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Redx Pharma plc
27 January 2022

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

Final Audited Results for the Year Ended 30 September 2021 and Operational Update

RXC004 reported encouraging Phase 1 data and initiated Phase 2 clinical study

RXC007 initiated Phase 1 clinical study and reported interim data

Current cash enables delivery of multiple milestones through calendar year 2022

Alderley Park, UK, 27 January 2022 Redx (AIM:REDX), the clinical-stage biotechnology company focused on discovering and developing novel, small molecule, highly targeted therapeutics for the treatment of cancer and fibrotic disease, today announces audited financial results for the year ended 30 September 2021, as well as an operational update.

Lisa Anson, Chief Executive Officer of Redx, **commented**:
"During the period, we have made strong progress in advancing our pipeline. Our lead oncology asset, RXC004, entered a Phase 2 clinical trial and our lead fibrosis asset, RXC007, entered a Phase 1 clinical trial. Our discovery pipeline of differentiated programmes continues to progress driven by the strength of our science and validated by milestone revenue increasing during the year. We are in a position to deliver meaningful results in the clinic which could drive benefits for patients and value for shareholders."

Operational Highlights

- Significant clinical progress on lead oncology asset, RXC004, an oral, potent, selective, small molecule Porcupine inhibitor product candidate:
  - Completed monotherapy module of Phase 1 trial showing differentiated level of activity in Wnt-ligand dependent tumours;
  - Presented Phase 1 data at the European Society for Medical Oncology (ESMO) Congress;
  - Selected 2 mg as recommended dose for monotherapy Phase 2 studies;
  - Post period, initiated Phase 2 trial in monotherapy treatment in genetically selected MSS metastatic colorectal cancer, with US IND now open (PORCUPINE trial); and
  - Post period, initiated second Phase 2 trial in monotherapy treatment in genetically selected pancreatic cancer and unselected biliary cancer (PORCUPINE2 trial).

- Initiated Phase 1 clinical trial in healthy volunteers for RXC007, an orally bioavailable selective Rho Associated Protein Kinase 2 (ROCK2) inhibitor with potential for development in multiple fibrotic conditions:
  - Post period, reported interim Phase 1 safety, tolerability and pharmacokinetic (PK) data on 11 October 2021 showing no adverse events and an attractive PK profile.

- Progressed discovery portfolio, including our Discoidin Domain Receptor (DDR) inhibitor fibrosis programme:
  - Developed potent proprietary DDR inhibitors with drug-like characteristics that are now in lead optimisation.

- Increased milestone revenue from progress of partnered programmes:
  - Milestones totalling $7 million received from AstraZeneca ($4 million related to RXC006) and Jazz Pharmaceuticals ($3 million related to Pan-RAF) during the period;
  - Revenue from the Jazz Pharmaceuticals collaborations received during the year for the progress on research programmes;
  - Post period, on 9 December 2021 Redx announced a $10 million milestone was earned from Jazz Pharmaceuticals for the progress in ongoing research collaboration and on 23 December 2021 Redx announced a $9 million milestone was earned from AstraZeneca as RXC006 entered clinical trials.

- Further strengthened the Redx management team and Board of Directors reflecting the transformation of the company into a clinical stage organisation:
  - Appointment of experienced key senior management - Dr Jane Robertson as Chief Medical Officer and Peter Collum as US-based Chief Financial Officer;
  - Creation of new role of Chief Operating Officer to be held by James Mead and General Counsel role held by Claire Solk, who joined Redx on 17 January 2022 from her previous role as Senior Legal Counsel at AstraZeneca;
  - Board appointments of Natalie Berner in May 2021 as Non-Executive Director and Dr Jane Griffiths in December 2021 as new Chair, following the departure of Iain Ross in June 2021.

Financial Highlights

- Placing and Open Offer in December 2020 of £25.7 million (gross), which received strong support from existing investors and added healthcare specialist investors including Polar Capital;
- Cash balance at 30 September 2021 of £29.6 million (30 September 2020: £27.5 million);
- Total revenue for the year of £10.0 million (2020: £5.7 million);
  - Including milestone payments of $4 million from AstraZeneca, and $3 million from Jazz Pharmaceuticals;
- Loss for the year of £21.5 million (2020: £9.2 million);
- Total R&D expenditure of £24.4 million (2020: £10.5 million);
- Cash balance funds operations through calendar year 2022.

For the purposes of MAR, the person responsible for arranging for the release of this announcement on behalf of Redx is Andrew Booth, Company Secretary.

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About Redx Pharma Plc

Redx Pharma (AIM: REDX) is a clinical-stage biotechnology company focused on the discovery and development of novel, small molecule, highly targeted therapeutics for the treatment of cancer and fibrotic disease, aiming initially to progress them to clinical proof of concept before evaluating options for further development and potential value creation. Redx's lead oncology product candidate, the Porcupine inhibitor RXC004, commenced a Phase 2 programme in November 2021. The Company's selective ROCK2 inhibitor product candidate, RXC007, is in development for idiopathic pulmonary fibrosis and commenced a Phase 1 clinical trial in June 2021. Initial results were reported in October 2021, with full Phase 1 results expected in 2022.

The Company has a strong track record of discovering new drug candidates through its core strengths in medicinal chemistry and translational science, enabling the Company to discover and develop differentiated therapeutics against biologically or clinically validated targets. The Company's accomplishments are evidenced not only by its two wholly-owned clinical-stage product candidates and rapidly expanding pipeline, but also by its strategic transactions, including the sale of pirtobrutinib (RXC005, LOXO-305), a BTK inhibitor now in Phase 3 clinical development by Eli Lilly following its acquisition of Loxo Oncology and RXC006, a Porcupine inhibitor targeting fibrotic diseases including idiopathic pulmonary fibrosis (IPF), which AstraZeneca is progressing in a Phase 1 clinical study. In addition, Redx has forged collaborations with Jazz Pharmaceuticals.

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Chair's Statement

Dear Shareholder
Over the last 12 months, Redx has made substantial progress in all aspects of its pipeline, now with two clinical stage assets, and in raising significant funds to further support the development of its lead therapeutic programmes. We have deployed our resources wisely, thereby allowing the Company's management to continue to pursue its clear strategy under the excellent leadership of its Chief Executive Officer, Lisa Anson.

During the financial year ended 30 September 2021, despite the ongoing challenges of COVID-19, we saw continued positive momentum in shareholder value, building on the strong foundational work of 2019 and 2020. We did this by delivering clinical and scientific progress, securing new investment and building on our organisational capabilities. The Company has ended the period in a strong financial position, enabling it to continue to progress its differentiated pipeline in oncology and fibrosis.

Clear strategy - Redx's ambition is to become a leading biotechnology company through the development of novel and differentiated targeted medicines in cancer and fibrotic disease and to progress highly differentiated product candidates that will transform the lives of patients. 2021 has seen significant delivery against the Company's strategy with the following notable achievements:

- **RXC004 progressed to Phase 2**: The Company has continued to progress its lead product candidate, RXC004, a Porcupine inhibitor being developed as a targeted therapy for Wnt-ligand driven cancer, in clinical trials. During the period, the monotherapy module of the Phase 1 clinical trial was completed and the data was subsequently presented at the European Society for Medical Oncology (ESMO) Congress. Following completion of this trial, a recommended dose was selected for the monotherapy Phase 2 trials. In parallel, the combination module of the Phase 1 trial of RXC004 with nivolumab (an anti-PD1 antibody), initiated during 2021, is ongoing, with results expected in the first half of 2022 (calendar year). The RXC004 Phase 2 programme initiated post fiscal year end and we expect to see topline results from this in the first half of the calendar year 2023.

