retained deficit		**(37,342)**	(32,171)	(34,142)
Equity attributable to shareholders		**2,215**	3,424	1,491

Redx Pharma

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 2018	1,265	33,263	1,162	1	(29,927)	5,764
Transactions with owners in their capacity as owners						
Loss and total comprehensive income for the period	-	-	-	-	(2,321)	(2,321)
Share-based compensation	-	-	(19)	-	-	(19)
Release of share options lapsed in the period	-	-	(77)	-	77	-
As at 31 March 2019	1,265	33,263	1,066	1	(32,171)	3,424
Transactions with owners in their capacity as owners						
Loss and total comprehensive income for the period	-	-	-	-	(1,997)	(1,997)
Share-based compensation	-	-	64	-	-	64
Release of share options lapsed in the year	-	-	(26)	-	26	-
As at 30 September 2019	1,265	33,263	1,104	1	(34,142)	1,491
Share issues	635	3,384	-	-	-	4,019
Share issue costs						
Transactions with owners in their capacity as owners						
Loss and total comprehensive income for the period	-	-	-	-	(3,982)	(3,982)
IFRS 16 transition	-	-	-	-	661	661
Share-based compensation	-	-	26	-	-	26
Release of share options lapsed in period	-	-	(121)	-	121	-
As at 31 March 2020	1,900	36,647	1,009	1	(37,342)	2,215

Consolidated Statement of Cash Flows

	Unaudited IFRS 16 Half Year to 31 March 2020	Unaudited IAS 17 Half Year to 31 March 2019	Audited IAS 17 Year to 30 September 2019
	£000	£000	£000
Net cash flow from operating activities			
Loss for the period	**(3,982)**	(2,321)	(4,318)
Adjustments for:			
Income tax	**27**	(1,762)	(2,017)
Finance costs (net)	**367**	31	90
Depreciation and amortisation	**337**	44	91
Share based compensation	**26**	(19)	45
Derivative financial instrument	**(67)**	-	67
Onerous lease provision	**(2)**	(4)	(146)
Recovery of derecognised asset	**-**	(869)	(869)
Profit on disposal of assets	**(4)**	(11)	(60)
Movements in working capital			
(Increase)/decrease in trade and other receivables	**(184)**	1,059	446
Decrease in trade and other payables	**(738)**	(1,854)	(711)
Cash used in operations	**(4,220)**	(5,706)	(7,382)
Tax credit received	**40**	1,689	2,701
Interest received	**6**	6	13
Net cash used in operations	**(4,174)**	(4,011)	(4,668)
Cash flows from investing activities			
Sale of property plant and equipment	**4**	11	60
Purchase of property, plant and equipment	**(21)**	(26)	(28)
Net cash used in investing activities	**(17)**	(15)	32
Cash flows from financing activities			
Proceeds of share issues	**1,287**	-	-
Interest paid	**(12)**	-	-
MGL loan	**1,500**	-	1,000
Payment of lease liabilities	**(393)**	-	-
Loan recovered	**-**	869	869
Net cash from financing activities	**2,382**	869	1,869
Net decrease in cash and equivalents	**(1,809)**	(3,157)	(2,767)
Cash and cash equivalents brought forward	**3,704**	6,471	6,471
Cash and cash equivalents carried forward	**1,895**	3,314	3,704

Reconciliation of liabilities arising from financing activities

	Unaudited Half Year to 31 March 2020	Unaudited Half Year to 31 March 2019	Audited Year to 30 September 2019
MGL loan			
Balance b/fwd	**1,116**	-	-
Cash flows	**1,500**	-	1,000
Fair value adjustment of derivative element	**(67)**	-	67
Accrued interest	**183**	-	49
Amount capitalised into ordinary shares	**(2,732)**		-
Balance c/fwd (disclosed as current borrowings, and derivative financial instrument)	**-**	-	1,116
IFRS16 Lease liability			
Recognised on adoption of IFRS16	**(4,175)**	-	-
Cash flows	**393**	-	-
Unwinding of interest	**(166)**	-	-
Balance c/fwd (disclosed as current and non-current lease liabilities)	**3,948**	-	-

Notes to the Interim Results

1. Basis of preparation and accounting policies

1.01 Description of Group and approval of the consolidated 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 consolidated 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 consolidated interim financial statements were approved by the Board of Directors on 29 June 2020.

