FINAL 10 OCTOBER 2013

Sareum Holdings plc

("Sareum" or "the Company")

Final Results

Sareum Holdings plc (AIM: SAR), the specialist cancer drug discovery and development business, is pleased to announce its final results for the year ended 30 June 2013.

Operational Highlights

- Collaboration announced with SRI International for continued development of TYK2 programme
- US patent grant for SKIL platform and compounds
- TSB Biomedical Catalyst grant awarded to support continued development of Fatty Acid Synthase (FASN) programme

Financial Highlights

- Loss on ordinary activities (after taxation) £539,000 (2012: £651,000) slightly ahead of market expectations
- £4m SEDA financing facility arranged with YA Global Master SPV Ltd. Used to draw down £200,000 and £350,000 in December and March respectively
- Cash at bank and in hand of £422,000 (2012: £511,000)

Post period-end highlights

- Agreement with CRT Pioneer Fund and BACIT Ltd to advance CHK1 programme
- Pre-clinical development candidate selected for Aurora+FLT3 programme

Tim Mitchell, Chief Executive Officer of the Company, said: "The Company has matured considerably over the period, with real progress made in our key programmes. Our broadened approach of entering into collaborations where appropriate, allowing us to take advantage of the higher asset values associated with licensing later stage programmes, gives us greater flexibility in choosing the right deal for our programmes."

"With two programmes now in pre-clinical development, we are expecting a busy period in the year ahead."

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Chairman's statement

This year has seen Sareum broaden its approach of aiming to out-licence its drug discovery programmes at pre-clinical or discovery stage to include entering into collaboration and co-development partnerships intended to bring its programmes to a late pre-clinical or early clinical stage before seeking a licensing deal.

As noted in the Company's Half-Yearly Report and Research Update of 18 February 2013, the Directors believe there is a greater appetite amongst pharmaceutical companies for in-licensing at these later development stages. The more lucrative licensing deal terms that can be achieved at these stages are expected to more than compensate for the cost and risk involved, thus providing a greater return to shareholders in the medium to longer term.

Whilst we will assess how we develop and commercialise each programme on a case by case basis, the Board recognises that there are multiple benefits to taking a collaborative approach to later pre-clinical and early clinical development.

In the case of the CHK1 Kinase Inhibitor programme announcement at the end of September 2013, the new investment collaboration will provide greater financial resources and expertise for the programme. It will enable Sareum to progress through what would otherwise be a relatively costly pre-clinical and Phase 1 clinical development stage without the need to divert resources from its other research programmes. Finally, this approach also gives Sareum the potential upside of higher asset values associated with programmes developed to a clinical stage.

The main benefit of the co-development partnership, announced in April 2013, to advance Sareum's Tyrosine Kinase 2 (TYK2) small molecule drug discovery programme in collaboration with the US research and development institute, SRI International, is that it gives Sareum access to world-class autoimmune disease biology and drug development expertise in a complex area of biology that is outside of Sareum's expertise, and offsets a significant amount of the ongoing research costs.

We continue to engage in discussions with potential partners for the Aurora+FLT3 Kinase Inhibitor programme. The selection of a pre-clinical development candidate for this programme (announced

July 2013) and the grant in the USA of one of the patents that protects the compounds associated with the programme (announced February 2013), enhances the data package that we can present to potential licence and collaboration partners.

We are continuing with our strategy to outsource laboratory research since this allows us to maintain a low operational cost base and maximise our ability to make efficient use of our cash. During the year the Company was awarded a grant of £150,000 in support of its Fatty Acid Synthase (FASN) research programme by the Biomedical Catalyst, which is operated by the Technology Strategy Board. The availability of the £4 million SEDA facility also provides us with a measure of flexibility to support ongoing development work across all our programmes. During the year the Company successfully raised a total of £550,000 (gross) through two draw down calls on this facility. While the SEDA facility will remain an important way of financing ongoing activities, the Directors will also consider all other funding options available to the Company.

Net assets at the year-end were £439,000, principally arising from the cash at bank and in hand of £422,000. The loss after taxation was £539,000 (2012: £651,000), slightly ahead of market expectations. This is in part due to the reduced R&D expenditure requirement as a result of the SRI collaboration for the TYK2 programme and the TSB grant for the FASN programme.

