Hemogenyx Pharma Plc - Half-year Report

9/28/2018

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Hemogenyx Pharmaceuticals PLC
28 September 2018

Hemogenyx Pharmaceuticals Plc

("HEMO" or "the Company")

Half-year Report
Interim Results for the period ended 30 June 2018

Hemogenyx Pharmaceuticals plc (LSE: HEMO), the Standard Listed biopharmaceutical group developing new therapies and treatments designed to transform bone marrow transplantation for the treatment of blood diseases, announces unaudited interim results for the six-month period ended 30 June 2018.

All financial amounts are stated in GBP British pounds unless otherwise indicated.

Key highlights

CDX Antibodies

- Continued progress towards the goal of submitting an IND application to the FDA for CDX

antibodies

- First data results show CDX antibodies can attack and eliminate Acute Myelogenous Leukemia *in vitro*
- Development agreement with Global pharmaceutical company for CDX antibodies

Humanised mice

- Patent application filed for new type of humanised mouse with chimeric mouse-human blood system
- Rockefeller University Research Collaboration targeting new treatments for Lupus using humanised mice
- Collaboration with major US biotechnology firm worth up to US$250,000

Board & SAB appointments

- Appointment of Sir Marc Feldmann, pioneer of anti-TNF therapy, as Executive Chairman
- Appointment of cancer research expert Dr Michael Shepard, inventor of Herceptin, major breast cancer drug to Scientific Advisory Board

Commenting on Outlook, Sir Marc Feldmann, Executive Chairman, said:

"Overall the Board is very pleased with the progress being made, in particular the unlocking of opportunities for CDX antibodies, as well as the potential value that can be created through the Company's new type of humanised mice. Hemogenyx is confident that these humanised mice will be of interest to large biopharmaceutical companies and has the potential to form the basis of significant future collaborations and the Company hopes to update shareholders on progress in this area.

"The Board believes that the Company is well-advanced on the planned development steps that were announced at Admission and we hope to provide further updates to shareholders as we progress. The Company looks forward to the future with confidence."

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About Hemogenyx Pharmaceuticals Plc

Hemogenyx Pharmaceuticals PLC. is a publicly traded company (LSE: HEMO) headquartered in London, with its wholly owned US operating subsidiary, Hemogenyx LLC, located in Brooklyn, New York at its state-of-the-art research facility ("Hemogenyx").

For more than 50 years, bone marrow transplantation has been used to save the lives of patients suffering from blood diseases. The risk of toxicity and death that are associated with bone marrow transplantation, however, have meant that the procedure is used only as a last resort and its use is restricted. Hemogenyx's technology has the potential to enable many more patients suffering from devastating blood diseases, such as leukemia and lymphoma, as well as severe autoimmune diseases, such as multiple sclerosis, aplastic anemia and systemic lupus erythematosus (Lupus), to benefit from bone marrow transplantation.

Hemogenyx is a pre-clinical stage biopharmaceutical group developing new medicines and treatments to bring the curative power of bone marrow transplantation to a greater number of

patients suffering from otherwise incurable life-threatening diseases. Hemogenyx is developing two distinct and complementary products, as well as a platform technology that it uses as an engine for novel product development.

Interim Management Report

Hemogenyx Pharmaceuticals plc presents an update on the Company for the six months ended 30 June 2018.

Hemogenyx Pharmaceuticals plc is the holding company for Hemogenyx LLC ("Hemogenyx"), a US based biotechnology company developing therapies to transform bone marrow and blood stem cell transplant procedures. The Company is developing two products based on a key finding made by Dr Vladislav Sandler, the Co-Founder and Chief Executive, for the $8-9 billion bone marrow / haematopoietic stem cell transplant market which could replace chemotherapy and radiation as a means of pre-transplant conditioning, as well as addressing the problem of stem cell donor availability and issues around relapse or cell rejection after transplantation.

These two products are:

Conditioning product ("CDX antibodies") - CDX bi-specific antibodies which redirect a patient's own immune cells to eliminate unwanted blood stem cells preparing a patient for bone marrow transplantation;

Cell therapy product ("Hu-PHEC") - Cell replacement product using Human Postnatal Hemogenic Endothelial Cells to generate cancer-free, patient-matched blood stem cells after transplant into the patient.

