

Redx Pharma plc – Loan Capitalisation, GM Notice and Possible Offer

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REDX PHARMA PLC

(“Redx” or “the Company” or “the Group”)

Proposed Loan Capitalisation, Notice of General Meeting and Possible Offer for the Company

Discussions ongoing that could lead to a possible cash offer for the Company

Proposed capitalisation of Loan from Moulton Goodies, an existing shareholder and subsequent Waiver of Rule 9 of the Takeover Code

Alderley Park, 31 December 2019 Redx (AIM: REDX), the drug discovery and development company focused on cancer and fibrosis, is today providing an update on its ongoing plans to strengthen the Group’s balance sheet.

Iain Ross, Chairman of the Board of Directors of Redx Pharma said: “As we have previously disclosed, the Board has been in active discussions with shareholders and third-party healthcare specialist investors regarding longer-term funding of Redx. For our conversations to continue, we are asking shareholders to agree to the capitalisation of the £2.5m loan, that we announced in June, into Ordinary Shares. We believe that this short-term funding solution will allow us time to secure the necessary longer-term funding that will enable us to advance our innovative pipeline of novel precision medicines for cancer and fibrosis, in particular to complete our ongoing phase 1/2b programme with RXC004 and initiate phase 1 trials with one of our fibrosis programme. We have been encouraged by these discussions and one investor group has indicated that ongoing discussions could lead to a possible cash offer for the Company.”

The Company announced on 10 June 2019 that it had signed a Loan Agreement (the “Loan”) with Moulton Goodies Ltd. (“MGL”), the Company’s largest shareholder, for a fixed rate secured loan note facility of up to £2.5 million. On 10 June 2019, the Company made a drawdown of £1 million in principal amount pursuant to the Loan Agreement and issued £1 million of Loan Notes to MGL. On 13 November 2019, the Company made a drawdown of a further £1.5 million in principal amount pursuant to the Loan Agreement and issued £1.5 million of Loan Notes to MGL. In accordance with the terms of the accompanying Security Agreement, the Loan Notes are secured by fixed and floating charges over substantially all the business and assets of the Group.

The Loan is repayable in full on 31 December 2019 (the “Maturity Date”). However, in accordance with the terms of the Loan Notes, MGL has requested that the Company capitalise the whole of the Loan (including, inter alia, all unpaid interest) into new Ordinary Shares in the Company (the “Capitalisation”). The Loan cannot be capitalised unless (a) prior to any capitalisation, the Company’s shareholders have passed resolutions authorising the Company to issue Ordinary Shares on a capitalisation of the Loan on a non-pre-emptive basis and (b) any capitalisation would not result in MGL being required to make a general offer for the Company’s shares pursuant to Rule 9 of the Takeover Code or, if it would result in such an obligation to make a Rule 9 Offer, then a waiver of the obligation to make such an offer has been obtained from the Panel and has been approved by the Company’s Shareholders at a general meeting (the “Resolutions”).

Furthermore, the Company confirms that it is in discussions with Samuel D. Waksal and associates (the “Bidder”) in relation to a possible cash offer to be made by an investment syndicate led by the Bidder for the entire issued, and to be issued, share capital of Redx.

This announcement does not amount to a firm intention to make an offer under Rule 2.7 of the Takeover Code and there can be no certainty that any offer will be made, or as to the terms on which any offer might be made. A further announcement will be made as and when appropriate.

For the purposes of Rule 2.4(c) of the Takeover Code, in accordance with Rule 2.6(a) of the Takeover Code, Redx announces that, by not later than 5.00 pm on 28 January 2020 (the “Deadline”), the Bidder must either announce a firm intention to make an offer for Redx under Rule 2.7 of the Takeover Code or announce that it does not intend to make an offer for Redx, in which case the announcement will be treated as a statement to which Rule 2.8 of the Takeover Code applies.

The Deadline will not apply in circumstances where either: (a) it has been extended with the consent of the Panel in accordance with Rule 2.6(c) of the Takeover Code; or (b) Rule 2.6(b) of the Takeover Code applies, by virtue of a firm intention to make an offer for Redx having been announced by another offeror prior to the Deadline.

This announcement has been made with the consent of the Bidder who has also given its consent for the Capitalisation to take place.

Given the Company’s current and anticipated working capital requirements, the Directors are recommending that Shareholders vote in favour of the Resolutions to be proposed at the upcoming General Meeting. Should the Resolutions not be passed and the Company is required to repay the Loan, the Directors believe that the Company will not have sufficient cash resources to meet this contractual obligation making it highly likely that MGL will exercise its right to appoint an Administrator pursuant to the terms of the Security Agreement.