- **First clinical programme in fibrosis**: RXC007 is a selective ROCK2 inhibitor being developed as a treatment for idiopathic pulmonary fibrosis (IPF), a life-threatening orphan disease. During the period, the Company completed the necessary toxicology and manufacturing processes to submit a Clinical Trial Application (CTA) and in June 2021 initiated a Phase 1 clinical trial in healthy volunteers. We believe this programme could have strong commercial potential in an area of limited competition. The RXC007 Phase 1 data is expected to be available in the first half of 2022.

- **Investment in our Redx discovery engine:** During the year, we continued to leverage Redx's core strengths in medicinal chemistry, designing molecules against validated targets in order to discover the next generation of product candidates for our pipeline. We have built a core team of 60 scientists pursuing several programmes with the aim of submitting three new investigational new drug applications (INDs) by 2025.

- **Progress with partnered assets:** In previous years, the Company chose to partner two of its product candidates: the preclinical stage Porcupine inhibitor programme, RXC006, to AstraZeneca in August 2020, and the pan-RAF programme to Jazz Pharmaceuticals in July 2019. Both programmes remain in active development and Redx received milestone payments on both during the financial year. In addition, the 2020 research collaboration with Jazz Pharmaceuticals remains active with a milestone of $10 million earned post fiscal year end, which further demonstrates the strength, depth and value of Redx's expertise in medicinal chemistry.

Strengthened financial position - During the year under review, the Board and management team have continued to adopt a robust set of financial and governance controls to maintain the highest standards throughout the Company; more details on this can be found in the Corporate Governance Statement in our Annual Report. The Board strengthened the financial position of the Company by securing new investment with a placing for £25.7 million (gross) in December 2020, which received strong support from existing investors and broadened the Company's shareholder register with the addition of healthcare specialist Polar Capital.

Outlook - The last 12 months have been very encouraging as we have continued to deliver on our strategy, which consistently demonstrates our drug discovery and development capabilities and our ability to progress our in-house pipeline. Whilst we have been encouraged by the recent financing and the support from our investors including Redmile Group, Sofinnova Partners and Polar Capital, we are aware that we continue to face the ongoing funding challenge faced by many early stage listed biotech companies: to secure further investment to develop their pipelines, and that further funding will be required in the coming year. The Board continue to review the best options for the Company to further strengthen our financial position beyond 2022 so that we can drive forward our two promising clinical programmes and preclinical research at pace.

On behalf of the Board, we would like to thank our CEO, Lisa Anson, and CSO, Richard Armer, along with the rest of our management team and employees for their hard work and dedication over the year. We would also like to thank our business partners and suppliers for their continued strong and invaluable support.

At the start of 2021, Redx was poised to enter a growth phase with a strengthened financial position and support from new investors combined with our long-term shareholders. Over the year, we have been able to build on our strong scientific foundation and enter into this growth phase, with good progress in the pipeline and an expanding clinical portfolio.

As the Chair role has transitioned, we remain committed to support Redx to maintain its momentum over the next 12 months as we work to deliver on the Company's strategic plans.

Peter Presland
Interim Chair, to 30 November 2021

Dr Jane Griffiths
Chair, from 1 December 2021

Chief Executive's Report

During my first two years with the Company we established a strong foundation, building on the core scientific strength with a clear strategy, strengthened organisation and partnering deals. I am pleased to report that during my third year with the Company we have entered a chapter of growth as we continue to transition from a discovery powerhouse to a clinical stage biotechnology company. The full year results for the 12 months to 30 September 2021 reflect the significant recent progress we have made on our ambitious journey. With the backing of leading specialist healthcare investors, we have been able to grow our scientific organisation and progress our pipeline: we now have two wholly owned clinical stage assets and have recently initiated our first-ever Phase 2 programme.

The hallmark of our productivity to date has been our discovery engine, driven by a core team of experts in medicinal chemistry and translational science who have worked together for several years and have been able to produce five compounds that have progressed to preclinical and clinical development. Today, this integrated team of chemists and biologists utilises cutting edge technologies optimal for each specific programme rather than being tied to a single technology platform. This capability continues to underpin many of our operational highlights over the year and allows us to continue to move at pace with our pipeline. Our promising lead oncology asset, the selective Porcupine inhibitor RXC004, has moved into Phase 2, having generated encouraging Phase 1 data which was presented at the prestigious European Society of Medical Oncology (ESMO) Congress in September. We also commenced a second clinical programme during the year, with our selective ROCK2 inhibitor RXC007, for fibrosis. Our major business partnering deals with AstraZeneca and Jazz Pharmaceuticals are both progressing well, as evidenced by a $4 million milestone payment from AstraZeneca in June, and a $3 million milestone payment from Jazz Pharmaceuticals in September. Post fiscal year end, we also earned a $10 million milestone from Jazz Pharmaceuticals and a $9 million milestone from AstraZeneca, connected to progress in the respective programmes.

We have continued to build our senior management team with the addition of two highly experienced senior executives during the period. Dr Jane Robertson joined as Chief Medical Officer on 1 March 2021 and Peter Collum joined as Chief Financial Officer on 1 May 2021, our first US-based employee.

In December 2020 we raised £25.7 million (gross) of funds that are now being deployed to further support and augment the research and development pipeline of the Company and its subsidiaries (the "**Group**"), reflecting the strong support from our key investors. As we grow, we will continue to face the industry-wide challenge of securing sufficient investment capital in order to fund R&D and allow us to fully realise the potential of our programmes and innovative science. Our cash burn rate has risen significantly during the last 12 months, as we have two wholly owned assets in the clinic and an expanded scientific team. We have sufficient cash runway, on current plans, to last through Q4 of the calendar year 2022. Further fundraising will therefore be required in the coming year.

A clear strategy

Our ambition is to become a leading biotechnology company through the development of novel and differentiated targeted medicines in cancer and fibrotic disease and to progress highly differentiated product candidates that will transform the lives of patients. The key elements of our strategy are:

- Advance the development of our lead candidate, RXC004, a Porcupine inhibitor, through clinical trials in our initial indications and then for the potential treatment of additional Wnt-ligand dependent tumours;
- Advance the development of RXC007, a selective ROCK2 inhibitor, initially in clinical trials in idiopathic pulmonary fibrosis (IPF) and potentially in additional fibrotic indications;
- Invest in our Redx discovery engine to expand our pipeline; we plan to submit three new INDs by 2025;
- Maximise the full potential of our product pipeline by either retaining commercial rights or considering attractive development and commercialization partnerships.

RXC004, an Oral Porcupine Inhibitor for the Treatment of Wnt-Ligand Dependent Tumours

Our lead product candidate, **RXC004**, is a clinical stage, highly potent and selective, orally active once-daily Porcupine inhibitor being developed as a targeted therapy for Wnt-ligand driven cancer. Wnt signaling is a heavily investigated pathway. Aberrations contribute directly to tumour growth and play an important role in immune resistance to treatments with immuno-oncology agents such as anti-PD1 checkpoint inhibitors. Previous approaches to drug targets within the Wnt pathway have largely failed due to either toxicity or lack of efficacy potentially due to redundancy in the pathway. Porcupine is a key enzyme situated at the top of the Wnt signaling pathway and we designed RXC004 as an inhibitor of Porcupine to specifically target this pathway and maximise efficacy while avoiding redundancy and off-target toxicity. By genetically selecting patients with tumours that have high Wnt-ligand dependency, such as those with loss of function (LoF) mutations in the Ring Finger 43 (RNF43) gene and fusions in the R-spondin (RSPO) gene family, Porcupine inhibitors have the potential to directly target tumours, in addition to having an immune-enhancing effect. We believe RXC004, if approved, has the potential to be used as monotherapy and in combination with immunotherapies in Wnt-ligand dependent tumours.