1.02 Basis of preparation

The Group's consolidated interim financial statements, which are unaudited, consolidate the results of Redx Pharma plc and its subsidiary undertakings made up to 31 March 2020. The Group’s accounting reference date is 30 September.

The financial information contained in these interim financial statements does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. It does not therefore include all of the information and disclosures required in the annual financial statements. The financial information for the six months ended 31 March 2020 and 31 March 2019 is unaudited.

The information for the period ended 30 September 2019 has been extracted from the statutory accounts for the year ended 30 September 2019, prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS). The statutory accounts were approved by the Board on 10 March 2020 and delivered to the Registrar of Companies. The audited financial statements of the Group in respect of the year ended 30 September 2019 received an unqualified audit opinion and did not contain a statement under section 498(2) or (3) of the Companies Act 2006. The audit report included a reference to a material uncertainty that might cast significant doubt over the Group's ability to continue as a going concern, to which the auditor drew attention by way of emphasis.

1.03 Significant accounting policies

The accounting policies used in the preparation of the financial information for the six months ended 31 March 2020 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 adopted in the annual statutory financial statements for the year ended 30 September 2019, except as described below:

- IFRS 16 'Leases', effective and applied from 1 October 2019.

This standard represents a significant change in the accounting and reporting of leases for lessees as it provides a single lessee accounting model that replaces the current model where leases are either recognised as a finance or operating lease.

The Group has adopted IFRS 16 from 1 October 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 October 2019. The standard permits a choice on initial adoption, on a lease-by-lease basis, to measure the right-of-use asset at either its carrying amount as if IFRS 16 had been applied since the commencement of the lease, or an amount equal to the lease liability, adjusted for accruals or prepayments. The Group's only right-of-use asset, which was in relation to property, was measured at an amount equal to the lease liability, adjusted for accruals or prepayments at 1 October 2019.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 'Leases'. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 October 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 October 2019 was 8.5%.

The Group is using practical expedients on transition to leases previously classified as operating leases, including:

i) accounting for operating leases with a remaining lease term of less than 12 months as at 1 October 2019 as short-term leases; this includes the lease subject to an onerous lease provision.

ii) excluding initial direct costs from the initial measurement of the right-of-use asset;

Estimates include calculating the discount rate which is based on the incremental borrowing rate.

On transition to IFRS 16, the following adjustments were made:

	£'000
Right-of-use assets	4,175
Accruals - rent free period	661
Lease liability	(4,175)
Retained earnings	(661)

The adoption of IFRS 16 in the 6 months to 31 March 2020 resulted in an increase in depreciation of £301k and finance costs of £167k. Operating expenses, excluding depreciation, relating to accommodation, decreased by £393k. There is no effect on overall cash flows from implementing IFRS 16, however, there is a presentational change in that £393k of cash outflows are now disclosed under financing whereas under IAS 17 these would have been shown as operating cash outflows.

While the interim 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 include sufficient information to comply with IFRS.

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 the Going Concern Basis of Accounting and Reporting on Solvency Risks – Guidance for directors of companies that do not apply the UK Corporate Governance Code''. The Directors have also taken into account recent FRC guidance for companies in relation to going concern and Covid-19.

The Group is subject to a number of risks similar to those of other development stage pharmaceutical companies. These risks include, amongst others, generation of revenues in due course from the development portfolio and risks associated with research, development, testing and obtaining related regulatory approvals of its pipeline products. Ultimately, the attainment of profitable operations is dependent on future uncertain events which include obtaining adequate financing to fulfil the Group's commercial and development activities and generating a level of revenue adequate to support the Group's cost structure.

The Group made a net loss of £4 million during the period, and at 31 March 2020 had total equity of £2.2 million including an accumulated deficit of £37.3 million. As at that date, the Group had cash and cash equivalents of £1.9 million.

At 30 September 2019, the Group's balance sheet included liabilities relating to a capitalisable loan from Moulton Goodies Ltd. totalling £1.1 million and a further £1.5 million was drawn down under this facility in November 2019. Whilst it was repayable in full on 31 December 2019, MGL exercised during November 2019 its right to request that the Company capitalise the whole of the loan (including, inter alia, all unpaid interest) into new ordinary shares in the Company. This capitalisation duly took place following the passing by shareholders of a number of resolutions at a General Meeting on 21st January 2020.

