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THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION FOR THE PURPOSES OF ARTICLE 7 OF EU REGULATION 596/2014 AS IT FORMS PART OF DOMESTIC LAW IN THE UNITED KINGDOM BY VIRTUE OF THE EUROPEAN UNION (WITHDRAWAL) ACT 2018.

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

Final Audited Results for the Year Ended 30 September 2022

Successful fundraise extends cash runway into 2024
Wholly-owned assets, RXC004 and RXC007 enter Phase 2 clinical trials
Nomination of RXC008 as a potential first-in-class development candidate

Alderley Park, UK, 20 December 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 2022.

Lisa Anson, Chief Executive Officer, Redx Pharma, said: *"I am very proud of our track-record of consistently generating differentiated drug candidates and excited by the potential of the five clinical molecules we have discovered to treat significant unmet needs in cancer and fibrosis. During the period, we have continued to make strong progress across our pipeline: from our world-class discovery engine through to our clinical stage assets. Our two lead assets, RXC004 and RXC007, are now in Phase 2 clinical studies, and we look forward to reporting results from these studies during the next calendar year. Additionally, during the period, we nominated RXC008 for the potential treatment of fibrostenotic Crohn's disease, as our next clinical development candidate to come from our world-class discovery engine.*

"Importantly, given the current economic and market back-drop, during the period we were also able to raise significant additional capital to bolster our balance sheet. This provides us with a cash runway into 2024 that will allow us to deliver multiple value-inflection points."

Operational Highlights

- Initiated Phase 2 clinical trials of RXC004, an oral Porcupine inhibitor for the targeted treatment of Wnt-ligand dependent cancers:
  - In November 2021, initiated PORCUPINE, a Phase 2 trial in genetically selected microsatellite stable metastatic colorectal cancer (MSS mCRC), that has progressed following treatment with standard of care;
  - In January 2022, initiated PORCUPINE2, a Phase 2 trial in genetically selected pancreatic cancer and biliary cancer, with recruitment for the monotherapy biliary arm nearing completion;
  - Post-period, in November 2022, presented data from the Phase 1 study evaluating RXC004 in combination with nivolumab at the Society for Immunotherapy of Cancer (SITC) Conference, with patient enrolment for the combination arm of PORCUPINE now open.
  - Post period, in December 2022, a clinical trial collaboration and supply agreement with MSD (Merck & Co., Inc., Rahway, NJ, USA) announced for the supply of KEYTRUDA®[1] (pembrolizumab) for the combination arm of PORCUPINE2

- Commenced Phase 2 programme for RXC007, a selective ROCK2 inhibitor being developed for interstitial lung diseases including idiopathic pulmonary fibrosis (IPF):
  - In March 2022, encouraging Phase 1 data showing an excellent safety and pharmacokinetic profile was presented at the Interstitial Lung Disease Drug Development (ILD) Summit. Final data from this study was presented, post-period in October, at the International Colloquium on Lung and Airway Fibrosis (ICLAF);
  - Post-period, in October 2022, initiated Phase 2a clinical study in patients with IPF
  - Post-period, in October 2022, presented preclinical efficacy data showing pleiotropic effects of RXC007 in chronic graft versus host disease (GvHD) at ICLAF.

- In March 2022, nominated RXC008, a Gastrointestinal (GI) targeted ROCK inhibitor and potential first-in-class treatment for fibrostenotic Crohn's disease, as the Company's next clinical development candidate:
  - In June 2022, presented results from a research collaboration with Ghent University assessing the preclinical efficacy of RXC008 at the Extracellular Matrix Pharmacology (ECM) Congress;

- In January 2022, announced that the Company's discoidin domain receptor (DDR) inhibitor fibrosis programme has entered lead optimisation:
  - Post-period, presented preclinical data on REDX12271, a novel, potent, selective and orally active DDR1 inhibitor, in chronic kidney disease models, at the American Society of Nephrology (ASN) Kidney Week in October 2022.

- Furthered academic collaborations with world-leading research institutes to enhance the Company's research into novel targets:
    - In April 2022, expanded the Company's collaboration with the Garvan Institute for Medical Research to better understand treatments that could enhance patient survival in highly fibrotic cancers;
    - RXC004 and ROCK2 selective inhibitor data from the collaboration showing that targeting fibrosis associated with pancreatic cancer led to increased survival in mouse models was presented at the ECM Congress in June 2022.

- Significant progression of partnered programmes with AstraZeneca and Jazz Pharmaceuticals resulting in milestone payments totalling $24 million during the period:
    - In December 2021, a $10 million milestone payment from Jazz Pharmaceuticals was triggered for the progress in the oncology research collaboration focused on the MAPK pathway. A target under this collaboration continues to progress towards an IND application;
    - In December 2021, a $9 million milestone payment was received from AstraZeneca as a result of the initiation of Phase 1 trials in healthy volunteers for RXC006 (now AZD5055);
    - In June 2022, Jazz announced that the U.S. Food and Drug Administration (FDA) had cleared the IND application for the pan-RAF inhibitor JZP815, triggering a milestone payment of $5 million from Jazz to Redx.
    - Post period, in November 2022, Jazz announced that the first patient had been dosed on the JZP815 Phase 1 clinical trial

- Strengthened and grew Board of Directors and management team:
    - Appointment of Dr Jane Griffiths as Chair on 1 December 2021 and Dr Rob Scott as Non-Executive Director in January 2022;
    - Appointment of Claire Solk as General Counsel in January 2022;
    - In March 2022, established a Science Committee of the Board of Directors to review and assess the Company's R&D programmes and strategies and oversee its progress in achieving its scientific goals.

Financial Highlights

- Cash balance at 30 September 2022 of £53.9 million (30 September 2021 £29.6 million) which includes $24 million in milestone payments earned from partnered programmes during the period;
- Successful placing of £34.3 million (gross) completed in June 2022, priced at market, which received strong support from existing investors and added a new specialist healthcare investor, Invus, to Redx's shareholder base;
- Significant investment in research and development activities led to increased overall expenditure of £34.4 million (FY 2021: £27.1 million);
- Loss for the period of £18.0 million (FY 2021 £21.5 million);
- Cash runway into January 2024

The person responsible for the release of this announcement on behalf of the Company is Claire Solk, 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 diseases, 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, being developed as a targeted treatment for Wnt-ligand dependent cancers, commenced a Phase 2 programme in November 2021. The Company's lead fibrosis product candidate, the selective ROCK2 inhibitor RXC007, is in development for interstitial lung disease and commenced a Phase 2a trial for idiopathic pulmonary fibrosis (IPF) in October 2022.