In July 2021, we selected 2 mg once daily as the recommended dose of RXC004 for our Phase 2 monotherapy, proof of concept clinical trials based on the safety, pharmacokinetic and target exposure profile observed in our Phase 1 clinical trial. The clinical trial data from the **Phase 1 monotherapy module** was presented at the ESMO Congress in September 2021 and included differential activity in Wnt-ligand dependent tumours, the patient population of interest. This was the first time Redx reported clinical results and showcased a breakthrough in the therapeutic potential of the Wnt pathway. In the read-out from the Phase 1 study, RXC004 monotherapy was well tolerated at doses demonstrated to inhibit the pathway in patients and showed a differentiated level of activity in Wnt ligand dependent patients. This Phase 1 efficacy signal supports our strategy to prescreen patients in our ongoing Phase 2 trials and select only those with specific genetic mutations that define the tumour as highly dependent on the Wnt ligands. This enables us to more precisely target patient populations who we believe can benefit from RXC004, either as monotherapy, as observed in our Phase 1 clinical trial, or in combination with immune checkpoint inhibitors, which could be applicable in over 25 different tumour types where activation of the Wnt pathway has been linked to immune evasion.

We are also evaluating RXC004 in a second module of our **Phase 1 clinical trial in combination** with nivolumab, an anti-PD1 antibody. The primary objective of this module is to evaluate the safety and tolerability of this combination in patients with unselected advanced malignancies. The results from this combination trial are expected in the first half of 2022 and will be used to define a dose of RXC004 to be used in combination with standard dose nivolumab as part of the Phase 2 clinical trial. A third module, in which patients are given RXC004 monotherapy on an intermittent dose levels schedule, is expected to be initiated in the first half of 2022.

Post-period we initiated two **Phase 2 proof-of-concept clinical trials** in genetically selected patients with microsatellite stable metastatic colorectal cancer, or MSS mCRC, as monotherapy and in combination with anti-PD1 immunotherapy, as well as in genetically selected patients with pancreatic cancer and unselected biliary cancer as monotherapy. The first trial, PORCUPINE, evaluates RXC004 as a monotherapy and in combination with an anti-PD1 checkpoint immunotherapy in genetically selected MSS mCRC. The monotherapy arm in CRC initiated in November 2021 and the second arm, in combination with anti-PD1, is expected to initiate in the first half of 2022 following dose selection. The second trial, PORCUPINE2, evaluates RXC004 as monotherapy in genetically selected pancreatic cancer and in unselected biliary cancer, given biliary cancer is a highly Wnt-ligand driven cancer. This second trial initiated in January 2022. These indications have significant unmet medical need given poor survival outcomes and limited safe and effective treatment options. The addressable patient population for these initial indications aggregates to approximately 74,000 new cases per year in the United States, the five major markets in Europe, or EU5, and Japan. We expect to report topline data from the Phase 2 clinical trials in the first half of 2023.

We remain confident that our RXC004 programme can unlock the therapeutic potential of the Wnt pathway as a means to tackle unmet need in a

number of difficult to treat cancers.

RXC007, an Oral Selective ROCK2 Inhibitor for the Treatment of Fibrotic Diseases

Our second product candidate, **RXC007**, is a clinical stage, highly selective and orally available small molecule inhibitor of Rho-Associated Protein Kinase 2, or ROCK2, a clinically validated target that has been shown to sit at a key junction that regulates various cell signaling pathways central to fibrosis. Our initial development focus for RXC007 is IPF, given the strong evidence of the upregulation of ROCK2 in IPF, along with supportive preclinical data in various lung fibrosis models and compelling data in human precision cut lung slices (PCLS) which we believe makes RXC007 particularly well-suited for development in IPF as a lead indication. IPF is an orphan disease with high unmet need and with a very poor survival and a prognosis similar to many severe cancers, with median survival of three to five years following diagnosis. By 2029, the growing IPF market is projected to reach $3.6 billion in the United States, EU5 and Japan, with approximately 170,000 patients.

Following successful completion of preclinical studies, RXC007 entered a Phase 1 clinical trial in healthy volunteers in the first half of 2021, with IPF being targeted as the first indication for clinical development. The primary endpoint of the Phase 1 trial is to assess the safety, tolerability, pharmacokinetic (PK) profile and some pharmacodynamic (PD) properties of RXC007. In October 2021, we reported initial data from the single ascending dose, or SAD, arm of this trial in which we observed that RXC007 was well tolerated and exhibited a PK profile potentially suitable for once-daily dosing. We achieved biologically relevant exposures at higher doses and the half-life was around 11 hours at the 40 mg dose, potentially suitable for once-daily dosing. We expect to report topline data in the first half of 2022.

Our **Phase 2 programme for RXC007 in IPF will initiate in 2022** and will be a staged approach based on the learnings from what we have observed from recent trials in the field. Initially, we plan to start a Phase 2a clinical trial to assess the safety, tolerability and early efficacy of RXC007 in IPF patients as monotherapy and in combination with standard of care. The Phase 2a will inform the subsequent Phase 2b dose and in that Phase 2b study we will dose RXC007 over 12 months in combination with standard of care to assess changes in lung function as the primary endpoint.

Our Redx Discovery Engine

We continue to leverage our extensive industry experience and know-how with our Redx discovery engine that integrates our extensive in-house capabilities in medicinal chemistry and translational biology with a network of external specialist contractors and high-profile academic collaborations. This engine enables us to identify validated targets so that we can create potentially differentiated small molecule new chemical entities (NCEs), typically intended for oral administration and designed to have high potency, high exposure and other optimised drug properties.

To date, our approach has successfully delivered five patented compounds, all of which remain in active development and four of which are now in clinical development. Our approach involves the following:

1. ***Target***: With the goal of de-risking our programmes we select biologically or clinically validated targets where we believe there is an opportunity to successfully apply our drug discovery capabilities in diseases with high unmet medical need.

2. ***Design***: Design molecules with differentiated properties, leveraging our design frameworks and our strength and experience in medicinal chemistry and translational biology to optimise a novel differentiated molecule for the target.

3. ***Deliver***: Focus our differentiated, targeted small molecules towards commercially attractive markets in which we believe we can be successful.

The Redx discovery engine's approach is strengthened by the experienced management team and our renowned chemistry and biology groups, who have collectively brought 18 product candidates into clinical development. Our group of 60 scientists are deployed in integrated chemistry and biology teams that utilise cutting edge technologies as is optimal for each programme, rather than being tied to a single technology platform. The teams each have the ability to exchange specific expertise between themselves and to access additional flexible capacity through our global network of contract scientists, partners and contract research organisations, or CROs.

We aim to submit three new INDs by 2025 from our current discovery portfolio of wholly owned research programmes, which are outlined below:

Oncology

Oncology continues to be an area of high unmet need and our oncology research strategy is focused on discovery and development of highly selective small molecule drugs for **genetically defined cancers** and **immuno-oncology**.