For a considerable time, the Company has been in discussions with a number of specialist healthcare investors who have a greater understanding of the potential value of the programmes as well as the funding and likely timing of delivering clinical proof of concept data. As announced on 28th February 2020 Redmile Group LLC, a large and well-funded US based specialist healthcare and life sciences investment firm, confirmed to the Board that it is willing to provide funding to Redx comprising (1) an initial equity investment of £1.3 million through an issue of 11,500,000 ordinary shares; (2) a £5 million short-term debt funding; and (3) together with Sofinnova Partners, a convertible loan which, at that time, was expected to be £20.1 million. The £5 million short-term debt funding is repayable prior to the issuance of any convertible loan. The issue of shares was completed on 4th March 2020, the agreement for the £5 million short-term loan was completed on 27th March 2020 with the funds received on 7th April, whilst the terms of a financing package comprising a convertible loan of $29 million provided by Redmile and Sofinnova and an initial equity investment of $1 million by Sofinnova were announced on 30 June 2020. A general meeting to obtain shareholder approval for the required increase to the Company's borrowing powers and to allot new ordinary shares associated with the financing has been convened for 20 July 2020. The initial maturity date of the convertible loan is three years after it is drawn down, which is expected to take place as soon as is practicable following shareholder approval.

The Directors have prepared detailed financial forecasts and cash flows looking beyond 12 months from the date of the approval of these financial statements. In developing these forecasts, the Directors have made assumptions based upon their view of the current and future economic conditions that are expected to prevail over the forecast period. The Directors estimate that the cash currently held by the Group, which includes the initial equity investment from Redmile, and known receivables will be sufficient to support the current level of activity into the third quarter of 2020. Following the expected drawn down of the convertible loan, the issue of equity to Sofinnova and the repayment of the £5 million short term loan, the Group will have sufficient cash to support activities into the third quarter of 2021.. In addition, the Directors are continuing to explore alternative sources of finance available to the Group through business development opportunities. Therefore, based upon all ongoing discussions, the Directors have a reasonable expectation that they will be able to secure sufficient cash inflows for the Group to continue its activities for not less than 12 months from the date of approval of these financial statements; they have therefore prepared the financial statements on a going concern basis. The Directors have also considered the effect of the Covid-19 outbreak on going concern and do not believe that it will materially affect the items set out above or their conclusion.

2. Revenue

In July 2019, the Group sold its pan-RAF inhibitor drug development programme and related IP to Jazz Pharmaceuticals provide preclinical development services for the programme. Associated costs of sale of £0.35m are disclosed separately on the face of the Consolidated Statement of Comprehensive Income.

	Unaudited Half year to 31 March 2020 £'000	Unaudited Half year to 31 March 2019 £'000	Audited Year to 30 September 2019 £'000
Sale of scientific programme and related IP	**-**	-	2,790
Revenue from collaboration agreement	**1,172**	-	341
Revenue	**1,172**	-	3,131

3. Recovery of derecognised asset

At 30 September 2017, the Group derecognised as an asset a loan due from Redag Crop Protection Ltd "Redag", on the grounds of the conditionality attached to repayment. The loan was in the sum of £715k and accrued interest at 5% per annum. In February 2019, a sale of assets by Redag triggered the conditions necessary for the repayment of the loan, and an amount of £869k was recovered, representing the full amount of the original loan and all interest due up to the date of repayment.

4. Share-based compensation

In accordance with the Warrant agreement entered into with Alderley Park Ltd as part of the accommodation changes in 2018, the number of options granted were increased following two adjusting events, being the issuance of shares to Moulton Goodies Ltd and RM Special Holdings 3, LLC. The fair value of the options granted has been calculated using a Black-Scholes model.

	Unaudited	Unaudited	Audited
	Half Year to 31 March 2020	Half Year to 31 March 2019	Year to 30 September 2019
	Number	Number	Number
Outstanding at the beginning of the period	**10,888,963**	10,149,563	10,149,563
Options granted and vested in period	**251,154**	650,000	650,000
Options exercised in period	**-**	-	-
Options Forfeited in period	**(703,188)**	(1,630,600)	(1,210,600)
Options granted and vesting in future periods	**125,577**	1,300,000	1,300,000
	10,562,506	10,468,963	10,888,963
	£000	£000	£000
Charge/(credit) to Statement of Comprehensive Income in period	**26**	(19)	45

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 7.25p and 85p
- Exercise price in a range between 9.2p and 85p
- Weighted average fair value of each option in a range between 0.1p and 47.2p

At 31 March 2020, a total of 8,586,930 options were vested.