Redx's third drug candidate, RXC008, a GI-targeted ROCK inhibitor for the treatment of fibrostenotic Crohn's disease, is progressing towards a CTA/IND application at the end of 2023.

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 AZD5055/RXC006, a Porcupine inhibitor targeting fibrotic diseases including IPF, which AstraZeneca is progressing in a Phase 1 clinical study. In addition, Redx has forged collaborations with Jazz Pharmaceuticals, which includes JZP815, a pan-RAF inhibitor developed by Redx which Jazz is now progressing through Phase 1 clinical studies and an early stage oncology research collaboration.

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Chair's Statement

Dear Shareholder,

In my first 12 months as Chair, I have been impressed with the significant progress made at Redx, as we build on our R&D capabilities and our clinical pipeline matures. Both of our lead assets, RXC004 and RXC007, are now in Phase 2 clinical trials and our discovery engine has continued to fuel our preclinical pipeline, with the nomination of RXC008 as a development candidate, and our discoidin domain receptor (DDR) programme moving into lead optimisation. During the period, despite challenging market conditions, we were also successful in raising significant funds to ensure we can continue to execute on our development plans for our clinical and preclinical programmes.

Our ambition is to create world-leading medicines that will transform patients' lives. By leveraging our world-class medicinal chemistry and translation science expertise, we can create best-in-class or first-in-class treatments for unmet medical needs and beyond our current clinical portfolio we have the ambitious target of submitting three wholly-owned INDs by 2025. 2022 was a year of significant progress towards these goals, with the following notable achievements:

- **RXC004 commenced Phase 2 programme:** RXC004, a Porcupine inhibitor, is being developed as a targeted therapy for Wnt-ligand dependent cancers, both as monotherapy and in combination with immunotherapies.
- **RXC007 Phase 2 programme initiated**: RXC007, a selective ROCK2 inhibitor, is being developed for interstitial lung diseases (ILD) including idiopathic pulmonary fibrosis (IPF) a life-threatening orphan disease with poor prognosis.
- **Investment in our Redx discovery engine:** Our world-class discovery engine sits at the core of everything we do. We nominated our next wholly-owned development candidate, RXC008, a Gastro-Intestinal (GI)-targeted ROCK inhibitor for the treatment of fibrostenotic Crohn's disease and our DDR inhibitor programme entered lead optimisation.

Despite the challenges of the equity markets, in June 2022 we were successful in securing additional financing to support our development plans. Through a share placing, which was supported by all existing major shareholders, and attracted an additional specialist healthcare investor, Invus, we raised £34.3 million (gross). Additionally, due to the significant progress made with our ongoing partnerships and collaborations, we earned $24 million (£18.1 million) of non-dilutive milestone payments. These new funds in addition to pre-existing cash will support the Company through the next stage of significant pipeline progression and provides a cash runway into 2024.

During the last 12 months we have continued to deliver against our strategy. Our ability to progress our in-house pipeline, delivering potential much-needed new treatment options for patients, will also ultimately drive long-term shareholder value.

On behalf of the Board, I would like to thank our executive team led by Chief Executive, Lisa Anson, who have continued to successfully guide the Company over the last 12 months, and all of our employees who, with their dedication and hard work, have ensured we have progressed our business towards its goals. We would also like to thank our shareholders, business partners and suppliers for their ongoing support. Finally, I would like to thank my fellow Redx Board members for providing their invaluable insights and expertise to the executive team.

As I come to the end of my first calendar year as Chair of Redx, I am proud of our achievements. Our progress in the last 12 months has offered a step-change in the development of Redx as a clinical- stage biotech, and we look forward towards another exciting year ahead.

Dr Jane Griffiths
Chair

Chief Executive's Report

In the last 12 months we have continued with strong momentum across all aspects of the business and have made significant progress with both our clinical-stage assets and our discovery engine. I am proud that we are now a well-established clinical-stage biotechnology company with a rich pipeline of assets. The results for the full year ended 30 September 2022, demonstrate the progress we have made operationally, with two wholly-owned assets now in Phase 2 trials, and a robust preclinical pipeline that forms the basis for our ambition to generate three INDs by the end of 2025. We have worked hard during the period to attract top talent to Redx to strengthen both the

leadership team and the scientific team, as well as completing a successful fundraise with the support of new and existing investors. Our people are our biggest asset, driving our discovery engine with their world-class medicinal chemistry and translational science expertise. The underlying strength of our science has led to several exciting developments for the Company during the year, and post-period.

We were delighted to start the period by showcasing last year's progress at the R&D Day we held in October 2021. The event focused on our development plans for both RXC004 and RXC007, and we were joined by key opinion leaders in their respective fields. Professor Scott Kopetz, Department of Gastrointestinal Medical Oncology, Division of Cancer Medicine, The University of Texas MD Anderson Cancer Center, talked to the potential of porcupine inhibition with RXC004 in genetically selected patients with microsatellite stable metastatic colorectal cancer (MSS mCRC). Professor Gisli Jenkins, Faculty of Medicine, National Heart & Lung Institute, Imperial College London, spoke about ROCK and its importance in fibrosis; and Professor Toby Maher, Professor of Medicine and Director of Interstitial Lung Disease, Keck School of Medicine, University of Southern California, Los Angeles, gave a more detailed overview of idiopathic pulmonary fibrosis (IPF) and the unmet medical need for patients. Twelve months on, I am very pleased to be able to report on the further momentum that we have made with our pipeline.