Advanced programmes

CHK1 Kinase Inhibitors

Safety pharmacology studies performed to date on the programme's pre-clinical development candidate support its progression towards the clinic. Oral bioavailability has been demonstrated in three species, strengthening our expectation that the compound will be able to be administered via the oral route in future clinical studies. In addition, several peer reviewed journal articles on the programme's lead compounds have been published, describing their efficacy in pre-clinical models as single agents and in combination with chemo- and radio- therapy.

In further studies, in *in vivo* models of AML and neuroblastoma, compounds from our CHK1 inhibitor programme dosed alone, demonstrated significant reductions in tumour growth rates compared to controls receiving no treatment. These compounds were administered via the oral route. We have continued to add more data on the performance and safety of our lead compound to build the dossier used to brief potential future partners, and to support potential future clinical trials applications.

The recently announced agreement with CPF and BACIT now allows the completion of the pre-clinical development of the CHK1 candidate. These studies focus on two main areas: demonstrating control of the production of the candidate molecule, and an assessment of its safety profile. Successful conclusion of these studies, which are expected to take up to 18 months, will allow the submission of a clinical trials application, which, if approved, would allow the initiation of first-in-human trials in cancer patients. It is envisaged that such trials will assess the safety of the molecule as a single agent, and in combination with standard-of-care chemotherapy at one of the world's leading cancer specialist hospitals, The Royal Marsden.

Under the terms of the licence agreement with CPF, Sareum and the originating research partners, CRT and the ICR, are entitled to an up-front fee plus success milestone and royalty payments. As the collaboration progresses, Sareum will provide a proportion, amounting to up to £800,000 in the year to June 2014, of the funding required. Benefits are expected to accrue in terms of shared sub-licence revenues and maintaining an interest in a more valuable asset that has both safety and clinical data.

Aurora+FLT3 Kinase Inhibitors

Progress on the Company's Aurora kinase inhibitors continued as planned having been evaluated in *in vivo* efficacy models. Aurora kinase is involved in the control of mitosis (cell division), and FLT3 kinase over-activation is the most common mutation in acute myeloid leukaemia (AML, the most common form of adult leukaemia) patients. Aurora+FLT3 kinase inhibitors have the potential to treat various forms of cancer, including AML. We previously announced the successful results of a model study measuring the effect of one of our dual Aurora+FLT3 inhibitors against AML. The study showed that the leukaemia regressed to such an extent that no detectable cancer could be found in any of the ten cases treated with a Sareum compound. The study compared favourably with similar studies published in literature for the Aurora kinase inhibitors that are currently in clinical trials.

We subsequently generated and tested further analogues of this lead compound, and in July 2013 announced the selection of a preclinical development candidate. The candidate demonstrates the same level of efficacy as the previous lead compound in a model of AML, but has an improved early safety profile, and better ADME (absorption, distribution, metabolism, excretion) properties. The candidate was also screened against a range of haematological cancer cell types, and showed particular promise against Acute Lymphoblastic Leukaemia (ALL) in addition to AML. We will continue to evaluate the candidate in further disease models, focussing particularly on leukaemias, whilst we initiate the pre-clinical development.

We continue to seek licensing or co-development partners for this programme, which is wholly owned by Sareum, and to optimise a sub-group of programme compounds that can be orally dosed. The recent grant of a US patent (as announced on 7 February 2013), that protects Sareum's intellectual property on this programme should provide any prospective partner with further confidence in the programme's IP and strengthen our negotiating position.

TYK2 Kinase Inhibitors

Our TYK2 kinase inhibitor programme is focussed on autoimmune and inflammatory disorders such as multiple sclerosis, psoriasis and inflammatory bowel disease. This is a new area of biology and disease models in this therapeutic area are costly and complex. We were therefore delighted to reach an agreement with SRI International to collaborate in this area with their Centre for Immunology and Infectious Diseases, and it is an endorsement of the quality of compound that our SKIL platform is able to generate. SRI will use its own financial resources to carry out the biological testing whilst Sareum will continue to support the chemical programme as the data generated by SRI helps to develop the structure-activity relationship profile.

Although still in the early stages, the collaboration has made excellent progress to date. SRI has evaluated a set of Sareum compounds through a battery of *in vitro* and cellular assays to select the more promising, orally bioavailable compounds for progression into disease models. These models show a strong blocking of TYK2-dependent signalling and initial demonstrations of efficacy in a psoriasis model.

In the meantime a greater understanding of TYK2 biology has been developed by the scientific community. There is strong evidence to suggest that TYK2 inhibition will not lead to broad immunosuppression, which could leave patients susceptible to infections, and that small-molecule TYK2 inhibitors could be used as promising therapies for psoriasis, irritable bowel disease and multiple sclerosis.