5. Finance expense and finance income

	Unaudited Half Year to 31 March 2020 £'000	Unaudited Half Year to 31 March 2019 £'000	Audited Year to 30 September 2019 £'000
Finance expense			
Loan interest & charges	**183**	-	49
Interest on Lease liabilities	**166**	-	-
Other interest and similar charges	**13**	-	-
Unwind of discount on onerous lease provision	**12**	36	53
	374	36	102
Finance income			
Bank and other short-term deposits	**7**	5	12
	7	5	12

6. Income tax

	Unaudited 31 March 2020 £'000	Unaudited 31 March 2019 £'000	Audited 30 September 2019 £'000
Current income tax			
Income tax	**30**	(560)	(819)
Amounts in respect of prior periods	**(3)**	(1,202)	(1,198)
Income tax (credit) / charge per the income statement	**27**	(1,762)	(2,017)

As a result of the change in corporate structure brought about by the acquisition of a majority of the Company's shares by RM Special Holdings 3, LLC, post period end, it may be that the SME tax status of the Group is no longer applicable. In this scenario the Group would no longer have access to the R&D tax credit regime. The Group's ability to claim Research and Development expenditure credits ("RDEC") would, however, be unaffected. Whilst the Board continues to explore all legitimate avenues to maximise tax credits, it considers it prudent to account only for RDEC credits in the interim financial statements. The estimated amount of RDEC recoverable for the period of £128k is disclosed within Trade and other receivables in the statement of Financial Position and within Other operating income (£158k), and the tax charge (£30k) in the Statement of Comprehensive Income.

7. 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 exercise of share options.

The basic and diluted calculations are based on the following:

	Unaudited	Unaudited	Audited
	Half Year to 31 March 2020	Half Year to 31 March 2019	Year to 30 September 2019
	£000	£000	£000
Loss for the period attributable to the owners of the Company	**(3,982)**	(2,321)	(4,318)
	Number	Number	Number
Weighted average number of shares – basic & diluted	**147,909,916**	126,447,914	126,447,914
	Pence	Pence	Pence
Loss per share – basic & diluted	**(2.7)**	(1.8)	(3.4)

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*.

8. Right of use asset

	Unaudited 31 March 2020 £'000	Unaudited 31 March 2019 £'000	Audited 30 September 2019 £'000
Property lease			
Recognised at 1 October 2019	**4,175**	-	-
Depreciation	**(301)**	-	-
At 31 March 2020	**3,874**	-	-

9. Onerous lease provision

	Unaudited 31 March 2020 £'000	Unaudited 31 March 2019 £'000	Audited 30 September 2019 £'000
Brought Forward	**306**	752	752
(Released)/recognised in the year	**(2)**	(4)	(146)
Unwinding of discount	**12**	36	53
Amount utilised	**(160)**	(195)	(353)
Carried forward	**156**	589	306
Current	**156**	405	306
Non-current	**-**	184	-

As at 30 September 2018, the Group no longer occupied the premises at Block 3 Alderley Park, Macclesfield, having relocated all its activities to Block 33. On this basis the Director's believe the lease for Block 3 fulfils the criteria to be regarded as onerous under IAS 37 "*Provisions, Contingent liabilities and Contingent assets*". A provision of £752k was therefore recognised at 30 September 2018.

The directors have reviewed the current level of the provision and believe it to be sufficient.

10. Share capital

	Unaudited	Unaudited	Audited
	Half Year to 31 March 2020	Half Year to 31 March 2019	Year to 30 September 2019
	Number	Number	Number
Number of shares in issue			
Ordinary shares of £0.01	**190,008,703**	126,447,914	126,447,914
	£'000	£'000	£'000
Share capital at par, fully paid			
Ordinary shares of £0.01	**1,900**	1,265	1,265
	£'000	£'000	£'000
Movement in year			
Ordinary shares of £0.01	**635**	-	-

On 13 November 2019 The Group drew down the remaining £1.5m available to it under the loan note agreement with Moulton Goodies Ltd ("MGL").

On 31 December the Group announced that it had received written notice on 29 November 2019 from MGL requesting that it capitalise the entire outstanding loan and accrued interest pursuant to the terms of the loan notes. The capitalisation price was set at 5.25 pence per share.