The Company has also developed a platform technology for disease modelling and drug discovery:

Advanced Hematopoietic Chimeras ("AHC") - Hemogenyx has developed a new type of humanised mice to advance its own product development, CDX antibodies. The unique properties of the AHC, a functional human immune system, converts them into a platform technology and opens up new exciting opportunities for the Company. These include disease modelling (blood cancers and severe autoimmune diseases) and pre-clinical testing of novel drugs and treatments. In addition, AHC are to become a source of revenue for the Company via paid collaboratioins with biopharmaceutical companies and research institutions.

To date, Hemogenyx has made impressive progress on its two products whilst efficiently using the Company's limited financial resources. The main focus is to progress the CDX antibodies initial conditioning product to readiness for clinical trials, as well as to continue to develop the Hu-PHEC cell therapy product.

H1 progress update

During the first half of the year, Hemogenyx continued to make progress towards the goal of submitting an IND (Investigational New Drug) application to the FDA for CDX antibodies.

The Company was able to demonstrate that CDX bi-specific antibodies were capable of attacking and eliminating the blood cancer Acute Myelogenous Leukemia (AML) *in vitro*, the first step in demonstrating that the lead candidate is effective in the treatment of AML. The Company hopes to be able to show that CDX bi-specific antibodies are capable of redirecting a patient's own immune cells to eliminate both AML and blood stem cells preparing a patient with relapsed/refractory AML for bone marrow transplantation. If succesful, this product would be able to complement, or possibly replace, traditional methods of chemotherapy and radiation currently used both in AML treatment and conditioning.

Hemogenyx was also very pleased to announce in May the signing of a development agreement with a leading global pharmaceutical company to complement the Company's own CDX antibodies development. Although the Company is unable to disclose the name of the collaborating company, Hemogenyx is encouraged by the support being received from it and believes this will greatly increase the probability of success in bringing CDX antibodies to clinical trials and beyond.

In late February the Company announced the filing of a provisional patent application relating to its newly developed AHC. At the time the Company expected this development to be of interest to large biopharmaceutical companies and has the potential to form the basis of a number of significant future collaborations. Subsequently, in May, the Company announced a collaboration

with a major US biotechnology company to use its AHC as a tool for drug development and testing in a deal worth up to approximately $250,000. The US biotechnology company is a leader in the field of blood cancer treatment, and whilst the details cannot be disclosed, the collaboration has been positive and the Company remains confident that this partnership has the potential to generate further income as it progresses.

In addition, May also saw the confirmation of a new collaboration agreement with Rockefeller University focused on utilising the Company's AHC for auto-immune disease modelling with the aim of developing new treatments for diseases such as Lupus. This collaboration has the potential to extend the Company's product candidate opportunities into a new and exciting area, whilst at the same time being funded through future non-dilutive grant funding.

Scientific Advisory Board & Board update

During the first half the Company was very pleased to welcome Dr Michael Shepard to the Scientific Advisory Board ("SAB"). Dr Shepard is a renowned cancer research specialist and his work led to the discovery and development of many successful cancer treatments including Herceptin/trastuzumab, an antibody used to treat breast cancer patients when he was at Genentech. Sales of Herceptin last year exceeded $6.5 billion worldwide.

Hemogenyx's SAB brings together a number of experienced experts with extensive biotech and large pharma drug development experience and their calibre is a reflection of the potential opportunity that the Company's therapies present.

In April Professor Sir Marc Feldmann extended his commitment to the Company and became Executive Chairman, in addition to his role as Chairman of the Scientific Advisory Board.

Financial Results

During the six months ended 30 June 2018 the Company recorded a loss of £647,423 (H1 2016: £137,170 loss). The increase in loss from the comparable period in 2017 reflects an increase in operational development made possible by the reverse acquisition and fundraising completed in October 2017.

The Company recorded consultancy income of £91,358 during the period ended 30 June 2018 (H1 2017: £103,004) which relates to funds received from a third party under a research collaboration programme associated with humanised mice.

As at present, the Company remains within budget for the developments of its products.

Outlook

Overall the Board is very pleased with the progress being made, in particular the unlocking of opportunities for CDX antibodies, as well as the potential value that can be created through the Company's new type of humanised mice. Hemogenyx is confident that its AHC will be of interest to large biopharmaceutical companies and has the potential to form the basis of significant future collaborations and the Company hopes to update shareholders on progress in this area.

