

**SAREUM HOLDINGS PLC**

**(“Sareum” or “the Company”)**

**HALF-YEARLY RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2016**

Sareum Holdings plc (AIM: SAR), the specialist cancer drug discovery and development business, announces its half-yearly results for the six months ended 31 December 2016, a period in which it made good progress with its cancer and autoimmune disease research programmes.

**Operational highlights**

- Chk1 inhibitor cancer drug candidate CCT245737 (renamed SRA737) licensed to Sierra Oncology, Inc. (NASDAQ: SRRR; formerly ProNAi Therapeutics, Inc.) by co-investment partner, the CRT Pioneer Fund triggering an upfront payment of US\$1.9 million to Sareum.
- Successful outcome from TYK2 cancer feasibility study with results supporting case to advance programme further; data presented at the AACR-NCI-EORTC international cancer conference in Munich, Germany.
- Further patent grants for Aurora+FLT3 kinase programme in Japan, Singapore, China, and Hong Kong, completing IP protection for the candidate in all major territories.

**Financial highlights**

- Share of income from associates, relating to the Chk1 programme, was £1,518,000 (2015: nil), delivering a share of profit of £1,301,000 (2015: share of loss £167,000) after costs.
- Maiden profit on ordinary activities (after taxation) of £573,000 (2015: Loss of £485,000).
- Cash at bank at period end was £2,305,000 (2015: £335,000) and the Company’s unspent investment in the Chk1 Project was £258,000 (2015: £841,000).

**Post period end**

- First milestone for Chk1 licence agreement achieved following successful transfer of two ongoing Phase 1 clinical trials to Sierra Oncology; Sareum to receive \$550,000 as its share of this.

**Dr Tim Mitchell, CEO of Sareum Holdings plc, said:** “With the share of income from the upfront and the first milestone payments for Chk1, we intend to accelerate research into our three other programmes while seeking to develop or in-license new autoimmune or anti-cancer candidates. We expect to report a modest profit for the full year.”

**Sareum Holdings plc**

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## Half-yearly results for the six months ended 31 December 2016

### Chairman and CEO's Statement

The highlight of the first half of the year was the licence agreement for the Chk1 programme. Our £1.5 million share of the initial upfront payment by Sierra Oncology, Inc. has enabled us to record a maiden profit for the first half of the year. This, combined with our £0.45 million share of the first milestone payment in January 2017, makes us confident that we will also report a profit for the full year.

### Programme updates

#### Checkpoint Kinase 1 (Chk1)

*Targeting lung, pancreatic and other cancers, licensed to Sierra Oncology*

This programme was successfully licensed to Sierra Oncology (NASDAQ:SRRA) in September 2016. The handover of the running of the two ongoing clinical trials was completed in January 2017, resulting in a \$2 million milestone payment by Sierra, of which Sareum will receive approximately £450k.

Additional payments in the aggregate amount of up to US\$319.5 million become payable upon achievement of certain development, regulatory and commercial milestones. Sierra Oncology will also owe high single to low double digit royalties on the net sales of any product successfully developed. Sareum would be entitled to 27.5% of any such payments.

The Phase I clinical trials in cancer patients initially opened at the Royal Marsden Hospital, London in May 2016 and, since then, two other centres have started to recruit patients; the Velindre Cancer Centre, Cardiff and the Freeman Hospital, Newcastle.

Sierra Oncology has recently announced that it expects to issue an update on these trials towards the end of 2017. It also notes that it is considering further trials of SRA737 in combination with targeted and immuno-oncology therapies, and expects to report preclinical data on these combination studies during the second half of 2017.

#### Aurora+FLT3

*Targeting AML and other blood cancers, in partnership with HMUBEC*

The drug candidate has been assessed in several disease models which confirmed AML, and particularly FLT3 mutant AML, as the initial therapeutic target. Development of a biomarker strategy to support future Phase 1 clinical trials has made good progress, with the candidate showing measurable reductions on markers downstream of both Aurora B and FLT3 signalling in a disease model of FLT3 mutant AML.

Preclinical development is being funded entirely by Sareum's Chinese partners, HMUBEC. In order to overcome the delays previously reported with the programme, a new contract research organisation (CRO) with strong experience of preclinical development to the standards required by the China FDA and US FDA has been appointed.