Loan capitalisation highlights

- On 29 November 2019, MGL served a written notice on the Company requesting that it capitalise the Loan pursuant to the terms of the Loan Notes.
- The Capitalisation Price pursuant to the terms of the Loan Notes is 5.25 pence per new Ordinary Share and the Capitalisation will result in the issue of 52,030,789 new Ordinary Shares to MGL (the “Capitalisation Shares”). On completion of the Capitalisation, MGL will hold 74,998,896 Ordinary Shares comprising 42.01 per cent. of the enlarged share capital of the Company.
- The Capitalisation Price represents a discount of 20.8 per cent. to the mid-market closing price of the Company’s Ordinary Shares on AIM on 30 December 2019.

- Application will be made for the Capitalisation Shares to be admitted to trading on AIM (“Admission”), conditional on the Resolutions being passed. It is expected that if the Resolutions are passed, Admission will occur at 8.00 a.m. on 22 January 2020. Upon Admission, the enlarged share capital is expected to be 178,508,703 Ordinary Shares.
- As MGL currently holds 18.16 per cent. of the Company’s issued Ordinary Shares, the Capitalisation constitutes a related party transaction for the purposes of Rule 13 of the AIM Rules. The Directors consider, having consulted with Cantor Fitzgerald Europe, the Company’s nominated adviser, that the terms of the Capitalisation are fair and reasonable insofar as its Shareholders are concerned.
- Irrevocable undertakings have been entered into between the Company and each of the Directors who hold Existing Ordinary Shares pursuant to which each Director has agreed, inter alia, to vote in favour of the Resolutions in respect of the Existing Ordinary Shares held by them and which represent, in aggregate, 0.61 per cent. of the Company’s current issued share capital.
- An irrevocable undertaking has been entered into between the Company and MGL pursuant to which MGL has agreed, inter alia, to vote in favour of the Resolutions in respect of the Existing Ordinary Shares held by it and which represent, in aggregate, 18.16 per cent. of the Company’s current issued share capital (save that MGL cannot and will not vote on the Rule 9 Waiver Resolution).

Rule 9 Waiver highlights

- As the Capitalisation by MGL will result in it holding shares that carry over 30.0 per cent. of the voting rights of the Company, it would ordinarily give rise to an obligation on MGL to make a general offer for the entire issued share capital of the Company.
- However, in this instance, the Panel has agreed to waive the obligation to make a general offer that would otherwise arise as a result of the Capitalisation subject to approval of independent Shareholders on a poll vote at the upcoming General Meeting.
- As MGL will, following the Capitalisation, be interested in shares that carry more than 30 per cent. of the voting rights of the Company, but not more than 50 per cent. of the voting rights of the Company, the acquisition of further shares carrying voting rights will result in MGL having to make a mandatory offer under Rule 9 of the Takeover Code.
- For the avoidance of doubt, this waiver applies only in respect of the increase in the shareholding of MGL resulting from the Capitalisation and not in respect of any other increases in its holdings.

The above information on the transaction background and highlights should be read in conjunction with the full appendix at the foot of this announcement.

A circular setting out details of the proposed Capitalisation and Waiver of Rule 9 of the Takeover Code and giving notice of a General Meeting to approve the Resolutions will be posted to Shareholders on or around 3 January 2020 and will be available on the Company's website www.redxpharma.com (the "Circular"). The General Meeting will be held at the offices of Covington & Burling LLP, 265 Strand, London, WC2R 1BH at 11.00am on 21 January 2020.

For further information, please contact:

Redx Pharma Plc

T: +44 1625 469 9

Lisa Anson, Chief Executive Officer

James Mead, Chief Financial Officer

Cantor Fitzgerald Europe (Nominated Advisor & Joint Broker)

T: +44 20 7894 70

Phil Davies

WG Partners LLP (Joint Broker)

T: +44 20 3705 93

Claes Spång/ Chris Lee/ David Wilson

FTI Consulting

T: +44 20 3727 10

Simon Conway/Ciara Martin

About Redx Pharma Plc

Redx is a UK based biotechnology company whose shares are traded on AIM (AIM:REDX). Redx's vision is to become a leading biotech focused on the development of novel precision medicines that have the potential to transform treatment in oncology and fibrotic diseases.