The Board believes that the Company is well-advanced on the planned development steps that were announced at Admission and it hopes to provide further updates to shareholders as the Company progresses. The Company looks forward to the future with confidence.

Principal risks and uncertainties

The principal risks and uncertainties surrounding the Group's business are set out in detail in the Principal Risks and Uncertainties section of the Strategic Report included in the 2017 Annual Report and Accounts, a copy of which is available on the Group's website: ***https://hemogenyx.com/****. Those risks and uncertainties include, but are not limited to, the following factors:*

The risk factors are summarised below:

Risks relating to the Group's business strategy

The Group's business is relatively undeveloped

The operations of Hemogenyx are at a relatively early stage and, to date, no commercial sales of its products have been made. The ability of the Group to achieve commercialisation is dependent on a number of factors, many of which are outside of the Group's control. Examples of factors outside of the Group's control are the impact of Brexit, capital market conditions, FDA approval and competition.

Business Strategy of the Group

The development of clinical products for new medical treatments is inherently uncertain, with high failure rates in clinical studies for both early and late stage development products and such clinical studies can be expensive, time-consuming and complicated and there is no certainty as to the outcome of such studies. Even once clinical studies have been successfully carried out, later phase trials may not successfully replicate or improve on such outcomes.

Staffing and key personnel

The Group is reliant on a number of the key personnel, in particular Dr Vladislav Sandler who is the founder of Hemogenyx (refer to Corporate Governance Report for further detail). Whilst the Group has endeavoured to ensure that it has contractual arrangements which include non-compete restrictions in place with such persons to lessen the risk of them ceasing to be involved with the Group, in the event that the Group was to lose the services of such individuals, its results could be adversely affected.

Costs to commercialisation

The ability of the Group to bring its products to first commercial sale will be dependent in part on the overall costs of manufacturing and the costs involved could be significant and there is no guarantee that the sale prices achievable for its products will be viable and sustainable.

Clinical studies and timelines risk

Hemogenyx is currently progressing its CDX and Hu-PHEC product candidates through preclinical development. Although encouraging results have been achieved so far, there can be no certainty that these results can be reproduced in clinical trials. The monies raised in the Placing and the Subscription in October 2017 are intended to support those preclinical development activities.

The development of clinical products for new medical treatments is inherently uncertain, with high failure rates in clinical studies for both early- and late-stage development products. Furthermore, such clinical studies (Phase 1, Phase 2a/2b, Phase 3) are typically expensive, complex, can take considerable time to complete and have uncertain outcomes.

Furthermore, as a result of adverse, undesirable, unintended or inconclusive results from any testing or clinical trials (which have yet to be designed), the future progress, planning and potential

treatment outcome of the products and clinical programmes may be affected, and may potentially prevent or limit the commercial use of one, many or all of the Company's products. In addition, later phase clinical trials may fail to show the desired safety and efficacy obtained in earlier studies, and a successful completion of one stage of clinical development of an investigational clinical product does not ensure that subsequent stages of clinical development will be successful.

Failure can occur at any stage of clinical development and, as a result, enforced delays to the clinical development plan could delay or prevent commercialisation of the Company's product candidates. Various factors associated with the potential failure or delay in completing a clinical programme include, but are not limited to:

- *Delays in securing clinical investigators or clinical study sites;*
- *Delays in securing any regulatory authority, hospital ethics committee, or institutional review board approval or approvals necessary to commence a clinical study;*
- *Delays or failure to recruit a sufficient number of clinical study participants in accordance with the clinical study protocol;*
- *Difficulty or inability to monitor subjects adequately during or after treatment;*
- *Inability to replicate in Phase 3 controlled studies any safety and efficacy data obtained from controlled Phase 2a/2b clinical studies;*
- *Difficulty or inability to secure clinical investigator compliance to follow the approved clinical study protocol; and*
- *Unexpected adverse events or any other safety or related issues.*

<u>Research and development risk</u>

The Group operates in the biotechnology and bio-pharmaceutical development sectors and carries out complex scientific research. If the research or preclinical testing or clinical trials of any of Hemogenyx's product candidates fail, meaning that these candidates will not be licensed or marketed, this would result in a complete absence of revenue from these failed candidates. Positive results from preclinical and early clinical studies do not guarantee positive results from clinical trials required to permit application for regulatory approval. Furthermore, the Group may discontinue the development of candidates if results are not positive or unlikely to further its progress towards a meaningful outcome or collaboration.

