

26 February 2014

SAREUM HOLDINGS PLC

(“Sareum” or “the Company”)

HALF-YEARLY RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2013

Sareum (AIM: SAR), the specialist cancer drug discovery and development business, is pleased to announce its half-yearly results for the six month period ended 31 December 2013.

Financial highlights

- Cash at bank at period end was £1,598,000 (2012: £380,000)
- Loss on ordinary activities (after taxation) of £350,000 (2012: Loss of £269,000)
- Oversubscribed placing in December 2013 to raise £1,670,000 (before expenses)

Operational highlights

- Co-development agreement with CPF and BACIT to advance CHK1
- Pre-clinical development candidate selected for Aurora+FLT3
- Co-development agreement with HMUBEC to advance Aurora+FLT3
- Significant activity with TYK2 lead molecule in psoriasis disease models

Dr Tim Mitchell, CEO of Sareum Holdings plc, said: “The Company has made good progress having now secured co-development agreements for three of its lead programmes that will provide additional resources and expertise. As a result of the recent oversubscribed Placing and the existing SEDA financing facility we are well positioned to advance our existing programmes and collaborations, and build our pipeline of new drugs.”

Sareum Holdings plc

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Half-yearly results for the six months ended 31 December 2013

Chairman and CEO's Statement

In February 2013 we described how the Company had mapped out a strategy for taking in-house programmes forward by building more comprehensive pre-clinical dossiers with the view to securing licensing deals or to identify collaborations that would lead to co-development programmes.

I am pleased to report that since that time the Company has secured three co-development agreements that will provide additional resources and expertise for three of its lead research programmes.

Following the first co-development agreement for TYK2, our autoimmune and inflammatory disorders programme with SRI International in April 2013, Sareum was extremely pleased to announce a second co-development agreement to advance the Checkpoint Kinase 1 (CHK1) inhibitor candidate. This agreement with Cancer Research Technology Pioneer Fund (CPF) and London Stock Exchange-listed investment company, BACIT Ltd, is likely to provide a greater return to shareholders as it gives us a cost-effective route through pre-clinical development and Phase 1 clinical trials. The candidate compound gave promising pre-clinical results in studies conducted prior to the programme being licensed to CPF.

In July 2013, we nominated our lead candidate from the Aurora+FLT3 programme, which will be targeted at blood cancers such as Acute Myeloid Leukaemia (AML). Sareum signed a co-development agreement with central China based Hebei Medical University Biomedical Engineering Center ("HMUBEC") in December 2013. The agreement provides Sareum with access to manufacturing capabilities and well-established sales distribution channels in Greater China. While HMUBEC has been granted exclusive rights to carry out pre-clinical and clinical studies within Greater China, Sareum will receive any data generated by HMUBEC in order to facilitate its own development and commercialisation activities in other territories.

The terms of all three co-development agreements, in so far as we were able to disclose them, are detailed in the original announcements that were released.

In addition, we have continued to develop our remaining in-house programmes including the FASN programme which is supported by the Biomedical Catalyst Fund as well as looking to in-license assets, either in oncology or other therapeutic areas, where our expertise could be used to accelerate development.

A detailed status report on our programmes has been given in the accompanying Research and Co-development Update released today, 26 February 2014.

Placing

In December 2013, the Company raised £1.67 million, before expenses, in an oversubscribed Placing. The funds were raised in order to satisfy Sareum's commitment to its co-development agreement for CHK1 with CPF and BACIT, provide working capital and to facilitate the development of other drug discovery and development programmes.

Financial review

The Company ended the half year with net assets of £1,650,000 (2012 £382,000), of which £1,598,000 comprised of cash at bank. Payments associated with the co-development of CHK1 were

delayed while the co-investment agreement was novated into a formal Partnership. This creates a more efficient structure and does not affect the commercial benefits of the co-development programme. Sareum still expects to commit up to £800,000 to the CHK1 programme in the current financial year to 30 June 2014 and this sum has been accrued as an investment in the unaudited financial statements for the half-year. The accounting treatment of the payments may be re-validated in the audited financial statements for the full year.

Loss after taxation for the period was £350,000 (2012: loss £269,000). The year-on year increase arises from the Company's contribution to the FASN project, largely funded by the Technology Strategy Board, as well as professional fees associated with the co-development agreements entered into during the period.

Outlook

We continue to 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 through co-development agreements. Whilst the strategy is not without its risks, as noted below, the Directors believe that risk sharing, cost sharing and resource sharing with co-development partners improves the potential for a significant licensing deal with an industry partner earlier than had Sareum opted to proceed alone.

Whilst there is some risk associated with these co-development agreements relating to the loss of direct control of programmes and reliance on third parties to deliver, it provides Sareum with the opportunity to benefit from the potential uplift of higher asset values associated with licensing later stage programmes. It also enables us to move quickly towards, and potentially into, Phase I clinical trials, across a number of programmes, and mitigates the cost and risk of pursuing a single asset alone.