If you would like to sign up to regular alerts from Redx Pharma, please follow this link <https://www.redxpharma.com/investors/email-alerts/>

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About Samuel Waksal

Dr. Waksal was the founder and former President and CEO of ImClone Systems, developer of Erbitux, one of the top-selling cancer drugs in the world, as well as Cyramza, the first anti-VEGFR-2 antibody. In 2008, ImClone Systems was sold to Eli Lilly & Company for \$7 billion. Dr. Waksal is responsible for four antibodies, which are on the market globally in the cancer field and many others now in clinical trials.

Dr. Waksal was also the founder of one of the early gene therapy companies, Merlin, which was a core part of one of the earliest gene therapy companies, Somatix. Dr. Waksal was a founding director of Medicis Pharmaceuticals, a dermatology company, which was sold to Valeant in 2013.

Dr. Waksal is also the founder of Meira GTx a London, England and New York City based gene therapy company. Meira GTx is a world leader in the field of Gene Regulation, Ocular Gene Therapy, xerostomia, and Neurodegeneration. It has recently established a joint development deal with Janssen Pharmaceuticals (a division of Johnson & Johnson), in the field of inherited eye disease.

Sam Waksal is the Founder, and was Chairman and CEO until January of 2016, of Kadmon Corporation, a privately held, New York City-based biopharmaceutical company. Collaborating with academic centers and private enterprise at the forefront of innovation, Kadmon is focused on pioneering medicines in the areas of oncology, infectious diseases, immunology and metabolic diseases, building from its commercial platform in hepatology and genetic diseases.

Dr. Waksal currently serves as a Visiting Fellow in Neuroscience at Weil Cornell Medical College, Feil Family Brain and Mind Research Institute in New York City.

Dr. Waksal spent the first half of his career in academic medicine. He was a professor of pathology and the director of the Division of Immunotherapy at the Mount Sinai School of Medicine in New York. He also served as visiting investigator at the National Cancer Institute, Immunology Branch, a research associate in the Department of Genetics at Stanford University Medical School, an assistant professor at Tufts University School of Medicine and a senior scientist at the Tufts Cancer Research Center. Dr. Waksal was a scholar of the Leukemia Society of America and has been a visiting professor at the Pasteur Institute in France and the Weizmann Institute of Science in Israel. He was also a member of the Board of Advisors of Rockefeller University. Dr. Waksal has published over 60 papers in such journals as Cell and Nature as well as chapters in books. He is also the recipient of numerous patents globally in the areas of cancer and immunology. For almost 15 years Dr. Waksal was the Chairman of the New York State Council for the Humanities where he was appointed by the Governor of New York State. Dr. Waksal has served as a board member several public and private companies. He is also a regular guest host on CNBC's Squawkbox.

Disclosure requirements of the Takeover Code

Under Rule 8.3(a) of the Takeover Code, any person who is interested in 1% or more of any class of relevant securities of an offeree company or of any securities exchange offeror (being any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the offer period and, if later, following the announcement in which any securities exchange offeror is first identified. An Opening Position Disclosure must contain details of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s). An Opening Position Disclosure by a person to whom Rule 8.3(a) applies must be made by no later than 3.30 pm (London time) on the 10th business day following the commencement of the offer period and, if appropriate, by no later than 3.30 pm (London time) on the 10th business day following the announcement in which any securities exchange offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a securities exchange offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.

Under Rule 8.3(b) of the Takeover Code, any person who is, or becomes, interested in 1% or more of any class of relevant securities of the offeree company or of any securities exchange offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any securities exchange offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s), save to the extent that these details have previously been disclosed under Rule 8. A Dealing Disclosure by a person to whom Rule 8.3(b) applies must be made by no later than 3.30 pm (London time) on the business day following the date of the relevant dealing.

If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a securities exchange offeror, they will be deemed to be a single person for the purpose of Rule 8.3.

Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4).

Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the Panel's website at www.thetakeoverpanel.org.uk, including details of the number of relevant securities in issue, when the offer period commenced and when any offeror was first identified. You should contact the Panel's Market Surveillance Unit on +44 (0)20 7638 0129 if you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure.

Website

In accordance with Rule 26.1 of the Takeover Code, a copy of this announcement will be available (subject to certain restrictions relating to persons resident in restricted jurisdictions) on Redx's website at <https://www.redxpharma.com/investors/investor-centre/>. The content of this website is not incorporated into, and does not form part of, this announcement.

Rule 2.9 Requirement

In accordance with Rule 2.9 of the Takeover Code, Redx confirms that as at the date of this announcement, it has in issue 126,477,914 ordinary shares of 1p each (excluding ordinary shares held in treasury). The International Securities Identification Number (ISIN) of the ordinary shares is GB00BSNB6S51.