The capitalisation was approved at a General meeting of shareholders on 21 January 2020 at which date the amount outstanding was £2,731,616. Accordingly, 52,030,789 new ordinary shares were issued. These were admitted to trading on 22 January 2020.

On 28 February 2020, the Company also announced that it had agreed a funding package with Redmile Group LLC and Sofinnova Partners, under the terms of which Redmile had agreed to immediately subscribe for 11,500,000 ordinary shares at 11.2p. These shares were duly issued and admitted to trading on 4 March 2020.

11. Reconciliation of IAS 17 operating lease commitments at 30 September 2019 to lease liability recognised on adoption of IFRS 16.

	£'000
Operating lease commitments at 30 September 2019	**5,164**
Effect of discounting[1]	(1,279)
Other[2]	290
Lease liability recognised on adoption of IFRS 16	**4,175**

[1]The previously disclosed lease commitments were undiscounted, whilst the IFRS 16 obligations have been discounted based on Redx's incremental borrowing rate.

[2]Other reconciling items relate principally to the offsetting of rent free period credits in the disclosure of operating lease commitments in the 2019 Financial statements.

12. Post period end events

Background

RM Special Holdings 3, LLC ("Redmile") announced on 13 March 2020 that it had agreed to acquire 74,998,896 Ordinary Shares representing approximately 39.5 per cent. of the Company's issued share capital from Moulton Goodies Limited at a price of 15.5 pence per ordinary share. Following completion of the acquisition, Redmile held 86,498,896 ordinary shares representing approximately 45.5 per cent. of the Company's issued share capital. As a result of the acquisition, under Rule 9 of the Takeover Code, Redmile was required to make a mandatory cash offer for the ordinary shares not already held or agreed to be acquired by Redmile at a price of 15.5 pence per ordinary share (the "**Offer**"). Redmile's announcement on 13 March 2020 set out the terms and conditions of the Offer which was recommended by the Board.

The Company announced on 30 March 2020 that it had entered into a £5 million short term loan with Redmile. The loan was drawn down in full by the Company on 7 April 2020.

Post period end information

On 9 April 2020, Redmile announced that it then owned 109,809,326 ordinary shares representing approximately 57.79 per cent. of the Company's issued ordinary share capital and that, consequently, the Offer would be wholly unconditional when made. Also on 9 April 2020, Redmile posted an offer document and form of acceptance to the Company's shareholders formally making the Rule 9 mandatory recommended cash offer. On 1 May 2020, Redmile announced that valid acceptances of the Offer had been received by or on behalf of Redmile in respect of ordinary shares representing approximately 33.51 per cent. of the existing issued share capital of the Company, and consequently that Redmile either owned or had received valid acceptances of the Offer in respect of a total of 174,363,597 ordinary shares representing approximately 91.77 per cent. of the Company's issued share capital.

INDEPENDENT REVIEW REPORT TO REDX PHARMA PLC

Introduction

We have been engaged by the Company to review the consolidated interim financial statements in the interim financial report for the six months ended 31 March 2020 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. 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 information in the consolidated interim set of financial statements.

Directors' Responsibilities

The interim financial report, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing and presenting the interim financial report in accordance with the AIM Rules of the London Stock Exchange.

As disclosed in note 1.02, 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 condensed set of financial statements included in this interim financial report has been prepared in accordance with the presentation, recognition and measurement criteria of 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 condensed set of financial statements 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 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 condensed set of financial statements in the interim financial report for the six months ended 31 March 2020 is not prepared, in all material respects, in accordance with the presentation, recognition and measurement criteria of International Financial Reporting Standards and International Financial Reporting Interpretations Committee pronouncements as adopted by the European Union, and the AIM Rules of the London Stock Exchange.

Use of our report

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.

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

29 June 2020

FURTHER INFORMATION FOR SHAREHOLDERS

AIM:	REDX
Company number:	07368089
Investor website:	http://redxpharma.com/investors
Registered office:	Block 33, Mereside, Alderley Park, Macclesfield, SK10 4TG
Directors:	Iain Ross (Chairman)
	Lisa Anson (CEO)
	James Mead (CFO)
	Peter Presland (Non-Executive Director)
	Bernhard Kirschbaum (Non-Executive Director)
Company Secretary:	Andrew Booth

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