Targeted therapies for genetically defined cancers prevent the growth of cancers by inhibiting specific proteins/genes required for tumour growth, with one major advantage being the reduced side effects compared to traditional chemotherapy. Recent advances in precision medicine have shown that drugs which target cancer at the genetic level often have the best timely outcomes, with the choice of treatment options based on the individual genetic alterations found in a patient's tumour. Early in the discovery process, our targeted therapy programmes involve discovering biomarkers to identify a defined/specific patient population that will benefit from our drugs. This includes the identification and targeting of newly emerging clinical resistance mechanisms. We believe this approach will increase our success in the clinic, reduce overall development costs and help to accelerate the delivery of medicines to patients.

Immuno-oncology is an approach that uses the patient's own immune system to identify and kill the tumour. Recent advances in immuno-oncology have been transformative, producing long-lasting, robust responses for certain patients. These advances include the immune checkpoint inhibitor class of therapies, such as anti-PD1/PD-L1 antibodies. Despite these breakthroughs, there remains a significant proportion of patients whose tumours are unresponsive or develop resistance to such treatments, and therefore fail to benefit from these lifesaving therapies. Our programmes in immuno-oncology aim to combine our compounds with existing immune checkpoint inhibitors to improve response rates in these resistant patient populations.

Redx's oncology research portfolio currently includes three genetically targeted oncology programmes in early discovery and an immuno-oncology kinase target programme also in early discovery.

Fibrosis

Fibrosis is an area where there are few treatments and a large and growing unmet need. Redx's medicinal chemistry strengths, combined with its depth of biology expertise, make it competitive to develop novel precision therapies to tackle the underlying fibrosis in major diseases of the lung, liver, kidney and bowel. Fibrosis is an internal scarring process, which can occur in response to injury, where excess connective tissue is deposited in an organ or tissue, thereby impairing its function. Most chronic inflammatory diseases will result in fibrosis, with progressive injury resulting in organ failure. Fibrotic disease can occur in nearly any tissue in the body and is a contributory factor in up to 45% of deaths in the developed world. Solid organ fibrosis can occur as a result of many different diseases and current therapeutic options are limited for these chronic and often life-threatening illnesses.

In fibrosis research, the Company continues to progress its **gastrointestinal targeted ROCK, (GITR), inhibitor research project** aimed at treating intestinal fibrosis associated with Crohn's disease, which leads to strictures and resection surgery for patients. There is currently limited pharmaceutical therapy available to manage this condition and we believe that Redx's compounds could potentially be first-in-class agents. GITR inhibitors are restricted to the gut due to their limited absorption profile and rapid enzymatic metabolism of any absorbed material. The compounds have demonstrated very strong anti-fibrotic effects in GI fibrosis disease models along with a good general and cardiovascular safety profile. The Redx GITR inhibitor programme has a compound in preclinical toxicology evaluation and a go/no-go decision to nominate a development candidate is expected in the first half of 2022.

During the period, Redx moved a new fibrosis programme into the lead optimization phase. **Discoidin Domain Receptors (DDRs)** have recently gained traction as new targets with potential to treat multiple fibrotic conditions. DDRs are receptor tyrosine kinases containing a discoidin homology domain in their extracellular region. There are two DDR receptors, DDR1 and DDR2, which act as non-integrin collagen receptors. On binding of collagen, the DDR autophosphorylates, which initiates various downstream signaling pathways that drive clustering, upregulation and

further collagen synthesis. DDR expression is increased in many fibrotic diseases and preclinical proof of concept for small molecule inhibitors has been demonstrated in preclinical models of lung and kidney fibrosis. We have developed both dual DDR1/ DDR2 and selective DDR1 series of potent inhibitors with drug-like characteristics that are now in lead optimization.

Partnered asset portfolio makes progress towards clinic

During the year, Redx-designed molecules continued to make strong progress with partners, as detailed below:

- In July 2019, we entered into an asset sale to Jazz Pharmaceuticals of our pan-RAF inhibitor, which is currently in IND enabling preclinical testing. During the reporting period, in September 2021, we earned a milestone payment of $3.0 million for this programme.

- In August 2020, Redx entered into an exclusive license agreement with AstraZeneca AB for our Porcupine inhibitor RXC006 for development and potential commercialisation. RXC006 (AZD5055) has completed IND enabling preclinical testing and is now in a Phase 1 clinical trial. Under the terms of the RXC006 License Agreement, we received an upfront payment of $4.0 million. A second milestone payment of $4.0 million was received in July 2021 with a further milestone of $9 million earned in December 2021 as a result of the initiation of a Phase 1 clinical trial. In addition we are eligible to receive up to a further $105.0 million of aggregate payments related to development, regulatory and commercial milestones for the first indication, and additional milestone payments aggregating $105.0 million for a second and third indication. We are also eligible to receive aggregate sales-based milestones of $150.0 million and mid-single digit percentage tiered royalties on net sales.

- In September 2020, Redx entered an oncology research collaboration agreement with Jazz Pharmaceuticals Ireland to discover and develop drug candidates for two cancer targets on the Ras/Raf/MAP kinase (MAPK) pathway. Under the terms of the agreement we received an upfront payment of $10 million with a development milestone of $10 million earned on 9 December 2021, post the reporting period. Following delivery of an IND-ready molecule, we will be eligible to receive up to a further $200 million from Jazz in development, regulatory and commercial milestone payments for each programme. The first milestone is payable upon successful IND submission and all subsequent milestones are contingent on successful completion of the relevant stages of development. In addition, for both programmes, we are eligible to receive tiered royalties in mid-single digit percentages based on any future net sales

These transactions continue to underscore Redx's excellence in drug design and its business partnering capability. There are few biotech companies of our size that have completed four major deals as Redx has done in a three year period starting with the sale of our BTK inhibitor programme (RXC005) to Loxo Oncology in 2017. This molecule is now being developed by Eli Lilly in several Phase 3 clinical studies as pirtobrutinib/LOXO-305 and showing potential in a range of B cell malignancies including those resistant to first generation BTK inhibitors.

Significantly strengthened financial position

Throughout the year we have worked hard to secure sufficient investment to realise the full potential evident in our pipeline. The investment by Redmile Group, Sofinnova Partners and Polar Capital has given us greater security from a cash perspective, allowing the Company to proceed with an ambitious, but measured, business plan going forward. The Company ended the period with a cash balance of £29.6 million (30 September 2020: £27.5 million) as a result of a number of financial transactions throughout the year.

During the year the Company strengthened its balance sheet by completing a gross fundraise of £25.7 million which was approved by shareholders on 21 December 2020 and served to add Polar Capital and other investors to our shareholder register and extend our cash runway through Q4 of the calendar year 2022.

In addition, the Company added further to its financial security by generating new revenue from partnership deals including the receipt of $4 million milestone payment from AstraZeneca earned in June 2021, followed by a $3 million milestone payment from Jazz Pharmaceuticals earned in September 2021.

During the period we have continued to manage our costs carefully whilst ensuring that optimal resources are allocated to maximum effect in line with our strategy. As a result of our transformation into a clinical stage company, our operating expenses, excluding share based compensation, of £27.1 million have nearly doubled (£14.1 million in 2020) as we continue to invest in and advance our pipeline and our programmes move into more cash intensive clinical stages.

Notwithstanding our strong closing cash position, the level of required investment in our pipeline and programmes going forward will necessitate the raising of additional capital in the coming year. Whilst we believe our clinical programmes and pipeline provide an attractive opportunity to raise additional capital, we acknowledge that our ultimate ability to raise sufficient capital on acceptable terms is out of our control. The associated uncertainty is discussed in more detail in the basis of preparation of the Consolidated Financial Statements.