Other programmes

Through our SKIL platform, the Company has developed chemical leads that inhibit the activity of VEGFR-3 kinase, which is often over-expressed in many different types of cancer including lung, gastric and prostate. We have a lead series of compounds that demonstrate potent inhibition of lymph cell growth by selectively inhibiting VEGFR-3. Lymph vessels are known to be a major route of metastasis, therefore inhibitors of VEGFR-3 have the potential to reduce, delay or inhibit the spread of cancer throughout the body. However, we have prioritised our research spend on other programmes whilst we investigate grant funding opportunities alongside a partner with the necessary biology expertise to assist us in the progression of this programme. Meanwhile, we await with interest the results of early clinical trials on another company's product with a similar mode of action.

In April we were pleased to be notified by the Technology Strategy Board of a grant of up to £150,000 from the Biomedical Catalyst to support our FASN Inhibitor programme. Overexpression of FASN is common in many cancers and has been linked to poor prognosis and reduced disease-free survival. Sareum has developed a novel chemical series that shows promising efficacy in breast cancer cell models. The funding is enabling the Company to explore further the potential of the chemical series. Initial results have been promising, and we hope to be able to report progress during the next few months.

Outlook

The Directors believe that the Company has matured considerably over the period, with real progress made in our key programmes. Our broadened approach of entering into collaborations where appropriate, and moving programmes from discovery to pre-clinical status, is a clear endorsement of the team's ability to generate attractive drug development candidates and support these with quality data.

Going forward, the Board will judge each programme on merit and pursue the commercialisation strategy that it believes will generate the best shareholder returns. At the same time, we will be looking outside the Company to identify assets in development, either in oncology or other

therapeutic areas, where Sareum's expertise could be used to accelerate development either as a co-development activity or through in-licensing.

In summary, we are expecting a busy period in the year ahead with activities on a number of fronts all aimed at building the value of research assets in the business and reaping some rewards for the research and development completed to date.

Dr Paul Harper

Chairman

Sareum Holdings plc

Consolidated Income Statement

for the year ended 30 June 2013

	Notes	**2013 £**	2012 £
CONTINUING OPERATIONS			
Revenue		**—**	—
Administrative expenses		**(606,134)**	(726,660)
OPERATING LOSS		**(606,134)**	(726,660)
Finance income		**3,332**	4,821
LOSS BEFORE INCOME TAX	3	**(602,802)**	(721,839)
Income tax	4	**63,671**	71,276
LOSS FOR THE YEAR		**(539,131)**	(650,563)
Loss attributable to:			
Owners of the parent		**(539,131)**	(650,563)
Earnings per share expressed in pence per share:	5		
Basic and diluted		**(0.04)p**	(0.04)p

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2013

	2013 £	2012 £
LOSS FOR THE YEAR	**(539,131)**	(650,563)
OTHER COMPREHENSIVE INCOME	**—**	—
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**(539,131)**	(650,563)
Total comprehensive income attributable to:		
Owners of the parent	**(539,131)**	(650,563)

Sareum Holdings plc (Registered number: 05147578)

Consolidated Balance Sheet

30 June 2013

	Notes	2013 £	2012 £
ASSETS			
NON-CURRENT ASSETS			
Intangible assets		—	—
Property, plant and equipment		—	363
Investments		—	—
		—	363
CURRENT ASSETS			
Trade and other receivables		**41,828**	30,972
Tax receivable		**55,585**	61,362
Cash and cash equivalents	6	**421,611**	510,555
		519,024	602,889
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		**79,922**	122,874
NET CURRENT ASSETS		**439,102**	480,015
NET ASSETS		**439,102**	480,378
SHAREHOLDERS' EQUITY			
Called up share capital		**380,384**	370,075
Share premium		**7,611,588**	7,131,433
Share-based compensation reserve		**53,864**	46,473
Merger reserve		**27**	27
Retained earnings		**(7,606,761)**	(7,067,630)
TOTAL EQUITY		**439,102**	480,378

Sareum Holdings plc (Registered number: 05147578)