Intellectual property (IP) infringement

The Group may be subject to future litigation concerning its own IP and the IP of others. Adverse judgements in relation to its IP would likely have negative outcomes for its results of operations.

Environmental and other regulatory requirements

The event of a breach with any environmental or regulatory requirements may give rise to reputational, financial or other sanctions against the Group, and therefore the Board considers these risks seriously and designs, maintains and reviews its policies and processes so as to mitigate or avoid these risks. Whilst the Board has a good record of compliance, there is no assurance that the Group's activities will always be compliant.

Financing

The Group's ability to develop its product through to commercial sale will depend upon the Group's ability to obtain financing primarily through a further raising of new equity capital. Although the Group has been successful in raising new equity capital there can be no guarantee that it will be able to do so in the future. The Group may not be successful in procuring the requisite funds on terms which are acceptable to it (or at all) and, if such funding is unavailable, would raise questions over its ability to further develop its products through to commercialisation. Further, Shareholders' holdings of Ordinary Shares may be materially diluted if debt financing is not available.

Market Conditions

Market conditions, including general economic conditions and their effect on exchange rates, interest rates and inflation rates, may impact the ultimate value of the Group regardless of its operating performance. The Group also faces competition from other organisations, some of which may have greater resources or be more established in a particular territory. The Board considers and reviews all market conditions to try and mitigate any risks that may arise from these.

Political and Country risk - EU Referendum

The Company is quoted in the United Kingdom (UK) and operates in the UK and European Union (EU), in addition to other territories. As a result of the Referendum result, the Company may be subject to the impact of the UK leaving the EU. As a result, given the ongoing uncertainty surrounding the situation the Company is monitoring matters and seeking advice as to how to mitigate the risks arising.

Responsibility Statement

We confirm that to the best of our knowledge:

- the Half Year Report has been prepared in accordance with International Accounting Standards 34, Interim Financial Reporting, as adopted by the EU; and

- gives a true and fair view of the assets, liabilities, financial position and loss of the Group; and

- the Half Year Report includes a fair review of the information required by DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the set of interim financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year.

- The Half Year Report includes a fair review of the information required by DTR 4.2.8R of the Disclosure and Transparency Rules, being the information required on related party transactions.

The Half Year Report was approved by the Board of Directors and the above responsibility statement was signed on its behalf by:

Lawrence Pemble

Chief Operating Officer

28 September 2018

Condensed Consolidated Interim Statement of Comprehensive Loss

For the six months ended 30 June 2018

Continuing Operations	**Note**	**6 months to 30 June 2018 Unaudited** £	6 months to 30 June 2017 Unaudited £
Revenue		**-**	-
Administrative Expenses		**715,474**	220,853
Depreciation Expense		**24,747**	13,097
Operating Loss		**(740,221)**	(233,950)

Other Income	5	**91,358**	103,004
Interest income		**1,440**	169
Finance Costs		**-**	(6,393)
Loss before Taxation		**(647,423)**	(137,170)
Tax credit		**-**	-
Loss for the period attributable to equity owners		**(647,423)**	(137,170)
Items that will be reclassified subsequently to profit or loss:			
Translation of foreign operations		**20,783**	(16,660)
Other Comprehensive income for the year		**(626,639)**	(153,830)
Total comprehensive income to the year attributable to the equity owners		**(626,639)**	(153,830)
Basic and diluted earnings (per share)	6	**(0.00)**	(0.00)

The 2017 comparatives are for the trading entity in compliance with IFRS following the reverse acquisition in 2017. For further information please refer to Note 4 of the Audited Financial Statements for the year ended 31 December, 2017

Condensed Consolidated Interim Statement of Financial Position

As at 30 June 2018

	Note	30 June 2018 Unaudited	Year Ended 31 December 2017 Audited
		£	£
Assets			
Non-current assets			
Property, plant and equipment	7	**194,326**	191,578
Intangible asset		**263,132**	257,525
Total non-current assets		**457,458**	449,103
Current assets			
Trade and other receivables		**183,296**	69,784
Cash and cash equivalents		**1,242,926**	1,876,655
Total current assets		**1,426,222**	1,946,439
Total assets		**1,883,680**	2,395,542
Equity and Liabilities			