Our ambition is to transform the lives of patients by delivering better medicines faster. We strive to become a leading biotechnology company through the development of novel and differentiated targeted therapeutics in cancer and fibrotic disease and to progress highly differentiated product candidates. We continue to pursue our ambition with a clear strategy built upon the following four elements which I will review in turn in this report:

- **Advancing our clinical programmes**:
  - RXC004, an oral Porcupine inhibitor, through our initial indications and then in studies for the potential treatment of additional Wnt-ligand dependent cancers
  - RXC007, an oral selective ROCK2 inhibitor, initially in clinical trials for IPF and then more broadly in Interstitial Lung Disease (ILD) with potential to explore additional fibrotic conditions including cancer-associated fibrosis
- **Investing in our Redx discovery engine** to expand our pipeline to deliver three new wholly-owned INDs by 2025, including advancing RXC008 to clinic
- **Maximising the full potential of our product pipeline** by either retaining commercial rights or considering attractive development and commercialization partnerships
- **Attracting and retaining the best people** by providing a world-class environment

Advancing our Clinical Programmes: *RXC004, an Oral Porcupine Inhibitor for the Targeted Treatment of Wnt-Ligand Dependent Tumours*

RXC004, is a clinical-stage, highly potent and selective, orally active, once-daily Porcupine inhibitor being developed as a targeted therapy for Wnt-ligand dependent cancer. Wnt signaling is a heavily investigated pathway, well established as a key driver of hard-to-treat cancers, and Porcupine is the first target on this pathway showing real clinical promise. 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 controls the secretion of all 19 Wnt-ligands, reducing the risk of redundancy in those cancers that are Wnt-ligand dependent. Not only do aberrations in the Wnt pathway contribute directly to tumour growth, they also play an important role in immune resistance, in particular to treatment with immuno-oncology agents such as PD-1 checkpoint inhibitors. With this knowledge, we have designed our RXC004 clinical studies to test both hypotheses, by undertaking modules in both monotherapy and in combination with immunotherapies. By genetically selecting patients with tumours that are Wnt-ligand driven, 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. Our initial indications for this genetic selection approach are MSS mCRC and pancreatic cancer. We are also undertaking a study for monotherapy and combination applications in biliary cancer, where genetic selection is not required as over 70%[2] of biliary cancers have high Wnt-ligand expression.

Phase 2 clinical programme initated

During the period, we commenced our Phase 2 programme for RXC004. The first study in the programme, PORCUPINE, is focused on patients with MSS mCRC that has progressed following treatment with standard of care and is evaluating preliminary efficacy and safety of RXC004. As previously announced, we demonstrated preclinically that RXC004 can block activation of the Wnt pathway and restore the ability of the immune system to fight the tumour, meaning that it has the potential to both directly inhibit tumour growth and have an immune-enhancing effect. The monotherapy arm of the PORCUPINE Phase 2 study commenced in November 2021 and is ongoing with 14 patients dosed. The combination arm of the PORCUPINE study has recently commenced screening.

In December 2021, we announced a strategic partnership with Caris Life Sciences® (Caris) which leverages Caris' clinical trial solutions to enhance the speed of recruitment at US study centers in the PORCUPINE study, as well as provide insights into epidemiology and prognosis. In June 2022, Chief Investigator, Professor Scott Kopetz, The University of Texas MD Anderson Cancer Center, Houston, TX, detailed the design of both the monotherapy and combination arms of PORCUPINE at the American Society of Clinical Oncology (ASCO) Annual Meeting.

The second trial in our Phase 2 programme, PORCUPINE2, is evaluating RXC004 as a monotherapy for patients with genetically selected pancreatic cancer and as a monotherapy and in combination with pembrolizumab for unselected patients with biliary tract cancers. This study commenced in January 2022 with recruitment for the monotherapy biliary arm nearing completion.

Combination arms with checkpoint inhibitors now open

Post-period, at the Society for Immunotherapy of Cancer (SITC) Conference, we presented data from our Phase 1 study evaluating RXC004 in combination with nivolumab, (OPDIVO® - Bristol Myers Squibb, an anti-PD-1 antibody), which was consistent with the previously released Phase 1 results of RXC004 as a monotherapy. The data supported the initiation of the combination arms of the Phase 2 PORCUPINE and PORCUPINE2 studies in genetically selected patients with MSS mCRC and patients with biliary cancer, indications where immune checkpoint inhibitors alone are ineffective. The recommended RXC004 dose for these combination arms is 1.5mg once daily and patient enrollment is now open for PORCUPINE and will commence in H1 2023 for PORCUPINE2.

All three indications have significant unmet medical needs 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 (EU5), and Japan[3].

Advancing our Clinical Programmes: *RXC007, a selective ROCK2 inhibitor for the treatment of interstitial lung disease (ILD) with an initial indication in idiopathic pulmonary fibrosis (IPF)*

Announcing that our lead fibrosis asset, RXC007, had entered Phase 2 studies post-period, was an important milestone for the Company and is an exciting development for IPF patients.

RXC007 is a potent, highly selective and orally-active inhibitor that targets Rho Associated Coiled-Coil Containing Protein Kinase 2 (ROCK2) which sits at a nodal point in the cell signalling pathway, central to fibrosis. ROCK2 is therefore an important emerging drug target and RXC007 has the potential to treat several fibrotic diseases. 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.

Phase 1 data suggests RXC007 has an excellent safety and pharmacokinetic profile

In March 2022, topline data from the Phase 1 healthy volunteers clinical study was presented at the Virtual Interstitial Lung Disease Drug Development Summit, which demonstrated that RXC007 has an excellent safety and pharmacokinetic profile, with a half-life of approximately 9-11 hours, suitable for once daily dosing. No adverse events were observed in the single ascending dose phase, following single doses of 2-70 mg (dosed once or twice in a day), and no serious adverse events were observed in the multiple dose phase (dosed at 50 mg twice daily for 14 days), with only transient, reversible, mild adverse events. The pharmacokinetics were as predicted from preclinical data, with linear exposure for 2-70 mg, and biologically relevant exposures achieved from 20 mg BID. No significant effect on systemic exposure was seen when dosed with food. The full data was presented at the 21st International Colloquium on Lung and Airway Fibrosis (ICLAF) in October 2022 in Iceland.

Phase 2a clinical study in IPF initiated

Post-period we enrolled the first patient into our Phase 2a IPF clinical study. This will be a staged approach based on learnings we have observed from recent trials in the field, and will ensure that we can select a dose for further development based on safety, PK, target engagement, fibrosis biomarkers and early signs of efficacy.

The Phase 2a study will be a 12-week, randomised, dose escalation study with and without standard of care agents. Three cohorts, each consisting of 16 patients, will be dosed with an escalating dose of RXC007, with the key endpoints being safety, PK profile, changes from baseline in lung function - Forced Vital Capacity (FVC) and Carbon Dioxide Diffusion Coefficient (DLCO), changes from baseline in Quantitative Lung Fibrosis Score and airway volume and resistance on high resolution computerised tomography (HRCT) scan. The initial dosing period will last for 12 weeks however, patients may continue for longer if there are no signs of disease progression. The data collected will inform the dose we take forward into a larger potential Phase 2b study, which will be powered to detect an efficacy signal based on the current regulatory endpoint of FVC change over 12 months.

