18 February 2013

**SAREUM HOLDINGS PLC**

("Sareum" or "the Company")

**HALF-YEARLY RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2012**

**Sareum** (AIM: SAR), the specialist cancer drug discovery business, is pleased to announce its half-yearly results for the six month period ended 31 December 2012.

**Financial highlights**

- Cash at bank at period end was £380,000 (2011: £530,000)
- £4M SEDA financing facility from YA Global Master SPV Ltd and initial drawdown of £200,000
- Loss on ordinary activities (after taxation) of £269,000 (2011: Loss of £327,000)

**Operational highlights**

- Research and commercialisation of programmes making good progress
- Favourable ongoing safety studies with Chk1 pre-clinical development candidate
- US Patent grant notification for SKIL® compounds received post period in February 2013

**Dr Tim Mitchell, CEO of Sareum Holdings plc,** said: "We are pleased with progress and our confidence in our ability to exploit our research programmes commercially remains high. A key commercial goal remains to enter into profitable licensing arrangements but only when they represent a good return for shareholders. We continue to take in-house programmes forward by building more comprehensive pre-clinical dossiers and as appropriate moving forward into pre-clinical toxicology studies and ultimately Phase I clinical trials."


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**Half-yearly results for the six months ended 31 December 2012**

## Chairman and CEO's Statement

In the period under review, the Company has focused its resources on three primary areas:

- Securing licensing deals for its in-house research programmes;
- Continuing to develop compounds in current programmes and identifying novel targets to introduce into the discovery process; and
- Identifying collaborations that might lead to joint development programmes based on in-house or third party compounds.

Shareholders will share the Board's frustrations that the Company was not able to sign a commercial deal in 2012 despite being in advanced discussions with a number of parties. This is the nature of early-stage biotechnology businesses and not unique to Sareum. Discussions with interested parties are, however, continuing and announcements will be made at the appropriate time. In the meantime, the team continues to focus on the development and commercialisation of its drug research programmes with a view to securing licensing and co-development deals that will maximise shareholder return.

According to a report issued earlier this year*, the specialist healthcare/biotech sector has entered a sustained period of growth underpinned by what is referred to as the "perfect storm" of patent-life end and weak late-stage pipelines amongst the large pharmaceutical companies. The end of a drug's patent life allows competition from generic drug sales, and many of these pharmaceutical companies do not have sufficient new products in their development pipelines to replace the revenues lost by these generic sales. It is predicted that in 2013 more than 100 drugs will be affected in this way, including ten "blockbusters" with annual sales exceeding $1bn.

Meanwhile, FDA drug approvals are at a 15 year high, with new oncology approvals being a strong sector, and an ever increasing number of submissions for approval by smaller pharma and biotech companies. Against this background, Sareum has had licensing discussions with companies at all levels and whilst there is an appetite for licensing early stage compounds, a preference exists to license compounds at the stage of entering the clinical phase of development. This means that a company developing a new drug must find additional funding to complete the pre-clinical stage. Whilst there is a risk of a failure through unexpected toxicity, the decision to proceed becomes a balanced judgment. In order to make an early stage development dossier evaluable, it is essential therefore to undertake a range of *in vitro* and *in vivo* studies, the latter giving some indication as to the toxicity of a new molecule. Whilst the data will not predict the safety of the drug in pre-clinical toxicology, it can provide indicators as to the likely risk of failure in the pre-clinical phase.

Sareum announced in September 2012 that it had concluded a deal with YA Global Master SPV Ltd in the form of a Standby Equity Distribution Agreement ("SEDA"). This provides a financing facility of up to £4m which can be drawn down by Sareum subject to certain parameters being met. The strategy for concluding this deal was to provide the financing to take current development programmes to a later stage. In particular to move one or more into the pre-clinical phase with the possibility of going further, into Phase I clinical trials. The Board supports the broad conclusions outlined above that a later stage programme will prove more attractive to potential licensees and should provide a substantially improved return to shareholders, since typically better terms can be negotiated. The Company has mapped out a strategy for taking in-house programmes forward by building more

comprehensive pre-clinical dossiers and, as appropriate, moving forward into pre-clinical toxicology studies and ultimately Phase I clinical trials. This is a key focus for us for 2013.