Outlook

During the period, whilst navigating our way through various financial scenarios and the COVID-19 global pandemic, we made strong progress in advancing our pipeline. Our lead oncology asset, RXC004, entered Phase 2; our lead fibrosis asset, RXC007, entered Phase 1; and all our partnered assets have progressed.

I continue to be really excited by the differentiated programmes in our pipeline and 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 could drive benefits for patients and value for shareholders.

I would like to pay tribute to our former Chairman, Mr Jain Ross, who stood down and left the Company on 31 May 2021 after four years in the role. Iain's leadership and tenacity are recognized by all on the Board and management team as a key reason that Redx continues to make strong progress. Our thanks also go to Mr. Peter Presland who stepped up as Interim Chair from 1 June 2021 as we initiated a search for a new Chair. This was subsequently successfully concluded and we were delighted to announce the appointment of Dr Jane Griffiths, who assumed the role on 1 December 2021. The Board look forward to benefitting from her expertise and experience to guide the Company through this next stage of the Redx story.

On a personal note, I want to thank the whole Board, management team and shareholders for their support during what has been an exciting period in the Company's history, as we now look to growth and transformation. I look forward to continuing the job I came here to do, which is to build a world-class biotech company. Most importantly, I would like to thank our employees for their hard work, resilience and commitment to Redx and to congratulate them on the strong research and clinical progress achieved in another success-filled year.

Lisa Anson
Chief Executive Officer

Operational Review

The Directors present this Operational Review for the year ended 30 September 2021 and cover issues not covered elsewhere in their Strategic review, namely: Key Performance Indicators, and Financial Review.

The principal activities of the business continue to be the discovery and development of proprietary, small molecule drugs to address areas of high, unmet medical need.

Management Team

Lisa Anson (Chief Executive Officer), and **Dr Richard Armer** (Chief Scientific Officer) have continued in their positions throughout the year.

Peter Collum took up the post of Chief Financial Officer on 1 May 2021 at which time **Dr James Mead** took up the new post of Chief Operating Officer. **Dr Jane Robertson** joined as Chief Medical Officer in March 2021, following the departure of Dr Andrew Saunders.

Key Performance Indicators (KPIs)

The Group's KPIs include a range of financial and non-financial measures. The Board considers pipeline progress, and in particular progress towards the clinic, to be the main KPI, and updates about the progress of our research programmes are included in the Chief Executive's Report. Below are the Financial KPIs considered pertinent to the business.

	2021	2020	2019	2018
	£m	£m	£m	£m
Cash at year end	**29.6**	27.5	3.7	6.5

Further progress has been made during the year in securing funding for the business plan going forward, principally via a Placing and Open Offer which raised gross proceeds of £25.7m and by the receipt of $4m of milestone income.

	2021	2020	2019	2018
	£m	£m	£m	£m
Total operating expenditure (excluding share based payment costs)	**27.1**	14.1	10.2	10.6

Expenditure has risen in line with expectations as programmes progress positively through clinical and preclinical stages, which are cash intensive. The considerable amount of corporate activity during the year has led to some increases in associated costs, but management continues to maintain rigorous cost control, whilst seeking to prioritise resources for scientific programmes.

	2021	2020	2019	2018
	£m	£m	£m	£m
Net increase in cash and cash equivalents (including certain one-off payments)	**2.0**	(23.8)	(2.8)	(17.3)

Positive cash flows have been achieved not only from financing activities, but also importantly from business development opportunities with AstraZeneca and Jazz Pharmaceuticals. The inflows ensure that the Group has a cash runway through Q4 of the calendar year 2022 that allows it to fund its business plan during that period.

Financial Review

Financial position

At 30 September 2021, the Group had cash resources of £29.6m (2020: £27.5m). In December 2020, the Group raised £25.7m (gross) via a Placing and Open Offer. At the same time, RM Special Holdings 3, LLC and Sofinnova Crossover 1 SLP converted £3.33m and £1.75m respectively of the principal amount of the convertible loan notes into Ordinary shares, reducing debt and further strengthening the Group position.

The partnership with AstraZeneca generated a further £2.8m ($4m) in milestone payments and exercising of share options by current and former staff generated £0.3m. Post financial year end a further £2.2m ($3m) milestone payment was received from Jazz Pharmaceuticals, together with the triggering of further $9 million and $10 million milestones from AstraZeneca and Jazz Pharmaceuticals respectively.

This funding is sufficient to allow the Group to fund its business plan through Q4 of the calendar year 2022, based on currently budgeted levels of expenditure and including certain forecast milestone receipts.

This cash runway and the need for further funding beyond this leads to a material uncertainty regarding going concern, which is discussed in detail in note 2.

Revenue

During the year, the Group continued to derive revenue from the outlicensing agreement with AstraZeneca (via milestone payments) and both the research collaboration with, and provision of research and preclinical development services to, Jazz Pharmaceuticals. Milestone income from AstraZeneca is recognised as received as it relates to contingent consideration on the license previously granted. In accordance with IFRS 15 "Revenue from Contracts with Customers", the funds received in advance for the collaboration agreement with Jazz Pharmaceuticals are recognised as revenue as the obligations under the contract are performed (being predominantly the underlying development services). The stage of completeness of the Jazz collaboration is assessed at each reporting date, and revenue recognised based on the percentage of total expected costs incurred to date. The expected timing of further recognition is detailed in note 6. Revenue from other research agreements is invoiced and recognised as the work is undertaken.

Cost management

Operating expenses continue to be tightly controlled in the context of an expanding research organisation and programmes progressing through more cost intensive clinical stages.

Finance costs

Finance costs have risen considerably as a consequence of the charging of a full years "effective interest" (calculated in valuing the lease liability and convertible loan note liability under IFRS), on the convertible loan notes in the current financial year (2020: 2 months). This has been partially offset by the removal of interest charges on the earlier loans from Moulton Goodies Ltd and Redmile in 2020.

There was no actual interest paid in 2021 (2020: £0.4m).

Cash flows

Overall positive net cash flow for the year was £2.0m, (2020: £23.8m). See KPI's for details.

Taxation

The acquisition of a significant proportion of the Group's shares by Redmile has meant that the SME tax status previously enjoyed is no longer applicable. The Group has therefore prepared these financial statements on the basis that going forward it will be claiming Research and

Development expenditure credits rather than R&D tax credits. Claims for prior years are not affected, and every effort will be made to ensure that the Group receives the maximum amounts to which it is entitled.