Equity attributable to shareholders			
Paid-in Capital			
Called up share capital	8	**3,601,762**	3,600,514
Share premium		**7,340,631**	7,341,056
Other reserves		**450,824**	369,147
Reverse asset acquisition reserve		**(6,157,894)**	(6,157,894)
Foreign currency translation reserve		**6,799**	(13,984)
Retained Earnings		**(3,654,405)**	(3,006,982)
Total Equity		**1,587,717**	2,131,857
Liabilities			
Non-current liabilities			
Trade and other payables		**12,713**	-
Total non-current liabilities		**12,713**	-
Current liabilities			
Trade and other payables		**283,250**	263,685
Total Current Liabilities		**283,250**	263,685
Total Liabilities		**295,963**	263,685
Total equity and liabilities		**1,883,680**	2,395,542

The 2017 comparatives are the audited consolidated group for the year ended 31 December, 2017 as published on 1 June 2018.

Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended 30 June 2018

	Called up Share Capital	Share Premium	Other reserves	Reverse acquisition reserve	Foreign currency translation reserve	Retained losses	Total Equity
	£	£	£	£	£	£	£
As at 1 January 2017	1,010,849	-	-	-	22,668	(645,383)	388,134
Loss in period	-	-	-	-	-	(137,170)	(137,170)
Other Comprehensive Income	-	-	-	-	(16,660)	-	(16,660)
Total comprehensive income for the period	-	-	-	-	(16,660)	(137,170)	(153,830)
As at 30 June 2017 (unaudited)	1,010,849	-	-	-	6,008	(782,553)	234,304
As at 1 January 2018	**3,600,514**	**7,341,056**	**369,147**	**(6,157,894)**	**(13,984)**	**(3,006,982)**	**2,131,857**
Loss in period	-	-	-	-		(647,423)	(647,423)
Other Comprehensive Income	-	-	-	-	20,783	-	20,783

Total comprehensive income for the period	-	-	-	-	20,783	(647,423)	(626,640)
Issue of share capital	1,248	3,745	-	-	-	-	4,993
Issue of options (Note 8)	-	-	77,507	-	-	-	77,507
Market value of warrants	-	(4,170)	4,170	-	-	-	-
As at 30 June 2018 (unaudited)	**3,601,762**	**7,340,631**	**450,824**	**(6,157,894)**	**6,799**	**(3,654,405)**	**1,587,717**

The 2017 comparatives are for the trading entity in compliance with IFRS following the reverse acquisition in 2017. For further information please refer to Note 4 of the Audited Financial Statements for the year ended 31 December, 2017

Condensed Consolidated Interim Statement of Cash Flows

For the six months ended 30 June 2018

Group	**Note**	**6 months to**	6 months to

		30 June 2018 Unaudited	30 June 2017 Unaudited
		£	£
Cash flows generated from operating activities			
Loss for the period		**(647,423)**	(137,170)
Depreciation		**24,747**	13,097
Other non-cash items interest/professional fees (shares issued)		**-**	-
Interest income		**(1,440)**	(169)
Interest expense		**-**	6,393
Share based payments	9	**77,507**	-
Increase in trade and other payables		**32,276**	(16,206)
(Increase)/decrease in trade and other receivables		**(113,430)**	157,320
Net cash outflow used in operating activities		**(627,763)**	23,265
Cash flows generated from financing activities			
Proceeds from issuance of equity securities		**4,993**	-
Net cash flow generated from financing activities		**4,993**	-
Cash flows generated from investing activities			
Interest income		**1,440**	169
Purchase of property, plant & equipment		**(24,351)**	(11,021)
Net cash flow generated from investing activities		**(22,911)**	(10,852)
Net increase in cash and cash equivalent		**(645,681)**	12,413
Effect of exchange rates on cash		**11,952**	(4,874)

Cash and cash equivalents at the beginning of the period	**1,876,655**	87,223
Cash and cash equivalents at the end of the period	**1,242,926**	94,762

Major non-cash transactions

There were no major non-cash transactions during the period.