Broader ILD development plan

Post-period, we also presented compelling preclinical data in murine sclerodermatous chronic graft versus host disease (GvHD) models at ICLAF in October 2022. The data presented showed the pleiotropic, anti-fibrotic effects of RXC007. The murine sclerodermatous GvHD model recapitulates aspects of human scleroderma with prominent skin thickening, lung fibrosis, and upregulation of cutaneous collagen. Furthermore, the underlying disease mechanisms that drive pathology in the model show similarities to those observed in auto-immune driven fibrotic diseases such as systemic sclerosis and ILD. RXC007, dosed orally and therapeutically, was able to significantly reduce skin thickness, fibrosis and collagen deposition in the skin and lungs as measured by hydroxyproline. The strength of this preclinical data supports our plan to establish a broader ILD development plan, which we intend to investigate in the future Phase 2b study. In November 2022, Dr Nicolas Guisot, VP Drug Discovery at Redx, spoke and presented a poster at the Antifibrotic Drug Discovery (AFDD) Meeting which again supports our further development plans, showing the potential of RXC007 in the treatment of fibrosis, including IPF and chronic fibrosing interstitial lung disease (CF-ILD).

Investing in Our Redx Discovery Engine

The nomination of RXC008, a GI-targeted ROCK inhibitor, for development and initiation of the lead optimisation phase with our potent proprietary DDR inhibitors, were both important achievements from our discovery engine, which underline our scientific capability in drug discovery.

Our validated, world-class discovery engine fuels our business model and incorporates our expertise in both medicinal chemistry and translational science. Focused on creating potentially differentiated small molecules designed to have high exposure, high potency and other optimised drug properties, 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. To date, our discovery engine has been responsible for the

discovery of five assets that have progressed into clinical development, all of which are ongoing in-house or with partners.

RXC008: A potential first-in-class treatment for fibrostenotic Crohn's disease

In March 2022, **RXC008** was nominated as our latest development candidate. RXC008 is a potent, oral, small molecule non-systemic ROCK 1/2 inhibitor for the treatment of fibrostenotic Crohn's disease. RXC008 avoids the significant cardiovascular side effects of pan-ROCK inhibitors, including tachycardia and hypotension, by being GI-restricted via high efflux and low permeability, resulting in virtually no systemic breakthrough, with the molecule being rapidly metabolised by paraoxonase enzymes in the plasma should any breakthrough occur.

RXC008 has shown impressive anti-fibrotic effects in disease models, including the adoptive T-cell transfer model, a model that is believed to mimic the human disease situation well, where it was shown to suppress fibrosis. In animal models, RXC008 dosed orally at 10 mg/kg once daily reduced tissue damage, colon erosion and ulceration, and strongly inhibited fibrosis. Likewise, RXC008 also shows strong anti-fibrotic effects in the chemically induced DSS GI fibrosis model, when dosed prophylactically at 10 mg/kg orally once daily. We are particularly excited by these results, which showed a reduction in fibrosis in the histology score and an observation of a 25% reduction in smooth muscle hyperplasia. Importantly, in this study carried out with Ghent University, presented at the Extracellular Matrix Pharmacology Congress in June 2022, we were also able to look at the inhibition of fibrosis with RXC008 using non-invasive MRI scans and showed that RXC008 reduced tissue entropy - a surrogate marker of fibrosis that correlates with histology scoring. We aim to use this translationally in our clinical trials going forward.

Crohn's disease affects 1.7m people globally[4], with over half developing stricture formation within the first 10 years of diagnosis[5]. There are currently no approved therapeutic treatments for this indication, with present treatment options limited to invasive surgical interventions including balloon dilation, stricture-plasty and eventually bowel resection. We are therefore extremely excited about the potential of RXC008 to be a first-in-class treatment option and transform the lives of these patients.

Discoidin domain receptors: a novel approach for the treatment of multiple fibrotic conditions

In addition to RXC008, in January 2022 we announced that we had identified potent proprietary **discoidin domain receptor (DDR)** inhibitors with drug-like characteristics that are now in lead optimisation. DDRs have recently gained traction as new druggable targets with the potential to treat multiple fibrotic conditions, including lung and kidney fibrosis. 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.

Post-period, in November 2022, work from this programme was presented as a poster at the American Society of Nephrology Kidney Week, which highlighted compelling preclinical data with our novel, potent, selective and orally active DDR1 inhibitor, in chronic kidney disease models. The data presented showed selective inhibition of DDR1, a reduction in inflammation and fibrosis in a mouse unilateral ureteral obstruction (UUO) model in both prophylactic and therapeutic intervention. Significantly, to our knowledge, this is the first example of selective inhibition of DDR1 with a small molecule giving rise to efficacy in mouse UUO models.

Academic collaborations continue to bear fruit

We have set ourselves the ambitious target of submitting three wholly-owned INDs by 2025, including RXC008, which is progressing towards a CTA/IND application at the end of 2023, and have grown our chemistry and biology teams accordingly in order to support this ambition. Outside of our in-house expertise, we have a broad network of contractors, partners and academic collaborators who we work with to support our ambition.

Academic collaborations are an integral part of the Redx approach to discovery and, in April 2022, we announced a collaboration with the Garvan Institute of Medical Research (the Garvan), a premier Australian medical research institute, which expanded on preclinical work already underway between Redx and the Garvan. The collaboration aims to better understand treatments that could lead to increased patient survival in currently very poorly treated, highly fibrotic cancers, such as pancreatic cancer. Together, we are developing an enhanced understanding of cancer-associated fibrosis through detailed scientific studies utilising patient-derived tumour tissue grown in mice, which is thereby able to mimic human disease as closely as possible.

The research brings together the Garvan's research capabilities and leading preclinical cancer models with our proprietary molecules in development for novel targets potentially implicated in cancer-associated fibrosis, such as Porcupine, ROCK2 and DDR. The programme provides cancer patients with access to targeted therapies matched to the genomic and/or the fibrotic signature of their tumour or tumour environment. RXC004 is being tested against RNF43 mutant pancreatic cancer, and preclinical work is ongoing to determine if the patient population may be expanded beyond RNF43 loss of function patients to include a wider fibrotic signature in pancreatic cancer. Pre-clinical data from the collaboration demonstrating the efficacy of targeting fibrosis associated with pancreatic cancer in mouse models with RXC004 and a Redx proprietary ROCK2 selective inhibitor was presented at the Extracellular Matrix Pharmacology Congress in June 2022 and post-period, in November 2022 at the SITC Conference.