During the period, our intellectual property was strengthened by notifications of patents granted in China, Hong Kong, Singapore, and Japan. As a result, Sareum now has approved patent protection in all the major territories for this programme.

## **TYK2**

With funding no longer required for the Chk1 programme, and using the share of income from the licensing agreement, we are now able to increase significantly the resources allocated to our TYK2 programmes.

### *Targeting psoriasis, rheumatoid arthritis, and other autoimmune disorders, in partnership with SRI International*

We have previously reported the efficacy of our TYK2 inhibitors, including SAR-20347, in disease models of psoriasis, rheumatoid arthritis, and colitis, and, in the latter two cases, how our compounds compare favourably with a marketed JAK family kinase inhibitor.

Following its success in these models, SAR-20347 is also being investigated by our collaboration partner, SRI International, in disease models of lupus. These studies are supported by a US government research grant of approximately US\$360k.

New analogues have recently been synthesised and initial analysis indicates improved activity and selectivity over SAR-20347. These molecules are being evaluated in relevant disease models, and the results will be reported in due course.

### *Targeting acute lymphoblastic leukemia (“T-ALL”) and other cancers*

Initial studies, assisted by funding of £140k from the Innovate UK Biomedical Catalyst Fund, to investigate the potential of our lead molecules to inhibit TYK2 signalling to treat T-ALL have concluded successfully. The study culminated in a T-ALL disease model study in which Sareum’s compounds, dosed orally, were well tolerated, presented good exposure to plasma and tumour tissue and showed a dose-dependent effect on a biomarker of TYK2 inhibition and tumour reduction of up to 80%.

In November 2016, Sareum’s CSO, Dr John Reader presented these data at the AACR-NCI-EORTC international cancer conference in Munich, Germany.

Following on from these positive results, we will now be working toward completing the optimisation of the lead molecules and looking to demonstrate their efficacy in further cancer models. Of particular interest is a recent report in the journal “Cell” on how interferon signalling, potentially controlled by TYK2, can lead to tumour cells becoming resistant to the new immune checkpoint blocking therapies. We will be investigating the potential for our TYK2 inhibitors to overcome this resistance.

In order to support these studies, we will investigate further grant funding opportunities.

## **Financial review**

The Company ended the period with net assets of £2,510,000 (2015: £1,380,000) of which £2,305,000 (2015: £335,000) comprised cash at bank. Non-cash assets include £258,000 of "Investment in Associate" in respect of our share of unspent investment in the Chk1 co-development partnership and £155,000 of R&D tax credit.

Operating expenses for the period have increased to £750,000 (2015: £449,000). This increase includes an ongoing raise in research expenditure on our TYK2 cancer and autoimmune disease programmes and one-off charges relating to the adjustments to directors remuneration made in December 2016.

The share of profit from associates, relating to the Chk1 programme, was £1,301,000 (2015: share of loss £167,000), made up of £1,518,000 share of income (2015: nil) less £217,000 share of costs (2015: £167,000).

The profit on ordinary activities (after taxation) was £573,000 (2015: Loss of £485,000).

## **Outlook**

With Chk1 now licensed, we are focusing our efforts on our remaining assets: the preclinical development Aurora+FLT3 programme funded by our Chinese partners, and the TYK2 programmes, for both autoimmune diseases and cancer applications. The share of income from the Chk1 up-front and milestone give us the resources to increase our research spend to accelerate these programmes. No further payments from the Chk1 licence agreement are expected in the current period and future payments will be dependent on Sierra Oncology achieving further milestones or Sareum striking licensing agreements with its other programmes. However, we expect to end the current financial year with a modest profit.

We continue to engage with potential partners with a view to securing commercial licences for our programmes, while exploring new research programmes from our in-house drug discovery platform, as well as external early-stage opportunities that we can potentially in-license and progress in to the clinic.