The 2017 comparatives are for the trading entity in compliance with IFRS following the reverse acquisition in 2017. For further information please refer to Note 4 of the Audited Financial Statements for the year ended 31 December, 2017

Notes to the Condensed Consolidated Interim Financial Statements

1. GENERAL INFORMATION

The Group's business is preclinical-stage biotechnology focused on the discovery, development and commercialization of innovative treatments relating to bone marrow/hematopoietic (blood-

forming) stem cell (BM/HSC) transplants for blood diseases, including leukaemia, lymphoma and bone marrow failure. The products under development are designed to address a range of problems that occur with current standard of care treatments.

The Company's registered office is located at 5 Fleet Place, London EC4M 7RD, and is listed on the London Stock Exchange.

2. INTERIM FINANCIAL INFORMATION

The condensed consolidated interim financial statements are for the six months period ended 30 June 2018. The condensed consolidated interim financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2017, which were prepared under International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

The condensed consolidated interim financial statements have not been audited nor have they been reviewed by the Group's auditors under ISRE 2410 of the Auditing Practices Board. These condensed consolidated interim financial statements do not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The Group's statutory financial statements for the year ended 31 December 2017 prepared under IFRS have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain a statement under Section 498(2) of the Companies Act 2006.

3. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated interim condensed financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Basis of Preparation

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting'. The accounting policies adopted in this report are consistent with those of the annual financial statements for the year to 31 December 2017 as described in those financial statements. A number of new or amended standards became applicable for the current reporting period, but they did not have any impact on the group's accounting policies and did not require retrospective adjustments.

Going Concern

The preparation of financial statements requires an assessment on the validity of the going concern assumption.

The Directors have reviewed projections for a period of at least 12 months from the date of approval of the financial statements. The condensed consolidated interim financial statements have been prepared on the going concern basis. The Group's forecasts and projections show that the Group should be able to operate within the level of its current available working capital and working capital facilities for the next 12 months. Therefore the Directors consider the going concern basis appropriate.

Segmental Reporting

The Group's operations are located in New York, USA with the head office located in the United Kingdom. The main assets of the Group, cash and cash equivalents, are held in United Kingdom and adequate amounts are transferred to the USA operating business on a quarterly basis on approval from the board.

The Group currently has one reportable segment - biotechnology company focused on the discovery, development and commercialization of innovative treatments relating to bone marrow/hematopoietic (blood-forming) stem cell (BM/HSC) transplants for blood disease.

Accounting Policies

The accounting policies applied by the Group in these half-yearly results are the same as those

applied by the Group in its consolidated financial information in its 2017 Annual Report and Accounts, with the exception of the new standards the Group adopted as of 1 January 2018, included below.

Standards issued and adopted

IFRS 9, Financial Instruments

As of 1 January 2018, the Group adopted IFRS 9, Financial Instruments ("IFRS 9"), which replaced IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 addresses the classification, measurement and recognition of financial assets and liabilities. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income ("FVOCI"), and fair value through the profit and loss statement ("FVTPL"). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the entity's business model and of the financial asset. Investments in equity instruments are required to be measured at FVTPL with the irrevocable option at inception to present changes in fair value in other comprehensive income. There is now a new expected credit losses model that replaces the incurred loss impairment model previously used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in Other Comprehensive Income/(Loss) for liabilities designated at FVTPL. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the hedged ratio to be the same as the one management uses for risk management purposes. Contemporaneous documentation is still required but is different than what was prepared under IAS 39.

The Group has applied IFRS 9 but there have been no adjustments required following adoption as detailed below.

The accounting policy that reflects the new accounting standard for IFRS 9 is effective from 1 January 2018 and is as follows:

Financial instruments

Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- Those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.
For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets are expensed and carried at FVTPL.

Equity instruments

The Group has no equity investments other than investment in its subsidiaries which is held at amortised cost. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payment is established.

Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The Group has reviewed the financial assets and liabilities and determined the following impact

from the adoption of the new standard:

Financial Assets

The Group reviewed the financial assets reported in its Consolidated Statements of Financial Position and completed an assessment between IAS 39 and IFRS 9 to identify any accounting changes. The financial assets subject to this review were: Cash and cash equivalents and Trade and other receivables. Due to the nature of the financial assets held and their lack of complexity, the classification and measurement model, impairment, and interest income, the accounting impact on financial assets was not material.

Financial Liabilities

The Group reviewed the financial liabilities reported on its Consolidated Statements of Financial Position and completed an assessment between IAS 39 and IFRS 9 to identify any accounting changes. The financial liabilities subject to this review were the trade and other receivables. Based on this assessment of the classification and measurement model, impairment, and interest expense, the accounting impact on financial liabilities was determined not to be material.