Consolidated Statement of Changes in Equity

for the year ended 30 June 2013

	Called up share capital £	Retained earnings £	Share premium £
Balance at 1 July 2011	362,649	(6,417,067)	6,901,816
Changes in equity			
Issue of share capital	7,426	—	229,617
Total comprehensive income	—	(650,563)	—
Share-based compensation	—	—	—
Balance at 30 June 2012	370,075	(7,067,630)	7,131,433
Changes in equity			
Issue of share capital	10,309	—	480,155
Total comprehensive income	—	(539,131)	—
Share-based compensation	—	—	—
Balance at 30 June 2013	**380,384**	**(7,606,761)**	**7,611,588**

	Share-based compensation reserve £	Merger reserve £	Total equity £
Balance at 1 July 2011	28,338	27	875,763
Changes in equity			
Issue of share capital	—	—	237,043
Total comprehensive income	—	—	(650,563)
Share-based compensation	18,135	—	18,135
Balance at 30 June 2012	46,473	27	480,378
Changes in equity			
Issue of share capital	—	—	490,464
Total comprehensive income	—	—	(539,131)
Share-based compensation	7,391	—	7,391
Balance at 30 June 2013	**53,864**	**27**	**439,102**

Sareum Holdings plc

Consolidated Cash Flow Statement

for the year ended 30 June 2013

	Notes	**2013** **£**	2012 £
Cash flows from operating activities			
Cash used in operations	7	**(652,188)**	(672,142)
Tax paid		**69,448**	70,004
Net cash from operating activities		**(582,740)**	(602,138)
Cash flows from investing activities			
Interest received		**3,332**	4,821
Net cash from investing activities		**3,332**	4,821
Cash flows from financing activities			
Share issue		**10,309**	7,426
Share premium on share issue		**480,155**	229,617
Net cash from financing activities		**490,464**	237,043
Decrease in cash and cash equivalents		**(88,944)**	(360,274)
Cash and cash equivalents at beginning of year		**510,555**	870,829
Cash and cash equivalents at end of year	6	**421,611**	510,555

Notes to the Consolidated Financial Statements
for the year ended 30 June 2013

1. Adoption of new and revised International Financial Reporting Standards (IFRS)

In the current year, the Group has adopted all of the revised Standards and Interpretations issued by the International Accounting Standards Board (lASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations.

The Group has adopted the following new and amended IFRS and IFRIC interpretation during the year. Adoption of this revised standard and interpretation did not have any effect on the financial performance or financial position of the Group in the current or prior periods.

– Amendments to IAS 1 'Presentation of Financial Statements' – presentation of items of other comprehensive income

At the date of authorisation of these financial statements, the following standards and interpretations relevant to the Group that have not been applied in these financial statements were in issue but not yet effective or endorsed (unless otherwise stated):

– IAS 19* 'Amendment to Employee Benefits' (applies to periods beginning from 1 January 2013)
– IFRS 10** 'Consolidated Financial Statements' (applies to periods beginning from 1 January 2013)
– IFRS 12** 'Disclosure of Interests in Other Entities' (applies to periods beginning from 1 January 2013)
– IFRS 13* 'Fair Value Measurement' (applies to periods beginning from 1 January 2013)
– IFRS 7* 'Amendment to Financial Instruments: Disclosures' (applies to periods beginning from 1 January 2013)
*Endorsed by the European Union.
**Endorsed by the European Union for periods starting on or after 1 January 2014.

The Directors anticipate that the adoption of these standards and interpretations in future years will have no material impact on the financial statements of the Group.

No standards or interpretations adopted in the year had any material impact on the financial statements of the Group.

2. Accounting policies

Basis of preparation
The consolidated financial statements of Sareum Holdings plc and its subsidiaries (the Group) have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted for use in the European Union, with IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

IFRS comprise standards and interpretations approved by the International Accounting Standards Board (IASB). IFRS, as adopted by the European Union, differ in certain respects from IFRS as issued by the IASB. However, consolidated financial statements for the financial years presented would be no different had IFRS as issued by the IASB been applied. References to IFRS hereafter should be construed as references to IFRS as adopted by the European Union.

Going concern

Sareum Holdings plc is a research and development based business with, at present, no currently marketed products. The Directors consider that the cash held by the Group, together with financing from the Standby Equity Distribution Agreement, described in more detail in the Report of the Directors, will be sufficient to support the Group's activities for the foreseeable future and therefore the financial statements have been prepared on a going concern basis.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 30 June each year. Control is achieved where the Company has the power to govern the financial and operating policies of another entity or business, so as to obtain benefits from its activities. The consolidated financial statements present the results of the Company and its subsidiaries (the Group) as if they formed a single entity. Intercompany transactions and balances between Group companies are eliminated on consolidation.