Dr Stephen Parker

Chairman, Sareum Holdings plc

Dr Tim Mitchell

CEO, Sareum Holdings plc

## Consolidated Income Statement for the six months ended 31 December 2016

	Notes	Unaudited Six months ended 31 Dec 16 £'000	Unaudited Six months ended 31 Dec 15 £'000	Audited Year ended 30 Jun 16 £'000
Revenue		-	-	-
Other operating income		20	45	123
Operating expenses		(750)	(449)	(996)
Share of profit/(loss) of associates	3	1,301	(167)	(332)
<b>Operating profit/(loss)</b>		<b>571</b>	<b>(571)</b>	<b>(1,205)</b>
Finance income		2	3	4
<b>Profit/(loss) before tax</b>		<b>573</b>	<b>(568)</b>	<b>(1,201)</b>
Tax	4	-	83	153
<b>Profit/(loss) on ordinary activities after taxation</b>		<b>573</b>	<b>(485)</b>	<b>(1,048)</b>
<b>Basic profit/(loss) per share (pence)</b>	6	<b>0.02p</b>	<b>(0.02)p</b>	<b>(0.04)p</b>
<b>Diluted profit/(loss) per share (pence)</b>		<b>0.02p</b>	<b>(0.02)p</b>	<b>(0.04)p</b>

## Consolidated Statement of Comprehensive Income for the six months ended 31 December 2016

	Unaudited Six months ended 31 Dec 16 £'000	Unaudited Six months ended 31 Dec 15 £'000	Audited Year ended 30 Jun 16 £'000
Profit/(loss) for the period	573	(485)	(1,048)
Other comprehensive income	-	-	-
<b>Total comprehensive income for the period</b>	<b>573</b>	<b>(485)</b>	<b>(1,048)</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the parent	573	(485)	(1,048)

## Consolidated Balance Sheet as at 31 December 2016

	Unaudited As at 31 Dec 16 £'000	Unaudited As at 31 Dec 15 £'000	Audited As at 30 Jun 16 £'000
<b>Non-current assets</b>			
Property, plant and equipment	-	2	1
Investments in associates	258	841	475
	<b>258</b>	<b>843</b>	<b>476</b>
<b>Current assets</b>			
Debtors	56	74	79
Tax receivable	155	269	155
Cash and cash equivalents	2,305	335	1,252
	<b>2,516</b>	<b>678</b>	<b>1,486</b>
Creditors: amounts due within one year	(264)	(141)	(99)
<b>Net current assets</b>	<b>2,252</b>	<b>537</b>	<b>1,387</b>
<b>Net assets</b>	<b>2,510</b>	<b>1,380</b>	<b>1,863</b>
<b>Equity</b>			
Called-up share capital	661	622	661
Share premium	11,765	10,761	11,765
Share-based compensation reserve	184	107	110
Retained earnings	(10,100)	(10,110)	(10,673)
<b>Total equity</b>	<b>2,510</b>	<b>1,380</b>	<b>1,863</b>

**Consolidated Statement of changes in equity for the six months ended  
31 December 2016**

	<b>Share Capital £'000</b>	<b>Share Premium £'000</b>	<b>Share- based compens ation reserve £'000</b>	<b>Retained Loss £'000</b>	<b>Total £'000</b>
<b>As at 30 June 2015 (Audited)</b>	<b>622</b>	<b>10,761</b>	<b>105</b>	<b>(9,625)</b>	<b>1,863</b>
Loss for the period	-	-	-	(485)	(485)
Share-based compensation reserve	-	-	2	-	2
<b>As at 31 December 2015 (Unaudited)</b>	<b>622</b>	<b>10,761</b>	<b>107</b>	<b>(10,110)</b>	<b>1,380</b>
Issue of share capital (net)	39	1,004	-	-	1,043
Loss for the period	-	-	-	(563)	(563)
Share-based compensation reserve	-	-	3	-	3
<b>As at 30 June 2016 (Audited)</b>	<b>661</b>	<b>11,765</b>	<b>110</b>	<b>(10,673)</b>	<b>1,863</b>
Profit for the period	-	-	-	573	573
Share-based compensation reserve	-	-	74	-	74
<b>As at 31 December 2016 (Unaudited)</b>	<b>661</b>	<b>11,765</b>	<b>184</b>	<b>(10,100)</b>	<b>2,510</b>