IFRS 15, Revenue from Contracts with Customers

IFRS 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard is effective for annual periods beginning on or after 1 January 2018, and supersedes: IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC-31 Revenue-Barter Transactions Involving Advertising Services. The standard establishes a five-step principle-based approach for revenue recognition and is based on the concept of recognising an amount that reflects the consideration for performance obligations only when they are satisfied, and the control of goods or services is transferred.

The majority of the Group's revenue is derived from fees related to collaboration agreements, and service agreements entered into or received by the Group's subsidiaries. During 2017, the Group completed an impact assessment of IFRS 15 and concluded that the adoption of IFRS 15 does not have a material impact on its consolidated results as detailed below.

Management reviewed contracts where the Group received consideration in order to determine whether or not they should be accounted for in accordance with IFRS 15. To date, Hemogenyx has entered into few transactions that meet the scope of IFRS 15. Instead, most income has been generated through collaboration agreements and service agreements with counterparties that do not meet the definition of a customer, and therefore the contracts fall outside the scope of IFRS 15 and have been accounted for in accordance with IAS 20. For those few agreements where the counterparty meets the definition of a customer, the contracts are accounted for in accordance with IFRS 15, and revenue is recognised at either a point-in-time or over time, depending on the nature of the services and existence of acceptance clauses.

The accounting policy that reflects the new accounting standard for IFRS 15 is effective from 1 January 2018 and is as follows:

Revenue generated by collaboration and service agreements is accounted for under IFRS 15. The Group accounts for agreements that meet the definition of IFRS 15 by applying the following five step model:

- Identify the contract(s) with a customer - A contract with a customer exists when (i) the Group enters into an enforceable contract with a customer that defines each party's rights regarding the goods or services to be transferred and identifies the payment terms related to those goods or services, (ii) the contract has commercial substance and, (iii) the Group determines that collection of substantially all consideration for goods or services that are transferred is probable based on the customer's intent and ability to pay the promised consideration.

- Identify the performance obligations in the contract - Performance obligations promised in a contract are identified based on the goods or services that will be transferred to the customer that are both capable of being distinct, whereby the customer can benefit from the good or service either on its own or together with other resources that are readily available from third parties or from the Group, and are distinct in the context of the contract, whereby the transfer of the goods or services is separately identifiable from other promises in the contract.

- Determine the transaction price - The transaction price is determined based on the consideration to which the Group will be entitled in exchange for transferring goods or

services to the customer. To the extent the transaction price includes variable consideration, the Group estimates the amount of variable consideration that should be included in the transaction price utilising either the expected value method or the most likely amount method depending on the nature of the variable consideration. Variable consideration is included in the transaction price if, in the Group's judgment, it is probable that a significant future reversal of cumulative revenue under the contract will not occur. Determining the transaction price requires significant judgment, which is discussed by revenue category in further detail below.

- Allocate the transaction price to the performance obligations in the contract - If the contract contains a single performance obligation, the entire transaction price is allocated to the single performance obligation. Contracts that contain multiple performance obligations require an allocation of the transaction price to each performance obligation based on a relative standalone selling price basis unless the transaction price is variable and meets the criteria to be allocated entirely to a performance obligation or to a distinct good or service that forms part of a single performance obligation. The Group determines standalone selling price based on the price at which the performance obligation is sold separately. If the standalone selling price is not observable through past transactions, the Group estimates the standalone selling price taking into account available information such as market conditions and internally approved pricing guidelines related to the performance obligations.

- Recognise revenue when (or as) the Group satisfies a performance obligation - The Group satisfies performance obligations either over time or at a point in time as discussed in further detail below. Revenue is recognised at the time the related performance obligation is satisfied by transferring a promised good or service to a customer.

  Revenue generated from services agreements is determined to be recognised over time when it can be determined that the services meet one of the following: (a) the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs; (b) the entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

  It was determined that the Group has contracts that meet the following criteria and revenue

is recognised on a milestone achievement basis in accordance with the collaboration agreement.

New Accounting Standards and Interpretations in issue but not applied in the Financial Statements

i. New standards, amendments and Interpretations in issue but not yet effective

The standards and interpretations that are issued, but not yet effective, at the reporting date are listed below. The Group intends to adopt these standards, if applicable, when they become effective.