Amortisation of intangibles

Amortisation is calculated so as to write off the cost of an asset over the useful economic life of that asset as follows:

Intellectual property – straight-line over five years

Property, plant and equipment

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Fixtures and computers – straight-line over three or four years

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to insignificant risk of change in value.

Taxation
Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exception:

Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on the tax rates and laws enacted or substantively enacted at the balance sheet date.

Research and development
Expenditure on research and development is written off in the year in which it is incurred.

Operating lease agreements
Rentals applicable to operating leases where substantially all the benefits and risks of ownership remain with the lessor are charged against profits on a straight-line basis over the period of the lease.

Pension contributions
The Group does not operate a pension scheme for the benefit of its employees but instead makes contributions to their personal pension policies. The contributions due for the period are charged to the profit and loss account.

Employee share scheme
The Group has in place a share option scheme for employees, which allows them to acquire shares in the Company. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value of options granted is recognised as an expense spread over the estimated vesting period of the options granted. Fair value is measured using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted.

3. Loss before income tax

The loss before income tax is stated after charging:

	2013	2012
	£	£
Other operating leases	**10,688**	10,686
Depreciation – owned assets	**363**	488
Intellectual property amortisation	**—**	393
Research and development	**266,899**	330,974
Auditor's remuneration – see analysis below	**11,975**	11,750

The analysis of auditor's remuneration is as follows:

Fees payable to the Company's auditor for the audit of the annual accounts		
Audit of the Company	**4,100**	4,000
Audit of subsidiaries	**6,600**	6,500
Total audit fees	**10,700**	10,500
Fees payable to the Company's auditor for other services		
Taxation services	**1,275**	1,250
Total fees payable to the Company's auditor	**11,975**	11,750

4. Income tax

	2013	2012
	£	£
Current tax:		
UK corporation tax credit on losses of the period	**(55,585)**	(61,362)
Adjustments recognised in the current year in relation to the current tax of prior years	**(8,086)**	(9,914)
Tax credit to the income statement	**(63,671)**	(71,276)

The credit for the year can be reconciled to the accounting loss as follows:

	2013	2012
	£	£
Current tax:		
Loss before tax	**(602,802)**	(721,839)
At standard rate of 20% (2012: 20%)	**(120,560)**	(144,368)
Effects of:		
Expenses not allowable for tax purposes	**—**	11,627
Capital allowances in excess of depreciation	**(546)**	(657)
Unutilised tax losses	**76,189**	91,041
Losses surrendered for research and development tax credits (less uplift)	**44,917**	42,357
Research and development tax credits claimed	**(55,585)**	(61,362)
Prior year adjustments	**(8,086)**	(9,914)
Actual current tax credit in the year	**(63,671)**	(71,276)

The tax rate used above for the 2013 and 2012 reconciliations of 20% and 20%, respectively, are the small company corporation tax rates applicable in the United Kingdom, on taxable profits under tax law in that jurisdiction.

5. Earnings per share

The calculation of loss per share is based on the following data:

	2013	2012
Loss on ordinary activities after tax	**£(539,131)**	£(650,563)
Weighted average number of shares for basic loss per share	**1,494,114,039**	1,452,212,949
Basic loss per share	**(0.04p)**	(0.04p)

As the Group has generated a loss for the period, there is no dilutive effect in respect of share options.

6. Cash and cash equivalents

	2013	2012
	£	£
Bank deposit account	**411,797**	500,115
Bank accounts	**9,814**	10,440
	421,611	510,555

7. Reconciliation of loss before income tax to cash generated from operations

	2013	2012
	£	£
Loss before income tax	**(602,802)**	(721,839)
Depreciation charges	**363**	881
Add back: Share-based compensation	**7,391**	18,135
Finance income	**(3,332)**	(4,821)
	(598,380)	(707,644)
(Increase)/decrease in trade and other receivables	**(10,856)**	9,796
(Decrease)/increase in trade and other payables	**(42,952)**	25,706
Cash used in operations	**(652,188)**	(672,142)

8. Dividend

The Directors are not able to recommend payment of a dividend.

9. Copies of the report and accounts

Copies of the report and accounts will be posted to those shareholders that have requested them. Copies will also be available from the Company's registered office at 2a Langford Arch, London Road, Pampisford, Cambridgeshire CB22 3FX and from the Company's website, www.sareum.co.uk.