## Consolidated Cash Flow Statement for the six months ended 31 December 2016

	Unaudited Six Months ended 31 Dec 16 £'000	Unaudited Six Months ended 31 Dec 15 £'000	Audited Year ended 30 Jun 16 £'000
<b>Net cash flow from operating activities</b>			
Continuing operations:			
Profit/(loss) before tax	573	(568)	(1,201)
Depreciation	1	1	2
Share-based compensation charge	74	2	5
Share of costs of associate	217	167	332
Finance income	(2)	(3)	(4)
	<hr/> 863	<hr/> (401)	<hr/> (866)
Decrease/(Increase) in trade and other receivables	23	(23)	(28)
Increase in trade and other payables	165	74	32
Cash generated from/(used in) operations	<hr/> 1,051	<hr/> (350)	<hr/> (862)
Tax received	-	-	184
	<hr/>	<hr/>	<hr/>
<b>Net cash from operating activities</b>	<b>1,051</b>	<b>(350)</b>	<b>(678)</b>
<b>Cash flows from investing activities</b>			
Purchase of fixed asset investments	-	(798)	(597)
Interest received	2	3	4
	<hr/> 2	<hr/> (795)	<hr/> (593)
<b>Net cash from investing activities</b>	<b>2</b>	<b>(795)</b>	<b>(593)</b>
<b>Cash flows from financing activities</b>			
Share issue	-	-	39
Share premium on share issue	-	-	1,004
	<hr/> -	<hr/> -	<hr/> 1,043
<b>Net cash from financing activities</b>	<b>-</b>	<b>-</b>	<b>1,043</b>
<b>Increase/(Decrease) in cash and equivalents</b>	<b>1,053</b>	<b>(1,145)</b>	<b>(228)</b>
<b>Cash and equivalents at start of period</b>	<b>1,252</b>	<b>1,480</b>	<b>1,480</b>
<b>Cash and equivalents at end of period</b>	<b>2,305</b>	<b>335</b>	<b>1,252</b>

## NOTES TO THE UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

### 1. Financial information

These half-yearly financial statements are unaudited and do not constitute statutory financial statements within the meaning of Section 434 of the Companies Act 2006. The Annual Report and Accounts for the year ended 30 June 2016 have been delivered to the Registrar of Companies and are available from Sareum's web site, [www.sareum.com](http://www.sareum.com). The report of the auditor on those accounts was not qualified and contained no statement under Section 498 of the Companies Act 2006.

### 2. Basis of accounting

The accounting policies adopted are consistent with those of the financial statements for the year ended 30 June 2016, as described in those financial statements. As at the date of signing the interim financial statements, there are no new Standards likely to affect the financial statements for the year ending 30 June 2017.

### 3. Share of profit/(loss) of associates

The share of profit/(loss) of associates is made up as follows:

	Unaudited Six months ended 31 Dec 16 £'000	Unaudited Six months ended 31 Dec 15 £'000	Audited Year ended 30 Jun 16 £'000
Share of income of associates	1,518	-	-
Share of costs of associates	(217)	(167)	(332)
Share of profit/(loss) of associates	<u>1,301</u>	<u>(167)</u>	<u>(332)</u>

### 4. Taxation

No liability arises for corporation tax for the six-month period ended 31 December 2016.

### 5. Dividends

The directors do not propose the payment of a dividend in respect of the six months ended 31 December 2016.

### 6. Profit/(loss) per share

Basic profit per share is 0.02p (2015: loss per share 0.02p). The basic loss per ordinary share is calculated by dividing the Group's profit for the six months of £573,000 (2015: loss £485,000) by 2,645,223,988 (2015: 2,487,438,273), the weighted average number of shares in issue during the period.

The diluted profit per share is 0.02p and is calculated by dividing the Group's profit for the six months of £573,000 by 2,724,897,071, the weighted average number of shares in issue plus the weighted average number of dilutive share options outstanding during the period. As the Group generated a loss during the six months to 31 December 2015 and during the year ended 30 June 2016, there is no dilutive effect in respect of share options during those periods.

### 7. Availability of half-yearly report

This half-yearly statement is available on request from the offices of the Company at Unit 2a, Langford Arch, London Road, Pampisford, Cambridge CB22 3FX and to download from the Company's website, [www.sareum.co.uk](http://www.sareum.co.uk).