Consolidated Statement of Comprehensive Loss
For the year ended 30 September 2021

	Note	**Year ended 30 September 2021 £'000**	Year ended 30 September 2020 £'000
Continuing operations			
Revenue	**4**	**10,035**	5,685
Research and Development expenses		**(24,445)**	(10,460)
General and administrative expenses		**(6,455)**	(4,238)
Other operating income		**1,120**	812
Loss from operations		**(19,745)**	(8,201)
Finance income		**13**	7
Finance costs		**(1,711)**	(974)
Loss before taxation		**(21,443)**	(9,168)
Income tax		**(133)**	(45)
Loss attributable to owners of Redx Pharma Plc		**(21,576)**	(9,213)
Other comprehensive income			
Items that may subsequently be reclassified to profit or loss			
Exchange difference from translation of foreign operations		**29**	-
Total comprehensive loss for the year attributable to owners of Redx Pharma Plc		**(21,547)**	(9,213)
Loss per share (pence)			
From continuing operations			
Basic & diluted (pence)	**5**	**(8.4)**	(5.4)

Consolidated Statement of Financial Position
At 30 September 2021 **Company No. 07368089**

	Note	**2021 £'000**	As restated 2020 £'000	1 October 2019 £'000
Assets				
Non-current assets				
Property, plant and equipment		**3,325**	3,048	3,648
Intangible assets		**405**	411	417
Total non-current assets		**3,730**	3,459	4,065
Current assets				
Trade and other receivables		**6,231**	1,923	1,232
Current tax		**32**	32	871
Cash and cash equivalents		**29,552**	27,513	3,704
Total current assets		**35,815**	29,468	5,807
Total assets		**39,545**	32,927	9,872
Liabilities				
Current liabilities				
Trade and other payables		**4,699**	3,363	2,784
Contract liabilities	**6**	**4,318**	7,069	-
Borrowings	**7**	**-**	-	468
Lease liabilities		**575**	503	463
Derivative financial instrument		**-**	-	648

Provisions		**-**	-	306
Total current liabilities		**9,592**	10,934	4,669
Non-current liabilities				
Borrowings	**7**	**14,247**	16,758	-
Lease liabilities		**2,574**	3,209	3,712
Total liabilities		**26,413**	30,901	8,381
Net assets		**13,132**	2,026	1,491
Equity				
Share capital	**8**	**2,753**	1,952	1,265
Share premium		**66,299**	37,184	33,263
Share-based compensation		**4,752**	1,191	1,104
Capital redemption reserve		**1**	1	1
Exchange translation reserve		**29**	-	-
Convertible note reserve		**3,524**	4,572	-
Retained deficit		**(64,226)**	(42,874)	(34,142)
Equity attributable to shareholders		**13,132**	2,026	1,491

Consolidated Statement of Changes in Equity
For the year ended 30 September 2021

	Share capital £'000	**Share premium £'000**	**Share based payment £'000**	**Capital Redemption Reserve £'000**	**Exchange translation Reserve £'000**	**Convertible Note Reserve £'000**	**As restated Retained Deficit £'000**	**As restated Total Equity £'000**
At 1 October 2019	**1,265**	**33,263**	**1,104**	**1**	**-**	**-**	**(34,142)**	**1,491**
Loss and total comprehensive loss for the year	-	-	-	-	-	-	(9,213)	(9,213)
Transactions with owners of the Company								
Issue of ordinary shares	687	4,144	-	-	-	-	-	4,831
Transaction costs on issue of ordinary shares	-	(93)	-	-	-	-	-	(93)
Transaction costs on the conversion of loan instruments into ordinary shares	-	(130)	-	-	-	-	-	(130)
Recognition of equity element of convertible loan notes	-	-	-	-	-	4,815	-	4,815
Transaction costs on the issue of convertible loan notes	-	-	-	-	-	(243)	-	(243)
Share based compensation	-	-	568	-	-	-	-	568
Release of share options lapsed in the year	-	-	(481)	-	-	-	481	-
Movement in year	687	3,921	87	-	-	4,572	(8,732)	535
At 30 September 2020	**1,952**	**37,184**	**1,191**	**1**	**-**	**4,572**	**(42,874)**	**2,026**
Loss for the year	-	-	-	-		-	(21,576)	(21,576)
Other comprehensive income	-	-	-	-	29	-	-	29
Loss and total								

comprehensive loss for the year	-	-	-	-	29	-	(21,576)	(21,547)
Transactions with owners of the Company								
Issue of ordinary shares	473	25,508	-	-	-	-	-	25,981
Transaction costs on issue of ordinary shares	-	(1,051)	-	-	-	-	-	(1,051)
Partial conversion of the convertible loan notes	328	4,658	-	-	-	(1,048)	-	3,938
Share based compensation	-	-	3,785	-	-	-	-	3,785
Release of share options lapsed in the year	-	-	(224)	-	-	-	224	-
Movement in year	801	29,115	3,561	-	29	(1,048)	(21,352)	11,106
At 30 September 2021	**2,753**	**66,299**	**4,752**	**1**	**29**	**3,524**	**(64,226)**	**13,132**

Consolidated Statement of Cash Flows
For the year ended 30 September 2021

	Year ended 30 September 2020 £'000	Year ended 30 September 2020 £'000
Net cash flows from operating activities		
Loss for the year	**(21,576)**	(9,213)
Adjustments for:		
Income tax	**133**	45
Finance costs	**1,711**	974
Finance income	**(13)**	(7)
Depreciation and amortisation	**633**	665
Share based compensation	**3,785**	568
Derivative financial instrument	**-**	(67)
Onerous lease provision	**-**	(6)
Profit on disposal of assets	**-**	(4)
Movements in working capital		
Increase in trade and other receivables	**(4,651)**	(905)
(Decrease)/increase in trade and other payables and provisions	**(1,414)**	7,330
Cash used in operations	**(21,392)**	(620)
Tax credit received	**-**	1,008
Interest received	**13**	7
Net cash (used in) / generated by operations	**(21,379)**	395
Cash flows from investing activities		
Sale of property, plant and equipment	**-**	4
Purchase of property, plant and equipment	**(754)**	(59)
Net cash used in investing activities	**(754)**	(55)
Cash flows from financing activities		
Proceeds of share issues	**25,980**	2,099
Share issue costs	**(1.051)**	(223)
Derecognised asset recovered	**-**	-
Short term loan	**-**	5,000
Loan notes issued	**-**	23,680
Loan note costs	**-**	(1,117)
Repayment of short term loan	**-**	(5,000)
Payment of lease liabilities	**(786)**	(788)
Interest paid	**-**	(182)
Net cash generated by financing activities	**24,143**	23,469
Net increase in cash and cash equivalents	**2,010**	23,809

Cash and cash equivalents at beginning of the year	**27,513**	3,704
Foreign exchange difference	**29**	-
Cash and cash equivalents at end of the year	**29,552**	27,513

Consolidated Statement of Cash Flows (Cont'd)
For the year ended 30 September 2021

Reconciliation of changes in liabilities arising from financing activities

	2021 £'000
IFRS 16 Lease liability	
Balance b/fwd	**3,712**
Remeasurement	**(60)**
Payment of lease liabilities	**(786)**
Interest on lease liabilities	**283**
Balance c/fwd (disclosed as current and non-current lease liabilities)	**3,149**
Convertible loan notes	
Balance b/fwd	**16,758**
Amount converted into Ordinary shares	**(5,086)**
Remeasurement on conversion	**1,147**
Interest	**1,428**
Transaction expenses	**-**
Balance c/fwd (disclosed as non-current borrowings)	**14,247**

Notes to the financial information

1. Basis of preparation

The Group's financial information has been prepared in accordance with the historical cost convention and in accordance with International Financial Reporting Standards (IFRS) in conformity with the requirements of the Companies Act 2006 and on a basis consistent with that adopted in the previous year.

Whilst the financial information included in this Preliminary Results Announcement has been prepared in accordance with the recognition and measurement criteria of IFRS, this announcement does not itself contain sufficient information to comply with IFRS.

The Preliminary Results Announcement does not constitute the Company's statutory accounts for the years ended 30 September 2021 and 30 September 2020, within the meaning of Section 435 of the Companies Act 2006 but is derived from those statutory accounts.