Maximising The Full Potential of Our Product Pipeline

Redx has completed several major partnering deals in recent years, comprised of full asset sales, out-licencing agreements and research collaborations. During the period, these partnerships contributed significant, non-dilutive funding to the Company, through the receipt of $24 million (£18.1 million) in milestone payments.

In December 2021 a $10 million (£7.4 million) milestone was triggered under our oncology collaboration with Jazz Pharmaceuticals (Jazz), which entered its second year. Under this agreement, which is targeting the RAS-RAF-MAP kinase (MAPK) pathway, Redx is responsible for research and preclinical development activities up to IND application to the US Food and Drug Administration (FDA). One of the targets under this agreement is progressing towards IND application, the other was halted by Jazz in June 2022 due to pipeline prioritisation and the evolving competitive landscape.

Under a separate agreement with Jazz, signed in July 2019 and focused on developing a precision pan-RAF inhibitor, the team successfully achieved IND clearance from the FDA in June 2022, triggering a further $5 million (£4 million) milestone payment. **JZP815** targets specific components of the mitogen-activated protein kinase (MAPK) pathway that, when activated by oncogenic mutations, can be a frequent driver of human cancer. Redx was responsible for development activities up to completion of IND-enabling studies, and with this successful milestone, our work under this collaboration has now ceased and all further development is now being completed by Jazz, as per the agreement. Post-period, Jazz announced that the first patient had been dosed in Phase 1 clinical studies for JZP815, making it the fifth compound from Redx's discovery engine to successfully enter clinical development. Redx remains entitled to development, regulatory and commercial milestone payments as well as incremental tiered royalties in mid-single digit percentages, based on any future net sales of JZP815.

Further validating our business strategy and discovery engine capabilities is our out-licensing agreement with AstraZeneca, signed in August 2020, for **RXC006 (AZD5055)**, a Porcupine inhibitor being developed for the treatment of IPF. In December 2021, Redx earned a $9 million (£6.7 million) milestone for the initiation of Phase 1 trials in healthy volunteers with AZD5055, which completed the total $17 million (£12.6 million) available between deal signature and successful commencement of a clinical trial. Redx remains eligible to receive further development, regulatory and commercial milestone payments as well as tiered royalties of mid-single digit percentages, based on any future net sales of AZD5055.

We are proud of our ability to secure deals with top-tier partners who recognise the differentiated assets that we discover at Redx. 2022 was an exceptional year, with the receipt of $24 million (£18.1 million) in milestones, and both JZP815 and AZD5055 entering Phase 1 clinical studies, however we expect the momentum of milestones payments to slow as these candidates progress and if successful, future milestones will not be as frequent. Following the success of these partnership deals, in line with our strategy and business development plans, we will continue to review future development and commercialisation partnership opportunities as they arise.

Attracting and Retaining the Best People by Providing a World-Class Environment

Our people remain our biggest asset, driving our discovery engine with their world-class medicinal chemistry and translational science expertise. The integrated team comprises of both chemists and biologists and continues to utilise cutting edge technologies optimal for each specific programme. Announcing post-period that the fifth molecule from our discovery engine, JZP815, had entered Phase 1 clinical trials, is testament to their ability and determination. The underlying strength of our science has led to exciting developments for the Company both during the year, and post-period.

In December 2021, we strengthened the Board with the appointment of Dr Jane Griffiths as our new Chair, and in January 2022 with the addition of Dr Rob Scott as Non-Executive Director. We decided, after these appointments, to form a new Board committee, the Science Committee, which is responsible for reviewing and assessing Redx's R&D programmes and strategies, in addition to overseeing the Company's progress against its scientific goals. The committee is chaired by Dr Bernhard Kirschbaum, with Dr Rob Scott and Lisa Anson serving as members. We were pleased at our Annual General Meeting in March 2022 to receive strong support from our shareholders on all resolutions, including the re-election of our Board members.

Throughout the course of the year, we also added important new expertise to the leadership team in the form of newly created positions of General Counsel and Head of Quality. Post-period we were also delighted to appoint a Head of Business Development, who will drive our efforts in securing key partnerships as we bring more assets to clinical development.

As we develop as a clinical-stage biotech organisation and our team continues to grow, we are focusing more resource on providing the capabilities, infrastructure and skills required to support this growth. As we returned to more normalised working procedures following the COVID-19 pandemic, we took the opportunity to engage with all of our employees, including through a staff survey and a company-wide workshop aligning around our Company ambition and mission, which were well received and showed strong staff engagement. We see the investment in building a strong corporate culture as crucial - valuing our employees and continuing to attract top-tier talent will drive and ensure our continued success. As a team we have implemented an explicit set of values - Teamwork, Resilience, Innovation, High Standards and Agility. These are embedded throughout the business to ensure that Redx is not only a world-class biotech scientifically, but also culturally.

Further Strengthening of Our Financial Position

In order to continue to realise the full potential of our pipeline, we have worked hard to strengthen our balance sheet through a successful fundraise supplemented by non-dilutive milestone payments from our partnered programmes.

In June 2022, our shareholders approved a fundraise of £34.3 million (gross) at 59 pence per share, which was priced at market despite challenging macroeconomic conditions. The fundraise, which was approved by shareholders on 6 June 2022, added a new specialist healthcare investor, Invus, to our shareholder register, and we were delighted to receive strong support from all our major existing investors: Redmile Group, Sofinnova Partners, Polar Capital and Platinum Asset Management.

As a result, the Company ended the period with a cash balance of £53.9 million (30 September 2021: £29.6 million). This cash balance provides Redx with a cash runway into 2024 and allows us to fund our clinical development and research stage programmes to important value inflection points throughout 2023.

During the period, we increased investment in our research and development (R&D) activities significantly, with overall R&D expenditure of £28.6 million (2021: £24.4 million) reflecting our growth as a clinical-stage biotech and the strong progress made in our pipeline, with two assets now in Phase 2 clinical studies.