APPENDIX

The following information has been extracted from the Circular containing details of the Resolutions which will be posted to Shareholders on or around 3 January 2019 along with a Form of Proxy to vote at a general meeting of the Company convened at 11.00 am on 21 January 2020. Capitalised terms in this announcement are defined as set out at the end of this announcement. A copy of the Circular will be available on the Company's website <http://www.redxpharma.com>.

Introduction

The Company announced on 10 June 2019 that it had signed the Loan Agreement with MGL for a fixed rate secured loan note facility of up to £2.5 million. On 10 June 2019, the Company made a drawdown of £1 million in principal amount pursuant to the Loan Agreement and issued £1 million of Loan Notes to MGL. On 13 November 2019, the Company made a drawdown of a further £1.5 million in principal amount pursuant to the Loan Agreement and issued £1.5 million of Loan Notes to MGL.

The Loan is repayable in full on 31 December 2019. In accordance with the terms of the Loan Notes, MGL can request that the Company capitalise the whole of the Loan (including, inter alia, all unpaid interest) into new Ordinary Shares in the Company, inter alia, at maturity of the Loan or prior to or after maturity with the agreement of the Company. The Loan cannot be capitalised unless (a) prior to any capitalisation, the Company's shareholders have passed resolutions authorising the Company to issue Ordinary Shares on a capitalisation of the Loan on a non-pre-emptive basis and (b) any capitalisation would not result in MGL or any other person(s) being required to make a general offer for the Company's shares pursuant to Rule 9 of the Takeover Code or, if it would result in such an obligation to make a Rule 9 Offer, then a waiver of the obligation to make such an offer has been obtained from the Panel and has been approved by the Company's Shareholders. In the event that the Loan is capitalised on maturity or prior to or after maturity with the agreement of the Company, such capitalisation would be at a price per Ordinary Share equal to the lower of the volume-weighted average price per Ordinary Share over the 10 Business Day period ending on (and including) (a) the Business Day immediately prior to the date of signing of the Loan Agreement and (b) 30 December 2019 (being the latest practicable date prior to the posting of the Circular).

MGL, following discussions with the Company, has requested that the Company capitalise the full amount of the Loan (including the Amendment Fee and all unpaid interest) into new Ordinary Shares. The Capitalisation Price pursuant to the terms of the Loan Notes is 5.25 pence per new Ordinary Share and the Capitalisation would result in the issue of 52,030,789 new Ordinary Shares to MGL. If the Capitalisation is completed, MGL will, following completion of the Capitalisation and Admission, hold 74,998,896 Ordinary Shares comprising 42.01 per cent. of the Enlarged Share Capital of the Company.

The Capitalisation is subject, inter alia, to the granting of a Rule 9 Waiver in respect of MGL, a substantial shareholder in the Company. Further details relating to the Rule 9 Waiver and the Takeover Code are given later in this Appendix.

The Capitalisation and the Rule 9 Waiver are conditional, inter alia, on the passing by Shareholders of the Resolutions at the General Meeting.

The Directors believe that MGL's continued support of the Company and the commitment by MGL to capitalise the Loan is necessary to ensure the success of the Company. If the Resolutions are not passed then under the terms of the Loan Notes the Company will be required to repay the Loan in full. The Directors believe that seeking to repay the Loan would be to the severe detriment of the Company. Given the Company's current and anticipated working capital requirements, the Directors believe that should the Resolutions not be passed and the Company is required to repay the Loan, the Company will not have sufficient cash resources to meet this contractual obligation making it highly likely that MGL will exercise its right to appoint an Administrator pursuant to the terms of the Security Agreement.

Given the above factors, the Directors will recommend that Shareholders vote in favour of the Resolutions to be proposed at the General Meeting.

Details of the Loan

In accordance with the terms of the Security Agreement, the Loan is secured by fixed and floating charges over substantially all of the business and assets of the Group. The current rate of interest payable on the Loan is 24 per cent. per annum. The Loan is repayable on 31 December 2019, but MGL has, in accordance with the terms of the Loan Notes, requested that the Company capitalise the Loan (including all accrued and unpaid interest) in full instead of repaying it.

Background to and reasons for the Loan

In November 2017, the Company successfully exited from administration having been forced to sell its, then, lead product for \$40 million to settle all outstanding obligations. At the time of exiting administration, the Company had approximately £13 million of cash and has since undertaken a very significant cost management programme resulting in a £5.2 million year-on-year reduction in operating costs in the last full financial year to 30 September 2018, a level which has been maintained in the current financial year.