The Group's statutory accounts for the year ended 30 September 2020 have been filed with the Registrar of Companies, and those for 2021 will be delivered following the Company's Annual General Meeting. Auditors have reported on the statutory accounts for 2021 and 2020. The audit report for 2021 was (i) unqualified, (ii) highlighted a material uncertainty in relation to going concern to which the auditor drew attention by way of an emphasis of matter paragraph, without modifying their report and (iii) did not contain statements under Sections 498 (2) or 498 (3) of the Companies Act 2006 in relation to the financial statements. The Auditors report for 2020 included no matters to which the Auditor drew attention by way of emphasis, was unqualified and did not contain statements under Sections 498 (2) or 498 (3) of the Companies Act 2006 in relation to the financial statements.

The Company is a public limited company incorporated and domiciled in England & Wales and whose shares are quoted on AIM, a market operated by The London Stock Exchange.

2. Going concern

The Board have adopted the going concern basis in preparing these accounts after assessing the Group's cash flow forecasts and principal risks.

At September 30, 2021 the Group held £29.6 million of cash and cash equivalents. The Group has a history of recurring losses from operations, including a net loss of £21.5 million for the year ended September 30, 2021 and an accumulated deficit of £64.2 million. Operational cash outflows continue to be driven by the ongoing focus on the research, development and clinical activities to advance the programs within the Group's pipeline. The Group recorded a net increase in cash and cash equivalents of £2.0 million for the year ended September 30, 2021 primarily from the proceeds of the placing and open offer in December 2020, in which the Group closed the sale of 45,833,641 Ordinary shares, resulting in gross proceeds of £25.7 million. As at December 31, 2021, the Group held sufficient cash and cash equivalents to provide a cash runway through to January 31, 2023 at currently budgeted levels of expenditure and including certain forecast milestone receipts.

In undertaking the going concern review, the Board has reviewed the Group's cash flow forecasts to January 31, 2023 (the going concern period). Accounting standards require that the review period covers at least 12 months from the date of approval of the financial statements, although they do not specify how far beyond 12 months a Board should consider. Under its base case, the Group plans to raise significant further finance within the next 12 months, either from existing or new investors. Further funding is required under the Board's plans to continue to develop its product candidates and conduct clinical trials. Given these plans and requirements, a review period of 12 months is considered appropriate and the Group and Company plan to raise further funding within this period to continue with its current strategy.

The Board has identified and assessed downside risks and mitigating actions in its review of the Group's cash flow forecasts. Raising further capital is outside the control of the directors. Accordingly, the downside risks include a severe but plausible scenario where external fund raising is not successful and is coupled with underperformance against the business plan. Mitigating actions include the delay of operating expenditure for research activities and restriction of certain discretionary expenditure including capital expenditure. Even if its mitigating actions are successful, the Group and Company will need to raise further capital.

Based on these conditions, the Group has concluded that the need to raise further capital from either existing or new investors represents

a material uncertainty regarding the Group's ability to continue as a going concern.

Notwithstanding the existence of the material uncertainty, the Board believes that the adoption of the going concern basis of accounting is appropriate for the following reasons:

- based on plans and discussions with its advisors and investors the directors have an expectation that further funding will be obtained.
- the Group has a track record and reasonable near-term visibility of meeting expectations under its collaboration agreements and receiving the associated milestone payments.
- the Group retains the ability to control capital and other discretionary expenditure and lower other operational spend, as necessary.

While the Group has successfully accessed equity and debt financing in the past, there can be no assurance that it will be successful now or in the future. If the Group is unable to the secure the planned additional financing, it may not be able to generate sufficient cash flows to support its current level of activities beyond the going concern period. In the event financing is not obtained, the Group will need to consider

- new commercial relationships to help fund future clinical trial costs (i.e., licensing and partnerships); and/or
- reducing and/or deferring discretionary spending on one or more research and development programs; and/or
- restructuring operations to change its overhead structure.

The Group's future liquidity needs, and ability to address those needs, will largely be determined by the success of its product candidates and key development and regulatory events and its decisions in the future. Such decisions could have a negative impact on the Group's business operations and financial condition.

The accompanying consolidated financial statements do not include any adjustments that would be required if they were not prepared on a going concern basis. Accordingly, the consolidated financial statements have been prepared on a basis that assumes the Group will continue as a going concern and which contemplates the realization of assets and satisfaction of liabilities and commitments in the ordinary course of business.

3. Prior year restatement

The Group has identified an error within its accounting entries recorded on the adoption of IFRS 16 - Leases, which was adopted on 1 October 2019. The error identified was an overstatement of the right of use asset recorded on transition of £661,000 due to an incorrect reversal of the rent-free period accrual recognised under IAS 17 through retained earnings rather than as a reduction of the right of use asset. This resulted in a corresponding understatement of the retained deficit recorded in the Statement of changes in equity on transition. In accordance with IAS1, a third balance sheet has been presented at 1 October 2019.

The financial impact of the error identified is as follows:

	As at 1 October 2019			**As at 30 September 2020**		
	Reported £'000	**Adjustment £'000**	**Restated £'000**	**Reported £'000**	**Adjustment £'000**	**Restated £'000**
Right of use asset	4,175	(661)	3,514	3,573	(661)	2,912
Retained deficit	33,481[1]	661	34,142[1]	42,213	661	42,874

[1]The Group adopted IFRS 16 from 1 October 2019 and did not restate 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 were therefore recognised in the opening balance sheet on 1 October 2019.

4. Revenue

	2021 £'000	2020 £'000
Sale & outlicensing of scientific programmes	**-**	3,142
Revenue from milestones on scientific programmes and research collaboration	**5,009**	-
Revenue from research collaboration	**2,751**	516
Revenue from research and preclinical development services	**2,275**	2,027
	10,035	5,685

5. Loss per share

Basic loss per share is calculated by dividing the loss 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:

	2021	2020
	£'000	£'000
Loss for the period attributable to the owners of the Company	**(21,576)**	(9,213)
	Number	Number
Weighted average number of shares - basic and diluted	**256,430,270**	170,050,369

	Pence	Pence
Loss per share - basic and diluted	**(8.4)**	(5.4)

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*".

The Group operates a number of share option schemes which could potentially dilute basic earnings per share in the future. In addition, the convertible loans could result in the issuance of 110,288,888 ordinary shares that could potentially dilute basic earnings per share on conversion.

6. Contract liabilities

	2021 £'000	2020 £'000
Contract liabilities	**4,318**	7,069
	4,318	7,069
Reconciliation		
Brought forward	**7,069**	-
Recognised in the year (net)	**-**	7,585
Transfer to revenue	**(2,751)**	(516)
Carried forward	**4,318**	7,069

Unsatisfied performance obligations

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period was £11.73m as at 30 September 2021 (2020: £14.65m) and is expected to be recognised as revenue in future periods as follows:

	2021 £'000	2020 £'000
Within 1 year	**4,438**	3,594
In the second to fifth years	**7,297**	11,060
	11,735	14,654

The contract liability (net of contract asset) relates to a single research collaboration contract.

7. Borrowings

	2021 £'000	2020 £'000
Non-current		
Convertible loan notes	**14,247**	16,758
	14,247	16,758

On August 4, 2020 Redx Pharma plc issued convertible loan notes with a value of £22.2m. No interest is payable during the first 3 years, thereafter it is payable at a maximum rate equal to the US prime rate at that time. The notes are convertible into Ordinary shares of Redx Pharma plc, at any time at the option of the holder, or repayable on the third anniversary of the issue. The conversion rate is 1 Ordinary share for each £0.155 of convertible loan note held. The convertible loan notes are secured by a fixed and floating charge over all the assets of the Group.