As a clinical-stage biotechnology company, we are acutely aware of the investment required to fully realise the potential of our pipeline and that we will therefore need to raise additional capital in a timely manner. We believe in the strength of our pipeline and that it provides an attractive opportunity to investors but remain cognisant of the wider macroeconomic climate and the uncertainty that it brings. The associated uncertainty, along with our judgement in relation to the maturity of convertible loan notes, is discussed in more detail in the basis of preparation of the Consolidated Financial Statements.

Outlook

We have focused on progressing our pipeline, delivering against our strategy and further establishing ourselves as a clinical-stage biotechnology company. We are delighted that we now have two wholly-owned programmes in Phase 2 clinical development, and we are excited that we will start to see data from these programmes throughout the next calendar year. There have also been some extremely exciting developments in our pre-clinical pipeline during the period, and we are looking forward to announcing more progress from our discovery engine in 2023, including with RXC008 as it progresses towards the clinic.

Global macroeconomic markets remain volatile and, as with any biotech company, we continue to observe the equity markets to identify opportunities to help secure our long-term financial security. Despite current market conditions, we believe that we have the right strategy, team and asset portfolio which will shape our ability to continue to secure future funding.

As well as thanking our Board whose experience and guidance is of huge importance to the success of Redx and thereby safeguarding value creation for our shareholders, I would like to take this opportunity to thank all of our staff, whose expertise and commitment are the foundation of Redx.

I continue to be excited by our pipeline and our prospects - we have a differentiated portfolio of assets which will address areas of significant unmet medical need and have real commercial potential, we have a world-class team and a strong balance sheet that position us for further growth. I look forward to reporting on this progress in 2023.

Lisa Anson
Chief Executive Officer

Operational Review
The Directors present this Operational Review for the year ended 30 September 2022 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), **Dr Richard Armer** (Chief Scientific Officer), **Peter Collum** (Chief Financial Officer), **Dr James Mead** (Chief Operating Officer) and **Dr Jane Robertson** (Chief Medical Officer) have continued in their positions throughout the year. **Claire Solk** joined as General Counsel in January 2022.

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.

	2022	2021	2020	2019
	£m	£m	£m	£m
Cash at year end	**53.9**	29.6	27.5	3.7

The Group made further significant progress in ensuring sufficient funding to deliver its development plan, through $27 million (£20.3 million) of milestone and partnering receipts, of which $3m was recognised in the prior year, and £34.3m (gross) from the share placing. The year-end cash balance is sufficient to fund the plan into 2024.

	2022	2021	2020	2019
	£m	£m	£m	£m
Total operating expenditure (excluding share based payment costs & exchange gains)	**34.4**	27.1	14.1	10.2

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.

	2022	2021	2020	2019
	£m	£m	£m	£m

Net increase in cash and cash equivalents (including certain one-off payments)	**24.3**	2.0	23.8	(2.8)

Significant positive cash flows continue to be achieved not only from financing activities, but also importantly from business partnerships with AstraZeneca and Jazz Pharmaceuticals. The inflows ensure that the Group has a cash runway into 2024 that allows it to fund its business plan during that period.

Financial Review

Financial position
At 30 September 2022, the Group had cash resources of £53.9 million (2021: £29.6 million). In June 2022, the Group raised £34.3 million (gross) via a placing of Ordinary shares, supported by both existing and new specialist investors, further strengthening the Group position.

The partnership with AstraZeneca generated a further $9 million (£6.7 million) milestone payment in the year, and collaborations with Jazz Pharmaceuticals yielded $18 million (£13.6 million) of cash receipts. Exercises of share options by current and former staff generated £0.3 million.

This funding is sufficient to allow the Group to fund its business plan into the calendar year 2024, based on currently budgeted levels of expenditure.

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 agreements with AstraZeneca and Jazz Pharmaceuticals (via milestone payments) and both the research collaboration with, and provision of research and preclinical development services to, Jazz Pharmaceuticals (covering both continuing and discontinued targets). Milestone income from AstraZeneca and Jazz Pharmaceuticals 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 5. 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 remain considerable as a consequence of the charging of a full year's "effective interest" (calculated in valuing the lease liability and convertible loan note liability under IFRS), on both the convertible loan notes and the lease of our premises at Alderley Park in the current financial year.
There was no actual cash interest paid in 2022 (2021: £nil).

Cash flows
Overall positive net cash flow for the year was £24.3 million, (2021: £2.0 million). See KPIs for details.

Taxation
The Group has prepared these financial statements on the basis that it will continue to be claiming Research and Development expenditure credits rather than R&D tax credits, as a result of the significant shareholding by Funds managed by Redmile Group LLC.

Consolidated Statement of Comprehensive Loss
For the year ended 30 September 2022

	Note	**Year ended 30 September 2022 £'000**	Year ended 30 September 2021 £'000
Continuing operations			
Revenue	**3**	**18,690**	10,035
Research and Development expenses		**(28,563)**	(24,445)
General and Administrative expenses		**(10,229)**	(6,492)
Exchange gains on translation		**2,297**	37
Other operating income		**1,539**	1,120
Loss from operations		**(16,266)**	(19,745)

Finance income		**187**	13
Finance costs		**(1,725)**	(1,711)
Loss before taxation		**(17,804)**	(21,443)
Income tax		**(201)**	(133)
Loss attributable to owners of Redx Pharma Plc		**(18,005)**	(21,576)
Other comprehensive income			
Items that may subsequently be reclassified to profit or loss			
Exchange difference from translation of foreign operations		**31**	29
Total comprehensive loss for the year attributable to owners of Redx Pharma Plc		**(17,974)**	(21,547)
Loss per share			
From continuing operations			
Basic & diluted (pence)	**4**	**(6.1)**	(8.4)

Consolidated Statement of Financial Position
At 30 September 2022 **Company No. 07368089**

	Note	2022 £'000	2021 £'000
Assets			
Non-current assets			
Property, plant and equipment		**2,699**	3,325
Intangible assets		**400**	405
Total non-current assets		**3,099**	3,730
Current assets			
Trade and other receivables		**5,498**	6,231
Current tax		**26**	32
Cash and cash equivalents		**53,854**	29,552
Total current assets		**59,378**	35,815
Total assets		**62,477**	39,545
Liabilities			
Current liabilities			
Trade and other payables		**5,958**	4,699
Contract liabilities	**5**	**4,893**	4,318
Borrowings	**6**	**15,731**	-
Lease liabilities		**623**	575
Total current liabilities		**27,205**	9,592
Non-current liabilities			
Borrowings	**6**		14,247
Lease liabilities		**1,951**	2,574
Total liabilities		**29,156**	26,413
Net assets		**33,321**	13,132
Equity			
Share capital	**7**	**3,349**	2,753
Share premium		**99,501**	66,299
Share-based compensation		**8,199**	4,752
Capital redemption reserve		**1**	1
Exchange translation reserve		**60**	29
Convertible note reserve		**3,524**	3,524