Redx has needed to attract further investment to fund its priority programmes through to clinical proof of concept or meaningful value inflection points. As such, the Board has explored several options for raising additional funds, including conventional equity funding as well as debt funding. Earlier in 2019, the Company attempted a fundraise focused mainly on existing shareholders and other institutional public company investors. Unfortunately, there was not sufficient demand in the public markets at that time to deliver a successful transaction of the quantum required.

Due to the pressing need for additional working capital, the Company announced on 10 June 2019 that it had signed an agreement with its largest shareholder, MGL, for a fixed rate secured loan note facility of up to £2.5 million in order to further extend the Company's cash runway.

Since signing the short term loan, 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. The Board has identified a potential lead investor who has indicated that it would be interested in making a significant investment provided that it is part of a total fundraise which would fund the Company's business plan to the end of 2021. Furthermore, the Company confirms that it is also in discussions with Samuel D. Waksal and associates (the "Bidder") in relation to a possible cash offer to be made by an investment syndicate led by the Bidder for the entire issued, and to be issued, share capital of Redx. This announcement does not amount to a firm intention by the Bidder to make an offer under Rule 2.7 of the Takeover Code and there can be no certainty that any offer will be made, or as to the terms on which any offer might be made. A further announcement will be made as and when appropriate.

It has become apparent that neither a fundraise nor an offer will be completed before the Maturity Date of the Loan, which is why the Capitalisation is vital to ensure that the Company can continue to operate as a going concern until the end of March

2020, thereby providing additional time to complete any refinancing or evaluate an offer.

Background to and reasons for the Capitalisation

MGL has the right, exercisable at any time until five Business Days before the Maturity Date (or, if later, at any time before the Rule 9 Waiver has been obtained and the Resolutions passed), to serve written notice on the Company requesting that the Company capitalise the Loan into new Ordinary Shares instead of repaying it. On 29 November 2019, MGL served a written notice on the Company requesting that it capitalise the Loan. The purpose of the Proposals is to allow for the Loan to be Capitalised in full by applying the whole of the Loan in MGL subscribing for 52,030,789 new Ordinary Shares at the Capitalisation Price, conditional upon the passing of the Resolutions at the General Meeting and on Admission.

If the Resolutions are passed and Admission takes place, then 52,030,789 new Ordinary Shares will be issued and allotted to MGL and the Loan will have been discharged in full. The Capitalisation Shares would represent 29.15 per cent. of Redx's issued ordinary share capital as enlarged by such issue of new Ordinary Shares (and assuming no other new Ordinary Shares are issued and allotted before then).

The Capitalisation Shares will, when issued and fully paid, rank *pari passu* in all respects with the then existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid after the date of their Admission.

Application will be made for the Capitalisation Shares to be admitted to trading on AIM, conditional on the Resolutions being passed. Upon Admission, the Enlarged Share Capital is expected to be 178,508,703 Ordinary Shares.

The Capitalisation will have no effect on the earnings, assets and liabilities of the Company, save that following Admission the liabilities of the Company will be decreased by the amount of the Loan which will be capitalised and cease to be a debt of the Company. Following the Capitalisation and Admission, there will be no requirement on Redx to repay the Loan or any other amount to MGL. Further details on MGL are set out later in this Appendix.

MGL holds 22,968,107 Existing Ordinary Shares (representing 18.16 per cent. of the existing issued ordinary share capital of the Company). Following completion of the Capitalisation and Admission, MGL will therefore have a shareholding of 42.01 per cent. in the Company. MGL would normally be obliged to make a general offer,

pursuant to Rule 9, to all other Shareholders. However, in this instance, the Panel has agreed to waive the obligation to make a general offer that would otherwise arise as a result of the Capitalisation and Admission subject to the approval of the Independent Shareholders on a poll at the General Meeting, which will be sought pursuant to Resolution 3 to be set out in the Notice of General Meeting. In the event the Rule 9 Waiver is approved at the General Meeting, MGL will not be restricted from making an offer for the Company. Completion of the Capitalisation also requires Resolutions 1 and 2 to be passed by Shareholders.

Current Trading and Prospects

Redx announced its interim results for the six months ended 31 March 2019 on 10 June 2019. Financial highlights for the period included net cash at 31 March 2019 of £3.3 million (HY 2018: £10.3 million); loss for the period of £2.3 million (HY 2018: £4.6 million loss) and total operating expenditure of £5.0 million (HY 2018: £5.2 million). During the period, continued efforts by the Group resulted in two significant cash inflows. Firstly, in February, a loan made to Redag Crop Protection Ltd., which had previously been derecognised in the 2017 accounts, was recovered. Including the accrued interest, this represented a cash inflow of £869,000. In addition, the Group was able to agree its 2016 and 2017 claims for tax refunds with HMRC on the enhanced basis of Research and Development tax credits, rather than Research and Development Expenditure credits, which generated repayments of £1.7m. Future claims will also be submitted on this basis. Furthermore, through a continued tight control of operating expenses and the benefit of reduced accommodation costs, the Group was able to reinstate clinical trials on our RXC004 programme, and commence pre-clinical studies on our RXC006 programme, whilst limiting overall expenditure to levels comparable to the prior year.