With a line of funding available to us through the SEDA financing facility, combined with the proceeds of the recent Placing, the Company is well placed to advance its existing programmes and collaborations, and can now focus on building its drug development pipeline.

Dr Paul Harper
Chairman, Sareum Holdings plc

Dr Tim Mitchell
CEO, Sareum Holdings plc

Consolidated Income Statement for the six months ended 31 December 2013

	Unaudited Six months ended 31 Dec 13 £'000	Unaudited Six months ended 31 Dec 12 £'000	Audited Year ended 30 Jun 13 £'000
Revenue	-	-	-
Operating expenses	(376)	(305)	(606)
Operating loss	(376)	(305)	(606)
Finance income	1	-	3
Loss before tax	(375)	(305)	(603)
Tax	25	36	64
Loss on ordinary activities after taxation	(350)	(269)	(539)
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 2013

	Unaudited Six months ended 31 Dec 13 £'000	Unaudited Six months ended 31 Dec 12 £'000	Audited Year ended 30 Jun 13 £'000
Loss for the period	(350)	(269)	(539)
Other comprehensive income	-	-	-
Total comprehensive income for the period	(350)	(269)	(539)
Total comprehensive income attributable to: Owners of the parent	(350)	(269)	(539)

Consolidated Balance Sheet as at 31 December 2013

	Unaudited As at 31 Dec 13 £'000	Unaudited As at 31 Dec 12 £'000	Audited As at 30 Jun 13 £'000
Non-current assets			
Intangible assets	800	-	-
Property, plant and equipment	-	-	-
	800	-	-
Current assets			
Debtors	46	29	42
Tax receivable	80	27	55
Cash and cash equivalents	1,598	380	422
	1,724	436	519
Creditors: amounts due within one year	(874)	(54)	(80)
Net current assets	850	382	439
Net assets	1,650	382	439
Equity			
Called-up share capital	450	373	380
Share premium	9,095	7,294	7,611
Retained earnings	(7,956)	(7,336)	(7,606)
Share-based compensation reserve	61	51	54
Total equity	1,650	382	439

**Consolidated Statement of changes in equity for the six months ended
31 December 2013**

	Share Capital £'000	Share Premium £'000	Retained Loss £'000	Share- based compen sation reserve £'000	Total £'000
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
Issue of share capital (net)	7	317	-	-	324
Loss for the period	-	-	(270)	-	(270)
Share-based compensation reserve	-	-	-	3	3
As at 30 June 2013 (Audited)	380	7,611	(7,606)	54	439
Issue of share capital (net)	70	1,484	-	-	1,554
Loss for the period	-	-	(350)	-	(350)
Share-based compensation reserve	-	-	-	7	7
As at 31 December 2013 (Unaudited)	450	9,095	(7,956)	61	1,650

Consolidated Cash Flow Statement for the six months ended 31 December 2013

	Unaudited Six Months ended 31 Dec 13 £'000	Unaudited Six Months ended 31 Dec 12 £'000	Audited Year ended 30 Jun 13 £'000
Net cash flow from operating activities			
Continuing operations:			
Loss before tax	(375)	(305)	(603)
Share-based compensation charge	7	5	8
Finance income	(1)	-	(3)
	<u>(369)</u>	<u>(300)</u>	<u>(598)</u>
(Increase)/Decrease in trade and other receivables	(4)	2	(11)
Decrease in trade and other payables	(6)	(69)	(43)
Cash used in operations	<u>(379)</u>	<u>(367)</u>	<u>(652)</u>
Tax received	-	70	70
	<u>(379)</u>	<u>(297)</u>	<u>(582)</u>
Net cash from operating activities			
Cash flows from investing activities			
Interest received	1	-	3
Net cash from investing activities	<u>1</u>	<u>-</u>	<u>3</u>
Cash flows from financing activities			
Share issue	70	3	10
Share premium on share issue	1,484	163	480
Net cash from financing activities	<u>1,554</u>	<u>166</u>	<u>490</u>
Increase/(Decrease) in cash and equivalents	<u>1,176</u>	<u>(131)</u>	<u>(89)</u>
Cash and equivalents at start of period	<u>422</u>	<u>511</u>	<u>511</u>
Cash and equivalents at end of period	<u>1,598</u>	<u>380</u>	<u>422</u>

NOTES TO THE UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2013

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 2013, 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 ended 30 June 2013, 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 2014.

3. Taxation

No liability arises for corporation tax for the six month period ended 31 December 2013. Research and Development tax credits, receivable as cash, are estimated to be £25,000 for the period.

4. Dividends

The directors do not propose the payment of a dividend in respect of the six months ended 31 December 2013.

5. Loss per share

Basic and diluted loss per share is 0.02p (2012: 0.02p). The basic and diluted loss per ordinary share is calculated by dividing the Group's loss for the six months of £350,000 (2012: £269,000) by 1,582,081,743 (2012: 1,482,045,717), 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.