Retained deficit	**(81,313)**	(64,226)
Equity attributable to shareholders	**33,321**	13,132

Consolidated Statement of Changes in Equity
For the year ended 30 September 2022

	Share capital	Share premium	Share based payment	Capital Redemption Reserve	Exchange translation Reserve	Convertible Note Reserve	Retained Deficit	Total Equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 October 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
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**
Loss for the year	-	-	-	-		-	(18,005)	(18,005)
Other comprehensive income	-	-	-	-	31	-	-	31
Total comprehensive loss for the year	-	-	-	-	31	-	(18,005)	(17,974)
Transactions with owners of the Company								
Issue of ordinary shares	596	33,972	-	-	-	-	-	34,568
Transaction costs on issue of ordinary shares	-	(770)	-	-	-	-	-	(770)
Share based compensation	-	-	4,365	-	-	-	-	4,365
Release of share options lapsed in the year	-	-	(918)	-	-	-	918	-
Movement in year	596	33,202	3,447	-	31	-	(17,087)	20,189

At 30 September 2022	**3,349**	**99,501**	**8,199**	**1**	**60**	**3,524**	**(81,313)**	**33,321**

Consolidated Statement of Cash Flows
For the year ended 30 September 2022

	Year ended 30 September 2022 £'000	Year ended 30 September 2021 £'000
Net cash flows from operating activities		
Loss for the year	**(18,005)**	(21,576)
Adjustments for:		
Income tax	**201**	133
Finance costs	**1,725**	1,711
Finance income	**(187)**	(13)
Depreciation and amortisation	**886**	633
Share based compensation	**4,365**	3,785
Profit on disposal of assets	**(13)**	-
Movements in working capital		
Decrease/(increase) in trade and other receivables	**7,631**	(4,651)
(Decrease) in trade and other payables and provisions	**(5,593)**	(1,414)
Cash used in operations	**(8,990)**	(21,392)
Tax credit received	**333**	-
Interest received	**187**	13
Net cash (used in) / generated by operations	**(8,470)**	(21,379)
Cash flows from investing activities		
Sale of property, plant and equipment	**21**	-
Purchase of property, plant and equipment	**(262)**	(754)
Net cash used in investing activities	**(241)**	(754)
Cash flows from financing activities		
Proceeds of share issues	**34,568**	25,980
Share issue costs	**(770)**	(1,051)
Payment of lease liabilities	**(816)**	(786)
Net cash generated by financing activities	**32,982**	24,143
Net increase in cash and cash equivalents	**24,271**	2,010
Cash and cash equivalents at beginning of the year	**29,552**	27,513
Foreign exchange difference	**31**	29
Cash and cash equivalents at end of the year	**53,854**	29,552

Consolidated Statement of Cash Flows (Cont'd)
For the year ended 30 September 2022

Reconciliation of changes in liabilities arising from financing activities

	2022 £'000
IFRS 16 Lease liability	
Balance b/fwd	**3,149**
Payment of lease liabilities	**(816)**
Interest on lease liabilities	**241**
Balance c/fwd (disclosed as current and non-current lease liabilities)	**2,574**
Convertible loan notes	
Balance b/fwd	**14,247**
Interest	**1,484**

Balance c/fwd (disclosed as current borrowings)	**15,731**

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 UK adopted International Accounting Standards 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 2022 and 30 September 2021, 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 2021 have been filed with the Registrar of Companies, and those for 2022 will be delivered following the Company's Annual General Meeting. Auditors have reported on the statutory accounts for 2022 and 2021. The audit report for 2022 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 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 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 30 September, 2022 the Group held £53.9 million of cash and cash equivalents. The Group has a history of recurring losses from operations, including a net loss of £18.0 million for the year ended 30 September, 2022 and an accumulated deficit of £81.3 million at that date. In addition operational cash outflows continue to be driven by the ongoing focus on the research, development and clinical activities to advance the programmes within the Group's pipeline. The Group recorded a net increase in cash and cash equivalents of £24.3 million for the year ended 30 September, 2022 as a result of the receipt of milestones revenue on partnered programmes, plus the proceeds of the June financing. On 7 June, 2022 the Group closed the sale of 58,070,956 Ordinary shares, resulting in gross proceeds of £34.3 million (£33.5 million net of transaction costs).

As part of its approval of the Group's budget for the year ending 30 September 2023, the Board concluded that the Group holds sufficient cash and cash equivalents to provide a cash runway into January 2024 at currently budgeted levels and timings of expenditure and also on the assumption that the Group's convertible loans will be converted into equity of the Group, or that there will be an extension of the term of those convertible loans (see further discussion below).

In undertaking the going concern review, the Board has reviewed the Group's cash flow forecasts to 31 December, 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. Further funding is required under the Board's long-term plan to continue to develop its product candidates and conduct clinical trials, and the Group plans to raise significant further finance within this period, either from existing or new investors, and is exploring a number of different options to raise the required funding. Given these plans and requirements, a review period of 12 months is considered appropriate.

The Board has identified and assessed downside risks and mitigating actions in its review of the Group's cash flow forecasts. The potential requirement to repay the convertible loan notes and the ability of the Group to raise further capital are both circumstances outside the control of the directors. Accordingly, the downside risks include severe but plausible scenarios where external fund raising is not successful, where the Group underperforms against the business plan, and where the convertible loan notes are recalled rather than converted or extended. Mitigating actions include the delay of operating expenditure for research activities and restriction of certain discretionary expenditure including capital expenditure. In the event that the convertible loan notes are not converted or extended, the stated mitigating actions would be insufficient such that the Group would need to raise additional capital within the going concern period and this is outside of the control of the directors. Based on these conditions, the Group has concluded that the need to raise further capital from either existing or new investors and the potential need to repay the convertible loan notes represent material uncertainties regarding the Group's ability to continue as a going concern.