- IFRS 16 - 'Leases' This standard replaces the current guidance in IAS 17 - 'Leases' and is a far-reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts.

  IFRS 16 includes an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting remains substantially unchanged. IFRS 16 provides updated guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts); under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

  The standard is effective for annual periods beginning on or after 1 January 2019. The Group is currently assessing the impact of IFRS 16.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements in conformity with International Financial Reporting

Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2017.

5. OTHER INCOME

Other income of £91,358 during the period ended 30 June 2018 (H1 2017: £103,004) relates to funds received from a third party under a research collaboration programme relating to humanised mice.

6. EARNINGS PER SHARE

The calculation of the Basic and fully diluted earnings per share is calculated by dividing the loss for the six months from continuing operations of £647,423 (six months to 30 June 2017: £137,170) for the Group by the weighted average number of ordinary shares in issue during those periods of 360,072,739 and 228,571,428 respectively.

2017 weighted average number of shares is adjusted for the impact of the reverse acquisition as explained in the annual financial statements for the year to 31 December 2017.

Dilutive loss per Ordinary Share equals basic loss per Ordinary Share as, due to the losses incurred in the six months to 30 June 2018 and six months to 30 June 2017, there is no dilutive effect from the subsisting share options.

7. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group acquired assets with a cost of £24,351 (the six months ended 30 June 2017: £11,021).

8. CALLED UP SHARE CAPITAL

Group	Class A shares Number	Class B shares Number	Ordinary shares Number	£
As at 1 January 2017	13,153,846	8,769,230	-	1,010,849
As at 30 June 2017	13,153,846	8,769,230	-	1,010,849
As at 1 January 2018	-	-	360,051,358	3,600,514
Issue of shares for exercise of warrants 29 May 2018	-	-	124,826	1,248
As at 30 June 2018	**-**	**-**	**360,176,184**	**3,601,762**

The issued capital of the Group for the period 1 January 2017 to 30 June 2017 is that of Hemogenyx LLC. Upon completion of the acquisition on October 4 2017 the share capital of Hemogenyx LLC was transferred to the Reverse acquisition reserve and the share capital of Hemogenyx Pharmaceuticals PLC was brought to account.

9. SHARE-BASED PAYMENTS

Options

During the six months to 30 June 2018 18,002,568 options were issued to directors, 712,085 options were issued to employees and 5,340,643 advisor options were cancelled.

A schedule of options granted is below:

	Number options
Employees, including directors	27,259,681
Members of the Scientific Advisory Board	10,681,286
Total	37,940,967

The weighted average fair value of the options granted during the six months ended 30 June 2018 was £0.0086 (30 June 2017: £Nil).

The following table lists the inputs to the models used for the plan for the six months ended 30 June 2018:

	January 2018 (EMP)	April 2018 (EMP)
Expected volatility %	50.09	45.32
Risk-free interest rate %	0.577	0.918
Expected life of options (years)	2	3
Weighted average exercise price - pence	3.5	3.5
Weighted average share price	2.4	3.2
Expected dividend yield	-	-
Model used	Black Scholes	Black Scholes

For the six months ended 30 June 2018, the Group has recognised £77,507 of share-based payment expense in the statement of profit or loss (30 June 2017: £Nil).

Warrants

The share placement that completed on 4 October 2017 with the issue of 57,142,857 shares at £0.035 carried 1 for 2 warrants for qualifying shareholders over 62,021,429 new ordinary shares at £0.04 per share. In order to qualify for these warrants the shareholder must have retained the shares for a period of 60 days after admission.

As at 30 June 2018 45,647,460 warrants had been issued to eligible IPO participants who had been identified, and of this amount 124,826 warrants had been exercised. A total of 16,498,796 warrants potentially are still to be issued however it is not known if or when these warrants will be issued as the identity of the holders is not known. The 16,498,796 warrants have a value of £99,943 and applying a reasonable discount of 40% to allow for the probabilty of the identity of the warrant holders remaining unknown, an adjusted value £59,966 has not been brought to account in the Condensed Consolidated Interim Statement of Financial Position due to uncertainty.

10. EVENTS AFTER THE REPORTING PERIOD

There have been no significant events post period end.

END

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