Should the Resolutions be passed, existing funds will support the current business plan through to the end of March 2020. As stated earlier in this announcement, should the Resolutions not be passed and the Company is required to repay the Loan, the Company will not have sufficient cash resources to meet this contractual obligation making it highly likely that MGL will exercise its right to appoint an Administrator pursuant to the terms of the Security Agreement.

The City Code on Takeovers and Mergers

The Capitalisation gives rise to certain considerations and consequences under the Takeover Code. Brief details of the Panel, the Takeover Code and the protections they afford to Shareholders are described below.

The Takeover Code is issued and enforced by the Panel. The Panel has been designated as the supervisory authority to carry out certain regulatory functions in relation to takeovers pursuant to the Directive. Its statutory functions are set out in and under Chapter 1 of Part 28 of the Act.

Under Rule 9 of the Takeover Code, any person who acquires an interest (as defined under the Takeover Code) in shares which, taken together with shares in which he is already interested and in which persons acting in concert with him are interested, carry 30 per cent. or more of the voting rights of a company, is normally required by the Panel to make a general offer in cash to the shareholders of that company to acquire the balance of the shares not held by such person or group of persons acting in concert at not less than the highest price paid by him or any persons acting in concert with him for any such shares within the 12 months prior to the announcement of the offer.

In addition, Rule 9 provides that when any person, together with any persons acting in concert with him, is interested in shares which in aggregate carry 30 per cent. or more of the voting rights of a company but does not hold shares carrying more than 50 per cent. of such voting rights, and such person, or any such person acting in concert with him, acquires an interest in any other shares which increases the percentage of shares carrying voting rights, that person, together with any persons acting in concert with him, is normally required by the Panel to make a general offer in cash to the shareholders of that company to acquire the balance of the shares not held by such person or group of persons acting in concert at not less than the highest price paid by him or any persons acting in concert with him for any such shares within the 12 months prior to the announcement of the offer.

The Takeover Code also provides that where any person, together with persons acting in concert with him, holds more than 50 per cent. of a company's voting rights, no obligation will normally arise under Rule 9 to make a general offer in cash to all shareholders of that company, save as described below, as a result of any acquisition by such person or any person acting in concert with him of any further shares carrying voting rights in the company. However, the Panel will regard as giving rise to an obligation to make an offer, the acquisition by a single member of a concert party of shares sufficient to increase his individual holding to 30 per cent. or more of a company's voting rights, or, if he already holds more than 30 per cent. but less than 50 per cent., an acquisition which increases his shareholding in that company.

For the purposes of the Takeover Code, a concert party arises where persons acting in concert pursuant to an agreement or understanding (whether formal or informal) co-operate to obtain or consolidate control of a company or to frustrate the

successful outcome of an offer for a company. Control means an interest, or interests, in shares carrying in aggregate 30 per cent. or more of the voting rights of the company, irrespective of whether such interest or interests give de facto control. No persons are acting in concert (as defined in the Takeover Code) with MGL in relation to the Capitalisation.

MGL is currently interested in 18.16 per cent. of the voting rights of the Company. In the event that the Capitalisation is approved at the General Meeting, MGL will not be restricted from making an offer for the Company.

As the interest of MGL in the voting rights of the Company will increase to 42.01 per cent., due to the Capitalisation, MGL would normally be obliged to make a general offer, pursuant to Rule 9 of the Takeover Code, to all other Shareholders to acquire their Ordinary Shares. However, in this instance, the Panel has agreed to waive the obligation to make a general offer that would otherwise arise as a result of the Capitalisation subject to the approval of the Independent Shareholders on a poll at the General Meeting which will be sought pursuant to Resolution 3. To be passed, this Resolution will require the approval of a simple majority of votes cast on that poll. Only Independent Shareholders will be entitled to vote on this Resolution.

For the avoidance of doubt, this waiver applies only in respect of increases in shareholdings of MGL resulting from the Capitalisation and not in respect of other increases in its holdings. MGL has not taken part in any decision of the Board relating to the proposal to seek a waiver of Rule 9 from the Panel.