Initial measurement

In accordance with IAS 32 Financial instruments, the convertible loan notes have been assessed as compound financial instruments containing equity and liability components. The Group has calculated the value of the liability component using a discount rate for an equivalent bond without an equity component, of 8.5%. The Group determined this rate by obtaining interest rate from external financing sources and making certain adjustments to reflect the terms of the instrument; specifically to adjust the interest rate to account for the expected term of the convertible loan notes, its value and the conditions attached to it. The value of the conversion feature of £4.57m was calculated as the residual value of the loan after calculating the fair value of the liability component and has been recognised as an equity component within the Convertible note reserve in the Consolidated Statement of Financial Position. Total transaction costs of £1.1m have been allocate between the equity and liability components. An increase in discount rate to 9.5% would decrease the debt element by £248k and a decrease to 7.5% would increase the debt element by £262k.

Partial conversion

On December 2, 2020 the Group announced that RM Special Holdings 3 LLC and Sofinnova Crossover 1 SLP would convert £3.33m and £1.75m respectively of the principal amount of the convertible loan notes into Ordinary shares. Under the terms of the convertible loan notes, the conversion took place at 15.5p per new Ordinary share. Accordingly, 32,806,159 new Ordinary shares were issued and admitted to trading on AIM on December 22, 2020. As of September 30, 2021, an aggregate of £17.1m in principal amount was outstanding under the convertible loan notes. This equates to 110,288,887 ordinary shares at £0.155 per share.

The remaining gross principal of £17.1m has been discounted at the effective interest rate determined on initial measurement, resulting in a discounted liability of £14.2m. The reduction in the liability has been offset by adjusting entries to equity representing the issuance of share capital and associated share premium, and the reduction of the relevant proportion of the convertible note reserve. There is no impact on the Consolidated Statement of Loss as this is a no gain, no loss transaction.

8. Share Capital

	2021 Numbers	2020 Numbers
Number of shares in issue		
In issue at 1 October	195,247,413	126,477,914
Issued for cash	45,833,641	16,738,710
Issued in consideration for a loan	-	52,030,789
Loan note conversion	32,806,159	-
Exercise of share options	1,394,992	-
In issue at 30 September	**275,282,205**	195,247,413

	£'000	£'000
Share Capital at par, fully paid		
Ordinary shares of £0.01	**2,753**	1,952

All ordinary shares rank equally with regard to the Company's residual assets. Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All rights attached to the Company's shares held by the Group are suspended until those shares are reissued.

Share issues

On December 2, 2020, the Group announced that it had conditionally raised £25.5m by way of a Placing of Ordinary shares at 56p per share, and up to a further £2.2m by way of an Open Offer at the same price. All resolutions required to accomplish this were passed at a general meeting of shareholders on December 21, 2020. The final gross amount raised was £25.7m and accordingly 45,833,641 new Ordinary shares were issued and admitted to trading on AIM on December 22, 2020.

On the same date the Group announced that, subject to successful admission of the above shares, RM Special Holdings 3, LLC and Sofinnova Crossover 1 SLP would convert £3.33m and £1.75m respectively of the principal amount of the convertible loan notes into Ordinary shares. Under the terms of the convertible loan notes, the conversion took place at 15.5p per new Ordinary share. Accordingly, 32,806,159 new Ordinary shares were issued and admitted to trading on AIM on December 22, 2020.

On July 8, 2021, the Group announced the exercise of share options over 894,992 Ordinary shares, The exercise took place at 15.5p per Ordinary share. The gross amount received was £0.1m and the shares were admitted to trading on AIM on July 9, 2021.

On September 27, 2021, the Group announced the exercise of share options over 500,000 Ordinary shares, the exercise took place at prices between 22p and 50p per new Ordinary share. The gross amount received was £0.2m and the shares were admitted to trading on AIM on September 28, 2021.

9. Related Parties

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:

As a result of the divestment of its entire shareholding in the Group in March 2020, Moulton Goodies Ltd ceased to be a related party at that date. Transactions have been disclosed to the date that the criteria ceased to be met.

On the same date, as a result of the purchase of shares by RM Special Holdings 3, LLC ("Redmile"), it became a significant shareholder and related party. Redmile provided short term loan funding of £5 million during the 2020 financial year, which was repaid together with accrued interest of £0.2 million on 5 August 2020. Further the Group issued £14.5 million convertible loan notes to Redmile on 4 August 2020 on terms summarised in note 7.

Under the terms of the agreement for its subscription for shares on 20 July 2020, Sofinnova Crossover 1 SLP ("Sofinnova") appointed a director to the Board of Redx Pharma plc. The Board believes that this satisfies the criteria for Sofinnova to be considered a related party. On 4 August 2020 the Group issued £7.6 million convertible loan notes to Sofinnova, the terms of which can be seen in note 7.

On December 2, 2020 the Group announced that RM Special Holdings 3 LLC and Sofinnova Crossover 1 SLP would convert £3.33m and £1.75m respectively of the principal amount of the convertible loan notes into Ordinary shares. Under the terms of the convertible loan notes, the conversion took place at 15.5p per new Ordinary share. Accordingly, 32,806,159 new Ordinary shares were issued and admitted to trading on AIM on December 22, 2020. As of September 30, 2021, an aggregate of £17.1m in principal amount was outstanding under the convertible loan notes. This equates to 110,288,888 ordinary shares at £0.155 per share.

The remaining gross principal of £17.1m has been discounted at the effective interest rate determined on initial measurement, resulting in a discounted liability of £14.2m.

The reduction in the liability has been offset by credit entries to equity representing the issuance of share capital and associated share premium. There is no impact on the Consolidated Statement of Loss as this is a no gain, no loss transaction.

The interest charge in the period relates to the unwinding of the discount at the effective interest rate on the convertible loan balances held by Redmile and Sofinnova respectively.

Charges from related parties	**2021 £'000**	2020 £'000
Moulton Goodies Ltd - loan interest (to 13 March 2020)	**-**	183
RM Special Holdings 3, LLC - loan interest	**-**	171
RM Special Holdings 3, LLC - convertible loan note interest	**954**	178
Sofinnova Crossover 1 SLP - convertible loan note interest	**474**	88
	1,428	620

	2021	2020
Amounts owed to related parties	**£'000**	£'000

RM Special Holdings 3, LLC - loan note	**9,289**	14,532
Sofinnova Crossover 1 SLP - loan note	**4,958**	7,648
	14,247	22,180

Amounts owed to/by related parties are disclosed in borrowings and the convertible note reserve.

10. Contingent liability

During the course of the members' voluntary liquidation ofRedx Anti-Infectives Ltd, a counterparty submitted a proof of debt relating to a contract signed in 2013 that was rejected by the joint liquidators. The counterparty has issued an application at the High Court of Justice to reverse the joint liquidators' decision. The joint liquidators are opposing the application.

No provision has been made in these accounts, because the Company believes that the potential claim is without foundation.

11. Events after the reporting period

On 9 December 2021 the Group announced that it had earned a $10m milestone payment from Jazz Pharmaceuticals and on 23 December 2021 announced that it had earned a $9m milestone payment from AstraZeneca.

12. Report and accounts

A copy of the Annual Report and Accounts will be sent to all shareholders with notice of the Annual General Meeting shortly and will also be available to download from the Group's website at www.redxpharma.com in due course.

END

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