We continue to see excellent progress with our in-house development programmes using our skills in understanding structure activity relationships to design new molecules with improved activity, cleaner activity at the target and improved pharmacokinetic profiles. It is noteworthy that the first US patent application on our SKIL® platform was granted this month, announced on 7 February 2013, and this has been the genesis for molecules in most of our current drug research programmes.

A detailed status report on our in-house programmes has been given in the accompanying Research Update released on 18 February.

**Financial review**

We ended the half year with net assets of £382,000 (2011 £552,000), including £380,000 of cash in the bank. Loss after taxation for the period was £269,000 (2011: £327,000).

**Outlook**

We believe that the Company has a robust development strategy, seeking early licensing deals and at the same time progressing key programmes into pre-clinical and clinical development. Whilst there is risk associated with the latter, the rewards can be significantly higher. The Company has a line of funding which is expected to meet the needs of the planned programmes and success in this endeavour will provide a sound basis for securing lucrative licensing deals and additional funds, should these be required.

The Directors believe that we have a balance of risk and reward and a strategy that takes into consideration the “perfect storm” affecting larger pharmaceutical companies, which has the potential to benefit the Company and its shareholders.

* “2013: Positive year ahead”, N Malik, Cenkos Securities, January 2013

**Dr Paul Harper** **Dr Tim Mitchell**

**Chairman, Sareum Holdings plc** **CEO, Sareum Holdings plc**

**Consolidated Income Statement for the six months ended 31 December 2012**

| | Unaudited Six months ended 31 Dec 12 £'000 | Unaudited Six months ended 31 Dec 11 £'000 | Audited Year ended 30 Jun 12 £'000 |
|---|---|---|---|
| **Revenue** | **-** | **-** | **-** |
| Operating expenses | (305) | (361) | (727) |
| **Operating loss** | **(305)** | **(361)** | **(727)** |
| Finance income | - | 3 | 5 |
| **Loss before tax** | **(305)** | **(358)** | **(722)** |
| Tax | 36 | 31 | 71 |
| **Loss on ordinary activities after taxation** | **(269)** | **(327)** | **(651)** |
| **Basic and diluted loss per share (pence)** | **(0.02)p** | **(0.02)p** | **(0.04)p** |

**Consolidated Statement of Comprehensive Income for the six month ended 31 December 2012**

| | Unaudited Six months ended 31 Dec 12 £'000 | Unaudited Six months ended 31 Dec 11 £'000 | Audited Year ended 30 Jun 12 £'000 |
|---|---|---|---|
| **Loss for the period** | **(269)** | **(327)** | **(651)** |
| **Other comprehensive income** | **-** | **-** | **-** |
| **Total comprehensive income for the period** | **(269)** | **(327)** | **(651)** |
| **Total comprehensive income attributable to:** | | | |
| **Owners of the parent** | **(269)** | **(327)** | **(651)** |

**Consolidated Balance Sheet as at 31 December 2012**

| | Unaudited As at 31 Dec 12 £'000 | Unaudited As at 31 Dec 11 £'000 | Audited As at 30 Jun 12 £'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | - | - | - |
| Property, plant and equipment | - | 1 | - |
| | **-** | **1** | **-** |
| **Current assets** | | | |
| Debtors | 29 | 26 | 31 |
| Tax receivable | 27 | 86 | 61 |
| Cash and cash equivalents | 380 | 530 | 511 |
| | **436** | **642** | **603** |
| Creditors: amounts due within one year | (54) | (91) | (123) |
| **Net current assets** | **382** | **551** | **480** |
| **Net assets** | **382** | **552** | **480** |
| **Equity** | | | |
| Called-up share capital | 373 | 363 | 370 |
| Share premium | 7,294 | 6,902 | 7,131 |
| Retained earnings | (7,336) | (6,744) | (7,067) |
| Share-based compensation reserve | 51 | 31 | 46 |
| **Total equity** | **382** | **552** | **480** |