Resolutions

The Resolutions to be proposed at the General Meeting are, in summary, as follows:

1. an ordinary resolution, to grant the Directors authority to allot the Capitalisation Shares in connection with the Capitalisation;
2. a special resolution, to disapply pre-emption rights granted under the Act, in respect of the allotment of the Capitalisation Shares in connection with the Capitalisation; and
3. an ordinary resolution to approve the Rule 9 Waiver, which will be taken on a poll and in respect of which only Independent Shareholders will be entitled to vote.

The authorities set out in Resolutions 1 and 2 are in addition to the existing authorities conferred on the Directors by Shareholders at the Company's Annual General Meeting held on 23 January 2019. Resolutions 1 and 3 are ordinary resolutions and require a simple majority of those voting in person or on a poll by

proxy to vote in favour of the Resolutions. Resolution 2 is a special resolution and will require approval by not less than 75 per cent. of the votes cast by Shareholders.

Recommendation

The Board, which has been so advised by WG Partners, believes that the Capitalisation, the Rule 9 Waiver and the Resolutions are fair and reasonable as far as the Independent Shareholders are concerned and are in the best interests of the Company, its employees and the Shareholders as a whole. In providing such advice to the Board, WG Partners has taken into account the Directors' commercial assessments.

The Directors believe that MGL's continued support of the Company and the commitment by MGL to capitalise the Loan is necessary to ensure the success of the Company. If the Resolutions are not passed then under the terms of the Loan Notes the Company will be required to repay the Loan in full. The Directors believe that seeking to repay the Loan would be to the severe detriment of the Company. Given the Company's current and anticipated working capital requirements, the Directors believe that should the Resolutions not be passed and the Company is required to repay the Loan, the Company will not have sufficient cash resources to meet this contractual obligation making it highly likely that MGL will exercise its right to appoint an Administrator pursuant to the terms of the Security Agreement.

Accordingly, the Directors will unanimously recommend that:

- (a) Shareholders vote in favour of Resolutions 1 and 2 to be proposed at the General Meeting; and
- (b) Independent Shareholders vote in favour of Resolution 3 to be proposed at the General Meeting,

as they intend to do in respect of their own holdings of Ordinary Shares.

Information on MGL

MGL is a private limited liability company incorporated in Guernsey. MGL is a holding company which invests internationally across an array of asset classes. MGL has a diversified strategy which includes market facing discretionary portfolios, fund investments (as a limited partner) in US and European funds, infrastructure assets, as well as direct venture capital and private equity investments. The company invests across the life sciences, financial services, manufacturing, semiconductor, technology and digital sectors. The portfolio includes holdings in over 90 SME

companies. In addition to its funds portfolio and managed accounts, MGL has a current portfolio of direct investments in approximately 40 listed equities and approximately 95 unlisted equities. In total this represents over £225 million in market value. MGL intends to continue to make new investments over the next 3 years (and possibly beyond) into both private and public equities among other things, while at the same time realising its more mature assets on an opportunistic basis. MGL has no third party debt and substantial cash reserves. MGL has historically been trading profitably and its business plan reflects a continued growth in assets.

MGL's intentions regarding Redx's business

MGL first invested in Redx in 2010 when it was a private company and has continued to support the Company over the years. With the recent sale of the BTK and Pan-RAF assets, MGL believes that the scientific expertise and business model continues to be proven. MGL has invested more than £5 million to date into the Company and continues to be supportive of the business as a shareholder.

MGL has informed the Board that it currently intends to allow Redx to run its business in line with the Company's proposed strategy.

MGL does not have any intentions regarding Redx's business that would affect:

- the strategic plans of the Company;
- the research and development functions of the Company;
- the employment of the Group's personnel, including the continued employment of, or the conditions of employment of, any of the Group's management or the balance of the skills and functions of the Group's employees and management;
- the locations of Redx's business or operating subsidiaries, including the location of Redx's headquarters or the functions of its headquarters;
- contributions into Redx's pension schemes, the accrual of benefits for existing members or the admission of new members; or
- the maintenance of any existing trading facilities for the relevant Redx securities.

MGL does not have any intentions with regard to any redeployment of the fixed assets of the Group.