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

- the directors consider it highly unlikely that the convertible loan notes will be repaid in August 2023 given that the conversion price of 15.5p represents a significant discount to the open market price of Redx Pharma Plc share capital. This discount is around 74% when compared to the share price at which the 7 June, 2022 equity fundraising was completed, in which both convertible loan note holders participated.

- The directors do not currently expect the convertible loan notes to be recalled in August 2023.

- 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 milestone payments which have the potential to increase the Group's cash runway but are not included in the Directors' assessment given they are outside the control of management.

- the Group retains the ability to control capital and other discretionary expenditure and lower other operational spend.

There can be no assurance that the convertible loan notes will be converted or extended rather than recalled. If the loan notes are not converted or extended, the Group may not have sufficient cash flows to support its current level of activities beyond the maturity date. While the Group has successfully accessed equity and debt financing in the past, there can be no assurance that it will be successful in doing so now or in the future. In the event the loan notes are recalled, or additional financing is not secured, the Group would 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 programmes; 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 future business operations and financial condition.

The accompanying financial statements do not include any adjustments that would be required if they were not prepared on a going concern basis. Accordingly, the 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. Revenue

	2022	2021
	£'000	£'000
Revenue from milestones on scientific programmes	**10,693**	5,009
Revenue from research collaboration	**6,852**	2,751
Revenue from research and preclinical development services	**1,145**	2,275
	18,690	10,035

4. 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:

	2022	2021
	£'000	£'000
Loss for the period attributable to the owners of the Company	**(18,005)**	(21,576)
	Number	Number
Weighted average number of shares - basic and diluted	**294,182,774**	256,430,270
	Pence	Pence

Loss per share - basic and diluted	**(6.1)**	(8.4)

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 110,288,887 ordinary shares that could potentially dilute basic earnings per share on conversion.

5. Contract liabilities

	2022 £'000	2021 £'000
Contract liabilities	**4,893**	4,318
	4,893	4,318
Reconciliation		
Brought forward	**4,318**	7,069
Contract asset received	**7,427**	-
Transfer to revenue	**(6,852)**	(2,751)
Carried forward	**4,893**	4,318

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 £4.89 million as at 30 September 2022 (2021: £11.73 million) and is expected to be recognised as revenue in future periods as follows:

	2022 £'000	2021 £'000
Within 1 year	**3,920**	4,438
In the second to fifth years	**973**	7,297
	4,893	11,735

The contract liability (net of contract asset) relates to a single research collaboration contract. As a result of the discontinuance of one of the two targets being researched under the contract, there were no further obligations on the Group, and as amounts received to date are non-refundable, all remaining contract liabilities with regard to the discontinued target have been recognised as revenue (£5.52 million). The treatment of the remaining target remains in accordance with the stated accounting policies. During the year, the estimated time period for completion of obligations under the research collaboration contract was increased by six months.

6. Borrowings

	2022 £'000	2021 £'000
Convertible loan notes		
Current	**15,731**	-
Non-current	**-**	14,247
	15,731	14,247

On 4 August, 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 £4.57million 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 £127k and a decrease to 7.5% would increase the debt element by £129k.

Partial conversion
On 2 December, 2020 the Group announced that RM Special Holdings 3 LLC and Sofinnova Crossover 1 SLP would convert £3.33 million and £1.75 million 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. As of 30 September, 2021, an aggregate of £17.1 million 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 £17.1 million has been discounted at the effective interest rate determined on initial measurement, resulting in a discounted liability of £15.7 million (2021: £14.2 million).

7. Share Capital

	Note	**2022 Numbers**	2021 Numbers
Number of shares in issue			
In issue at 1 October		275,282,205	195,247,413
Issued for cash		58,070,956	45,833,641
Loan note conversion		-	32,806,159
Exercise of share options		1,558,297	1,394,992
In issue at 30 September		**334,911,458**	275,282,205

	£'000	£'000
Share Capital at par, fully paid		
Ordinary shares of £0.01		
At 1 October	2,753	1,952
Issued for cash	581	459
Loan note conversion	-	328
Exercise of share options	15	14
At 30 September	**3,349**	2,753

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 19 May, 2022, the Group announced that it had conditionally raised £34.3 million (gross) by way of a placing of Ordinary shares at 59p per share. All resolutions required to accomplish this were passed at a general meeting of shareholders on 6 June, 2022, and accordingly 58,070,956 new Ordinary shares were issued and admitted to trading on AIM on 7 June, 2022.

On 26 July, 2022, the Group announced the exercise of share options over 1,558,297 Ordinary shares. The exercise took place at prices ranging from 15.5p to 56p per Ordinary share. The gross amount received was £0.3 million and the shares were admitted to trading on AIM on 27 July, 2022.

8. 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:

In March 2020, as a result of the purchase of shares by RM Special Holdings 3, LLC ("Redmile"), it became a significant shareholder (>70%) and related party. The Group issued £14.5 million convertible loan notes to Redmile on 4 August 2020 on terms summarised in note 6. Redmile further participated in the placing of Ordinary shares in June 2022.

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. Sofinnova also participated in the placing of Ordinary shares in June 2022.

On 2 December, 2020 the Group announced that RM Special Holdings 3 LLC and Sofinnova Crossover 1 SLP would convert £3.33 million and £1.75 million 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 22 December, 2020. As of September 30, 2022, an aggregate of £17.1 million 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 £17.1 million has been discounted at the effective interest rate determined on initial measurement, resulting in a discounted liability of £15.7 million (note 6).

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	**2022 £'000**	2021 £'000
RM Special Holdings 3, LLC - convertible loan note interest	**995**	954
Sofinnova Crossover 1 SLP - convertible loan note interest	**489**	474
	1,484	1,428

Amounts owed to related parties	**2022 £'000**	2021 £'000
RM Special Holdings 3, LLC - loan note	**10,284**	9,289
Sofinnova Crossover 1 SLP - loan note	**5,447**	4,958
	15,731	14,247

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

9. 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.

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[1] *KEYTRUDA® is a registered trademark of Merck Sharp & Dohme LLC, a subsidiary of Merck & Co., Inc., Rahway, NJ, U.S.A.*

[2] Loilome et al. 2014, Boulter et al. 2015

[3] Incidence data sourced from GlobalData Epidemiology data (Major Markets: US, EU5, Japan, China)

[4] Clarivate, Crohn's disease disease landscape & forecast pg 39, Published Sep 2022

[5] Chan et al, 2018

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