**Consolidated Statement of changes in equity for the six months ended 31 December 2012**

| | Share Capital £'000 | Share Premium £'000 | Retained Loss £'000 | Share-based compensation reserve £'000 | Total £'000 |
|---|---|---|---|---|---|
| **As at 30 June 2011 (Audited)** | **363** | **6,902** | **(6,417)** | **28** | **876** |
| Loss for the period | - | - | (327) | - | (327) |
| Share-based compensation reserve | - | - | - | 3 | 3 |
| **As at 31 December 2011 (Unaudited)** | **363** | **6,902** | **(6,744)** | **31** | **552** |
| Issue of share capital (net) | 7 | 229 | - | - | 236 |
| Loss for the period | - | - | (323) | - | (323) |
| Share-based compensation reserve | - | - | - | 15 | 15 |
| **As at 30 June 2012 (Audited)** | **370** | **7,131** | **(7,067)** | **46** | **480** |
| Issue of share capital (net) | 3 | 163 | - | - | 166 |
| Loss for the period | - | - | (269) | - | (269) |
| Share-based compensation reserve | - | - | - | 5 | 5 |
| **As at 31 December 2012 (Unaudited)** | **373** | **7,294** | **(7,336)** | **51** | **382** |

**Consolidated Cash Flow Statement for the six months ended 31 December 2012**

| | Unaudited Six Months ended 31 Dec 12 £'000 | Unaudited Six Months ended 31 Dec 11 £'000 | Audited Year ended 30 Jun 12 £'000 |
|---|---|---|---|
| **Net cash flow from operating activities** | | | |
| Continuing operations: | | | |
| Loss before tax | (305) | (358) | (722) |
| Depreciation charges | - | - | 1 |
| Share-based compensation charge | 5 | 3 | 18 |
| Finance income | - | (3) | (5) |
| | (300) | (358) | (708) |
| Decrease in trade and other receivables | 2 | 15 | 10 |
| (Decrease)/Increase in trade and other payables | (69) | (6) | 27 |
| Cash used in operations | (367) | (349) | (671) |
| Tax received | 70 | 5 | 70 |
| **Net cash from operating activities** | **(297)** | **(344)** | **(601)** |
| **Cash flows from investing activities** | | | |
| Interest received | - | 3 | 5 |
| **Net cash from investing activities** | **-** | **3** | **5** |
| **Cash flows from financing activities** | | | |
| Share issue | 3 | - | 7 |
| Share premium on share issue | 163 | - | 229 |
| **Net cash from financing activities** | **166** | **-** | **236** |
| **Decrease in cash and equivalents** | **(131)** | **(341)** | **(360)** |
| **Cash and equivalents at start of period** | **511** | **871** | **871** |
| **Cash and equivalents at end of period** | **380** | **530** | **511** |

**NOTES TO THE UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2012**

**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 2012, on which the auditors gave an unqualified audit opinion, are available from Sareum's web site, www.sareum.co.uk.

**2. Basis of accounting**

The accounting policies adopted are consistent with those of the financial statements for the year end 30 June 2012, 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 2013.

**3. Taxation**

No liability arises for corporation tax for the six month period ended 31 December 2012. Research and Development tax credits, receivable as cash, are estimated to be £27,000 for the period.

**4. Dividends**

The directors do not propose the payment of a dividend in respect of the six months ended 31 December 2012.

**5. Loss per share**

Basic and diluted loss per share is 0.02p (2011: 0.02p). The basic and diluted loss per ordinary share is calculated by dividing the Group's loss for the six months of £269,000 (2011: £327,000) by 1,482,045,717 (2011: 1,450,597,713), the weighted average number of shares in issue during the period.

**6. 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.