DEFINITIONS

The following definitions apply throughout this RNS and Appendix:

“Act” the Companies Act 2006, as amended;

“Admission” the admission of the Capitalisation Shares to trading on AIM and such admission becoming effective in accordance with the AIM Rules;

“AIM” the market of that name operated by the London Stock Exchange;

“AIM Rules” together the AIM rules for Companies and the AIM Rules for Nominated Advisers;

“Amendment Letter” the letter agreement dated 30 September 2019 between MGL and the Company making certain amendments to the Loan Notes;

“Amendment Fee” £40,000, being the amount which was added to the principal amount of the Loan Notes outstanding in accordance with the terms of the Amendment Letter as consideration for MGL entering into the Amendment Letter;

“Board” or “Directors” the directors of the Company, as at the date of this announcement;

“Business Day” a day (other than a Saturday or Sunday) on which commercial banks are open for general business in London, England;

“Cantor Fitzgerald” Cantor Fitzgerald Europe, the Company’s Nominated Adviser and Joint Broker;

“Capitalisation” the allotment and issue to MGL of 52,030,789 new Ordinary Shares at a price per Ordinary Share of 5.25 pence in consideration for the release in full of the Loan by MGL;

“Capitalisation Date” the second Business Day after the passing of the Resolutions, being the date on which the Capitalisation Shares are to be allotted and issued on completion of the Capitalisation;

“Capitalisation Price” 5.25 pence per Ordinary Share (being the volume weighted average price of the Ordinary Shares for the 10 Business Days ending on (and including) the Business Day immediately prior to 10 June 2019 (being the date of signing of the Loan Agreement));

“Capitalisation Shares” the 52,030,789 new Ordinary Shares to be issued to MGL on completion of the Capitalisation;

“Company” or “Redx” Redx Pharma plc;

“Directive” the Takeover Directive (2004/25/EC);

“Enlarged Share Capital” the issued Ordinary Share capital of Redx immediately following completion of the Capitalisation and Admission;

“Existing Ordinary Shares” each Ordinary Share in issue as at the date of this announcement;

“General Meeting” the general meeting of Redx being convened and to be held at 11.00 a.m. on 21 January 2020 at the offices of Covington & Burling LLP, 265 Strand, London WC2R 1BH;

“Group” the Company and its subsidiaries;

“Independent Shareholders” all Shareholders with the exception of MGL;

“Loan” the amount of £2,731,616, being the total amount of principal (including the Amendment Fee) and interest that will be outstanding under the Loan Notes on the Capitalisation Date;

“Loan Agreement” the subscription letter dated 10 June 2019 between the Company and MGL pursuant to which MGL subscribed for the Loan Notes and the Company agreed to issue the Loan Notes to MGL;

“Loan Notes” the £2.5 million fixed rate secured loan notes 2019 issued by the Company to MGL pursuant to the Loan Agreement;

“Maturity Date” 31 December 2019, being the date when the Loan is repayable;

“MGL” Moulton Goodies Limited;

“Notice of General Meeting” the notice of the General Meeting;

“Ordinary Shares” the ordinary shares of 1 pence each in the capital of the Company, having the rights and being subject to the restrictions contained in the Articles;

“Panel” The Panel on Takeovers and Mergers;

“Proposals” the proposed approval of the Resolutions, the Rule 9 Waiver and the Capitalisation;

“Resolutions” the resolutions to be proposed at the General Meeting;

“Rule 9” Rule 9 of the Takeover Code;

“Rule 9 Offer” a general offer to acquire the entire issued share capital of the Company as required by Rule 9 of the Takeover Code;

“Rule 9 Waiver” the waiver agreed by the Panel and to be approved by the Independent Shareholders of the obligations that would otherwise fall upon MGL pursuant to Rule 9 as a result of the issue to them of New Ordinary Shares on completion of the Capitalisation and Admission;

“Rule 9 Waiver Resolution” an ordinary resolution of the Independent Shareholders to waive the requirement for MGL to make a Rule 9 Offer that would otherwise arise upon completion of the Capitalisation and Admission, being the Resolution numbered 3 as set out in the Notice of General Meeting;

“Security Agreement” the security agreement dated 10 June 2019 and entered into between MGL (as Security Agent) and each of the Company, Redx Oncology Limited, Redx Immunology Limited and Redx Anti-Infectives Limited (together the “Redx Charging Companies”) pursuant to which each of the Redx Charging Companies granted security for the Loan in the form of fixed and floating charges over substantially of all of their business and assets;

“Shareholders” holders of Ordinary Shares whose names appear on the register of members of Redx;

“Sterling” or “£” or “Pence” the lawful currency of the United Kingdom;

“Takeover Code” the City Code on Takeovers and Mergers issued by the Panel;

“UK” or “United Kingdom” the United Kingdom of Great Britain and Northern Ireland;

“WG Partners” WG Partners LLP, the Company’s Joint Broker and financial adviser.

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