

SALVARX GROUP PLC

Interim Report and Accounts

for the period ended 30 June 2019

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SALVARX GROUP PLC
Directors, Officers and Advisors

DIRECTORS

| | |
|-------------------|--|
| J Mellon | Non-Executive Chairman |
| D Eke | Chief Financial Officer (Appointed 8 January 2019) |
| G Bailey | Non-Executive Director |
| Dr Ian Walters | Resigned 8 January 2019 |
| Kam Shah | Resigned 8 January 2019 |
| Richard Armstrong | Resigned 8 January 2019 |
| Colin Weinberg | Resigned 8 January 2019 |

REGISTERED OFFICE

Commerce House
1 Bowring Road
Ramsey
Isle of Man, IM8 2LQ

AUDITOR

RSM UK Audit LLP
Central Square
5th Floor
29 Wellington Street
Leeds
LS1 4DL

SOLICITORS

| | |
|---|--|
| Hill Dickinson LLP The Broadgate Tower 20 Primrose Street London, EC2A 2EW | Long & Humphrey The Old Courthouse, Athol Street Douglas Isle of Man, IM1 1LD |
|---|--|

REGISTRARS

Link Asset Services
Clinch's House
Lord Street
Douglas
Isle of Man IM99

NOMINATED ADVISER AND BROKER

| | |
|---|--|
| S.P. Angel Corporate Finance LLP Prince Frederick House 35-39 Maddox Street London W1S 2PP | Peterhouse Capital Limited New Liverpool House 15-17 Eldon Street London EC2M 7LD |
|---|--|

SALVARX GROUP PLC

Chairman's Statement

On 14 August 2018, the Company announced that it had entered into a conditional sale agreement for the disposal of its 94.2% interest in SalvaRx Limited to Portage Biotech Inc. ("Portage"), for a consideration of US\$67.5 million, to be satisfied by Portage issuing and allotting 757,943,784 new Portage shares. The transaction was finally completed on 8 January 2019. The Company retained approximately 57 million Portage shares for its operating needs and distributed the remaining shares to its shareholders.

I believe that the disposal and the demerger was the best way to unlock and maximise value for shareholders without causing the dilution inherent in raising additional funds at a price which I did not believe reflected the value of the Company's underlying oncology assets.

Board changes

Following the conclusion of the AGM on 8 January 2019, Dr Ian Walters, Kam Shah, Richard Armstrong and Colin Weinberg resigned as directors of the Company. Denham Eke has been appointed as Chief Financial Officer and as a Director of the Company. The Board now comprises Jim Mellon (Non-executive Chairman), Dr Greg Bailey (Non-executive Director) and Denham Eke (Chief Financial Officer). As a result, the Board has no independent directors. However, the Directors are in the advanced stages of recruiting an independent non-executive director and the Company expects to provide an update on the progress of such appointment in due course.

Financial results

During the period ended 30 June 2019, the Company incurred a net profit of £61.3 million (period ended 30 June 2018: loss of £0.2 million), representing a profit per share of 167 pence. Net assets stood at £5.7 million (2018: £1.4 million), which includes investments of £4.7 million (2018: £0), representing a net asset value per share of 15 pence.

AIM Rule 15 Cash Shell

The disposal and the demerger resulted in the divestment of substantially all of the Company's existing business, assets and investments. As such, the Company is now classified as an AIM Rule 15 cash shell and is required to make an acquisition or acquisitions which constitute a reverse takeover under AIM Rule 14 (or seek re-admission as an investing company (as defined under the AIM Rules)).

As the Board had not identified a suitable acquisition by 9 July 2019, the shares were suspended. However, the Board is currently evaluating a number of potential acquisition opportunities and will make a further announcement as soon as practicable.

In the event that no suitable acquisition is made before 9 January 2020, admission to trading on AIM of the Company's shares will be cancelled.

Jim Mellon
Non-executive Chairman
September 2019

SalvaRx Group plc
Condensed statement of profit and loss and other comprehensive income
For the six months ended 30 June 2019

| | Notes | 30 June 2019 (unaudited) (Note 1) | 30 June 2018 (unaudited) (as restated – Note 1) | 31 December (audited) (as restated – Note 1) |
|---|--------------|--|--|---|
| Income | | | | |
| Unrealized investment gain/(loss) | | 11,447 | - | - |
| Realized investment gain/loss | | 53,052 | - | - |
| | | <hr/> 64,499 | <hr/> | <hr/> |
| Other operating costs | | (3,195) | (190) | (549) |
| | | <hr/> 61,304 | <hr/> (190) | <hr/> (549) |
| Operating profit/(loss) | | 61,304 | (190) | (549) |
| Net finance cost | 5 | (27) | - | (28) |
| | | <hr/> 61,277 | <hr/> (190) | <hr/> (577) |
| Profit/(loss) before tax | | 61,277 | (190) | (577) |
| Tax | | - | - | - |
| | | <hr/> 61,277 | <hr/> (190) | <hr/> (577) |
| Net profit/(loss) for the period/year | | <hr/> 61,277 | <hr/> (190) | <hr/> (577) |
| | | <hr/> <hr/> 61,277 | <hr/> <hr/> (190) | <hr/> <hr/> (577) |
| Basic and diluted profit/(loss), £ per share | | 1.67 | (0.005) | (0.016) |
| | | <hr/> 1.67 | <hr/> (0.005) | <hr/> (0.016) |

SalvaRx Group plc
Condensed statement of financial position
As at 30 June 2019

| | Notes | 30 June 2019 (unaudited) (Note 1) | 30 June 2018 (unaudited) (as restated – Note 1) | 31 December (audited) (as restated – Note 1) |
|--|-------|---|--|---|
| Assets | | | | |
| Non-current assets | | | | |
| Financial assets at fair value through profit and loss | 2 | 4,678 | - | - |
| Current assets | | | | |
| Trade and other receivables | | 37 | 53 | 36 |
| Related party balances | | 2,061 | 2,312 | 2,069 |
| Total current assets | | <u>2,098</u> | <u>2,365</u> | <u>2,105</u> |
| Total assets | | <u><u>6,776</u></u> | <u><u>2,365</u></u> | <u><u>2,105</u></u> |
| Liabilities | | | | |
| Current liabilities | | | | |
| Trade and other payables | | 286 | 207 | 226 |
| Other loans | | 822 | 758 | 762 |
| Total liabilities | | <u>1,108</u> | <u>965</u> | <u>988</u> |
| Net assets | | <u><u>5,668</u></u> | <u><u>1,400</u></u> | <u><u>1,117</u></u> |
| Equity | | | | |
| Share capital | 3 | 917 | 911 | 917 |
| Share premium | 3 | 66 | - | 66 |
| Reverse acquisition reserve | | - | 2,125 | 2,125 |
| Treasury shares | | - | (215) | (215) |
| Share-based payment reserves | 3 | 386 | 507 | 540 |
| Retained earnings/(deficit) | | 4,299 | (1,928) | (2,316) |
| Total equity | | <u>5,668</u> | <u>1,400</u> | <u>1,117</u> |

SalvaRx Group
Condensed statement of cash flows
For the six months ended 30 June 2019

| | Notes | 30 June 2019 (unaudited) (Note 1) | 30 June 2018 (unaudited) (as restated – Note 1) | 31 December (audited) (as restated – Note 1) |
|---|--------------|--|--|---|
| Profit/(loss) for the period/year | | 61,277 | (190) | (577) |
| Adjustments for: | | | | |
| Share-based payments | | 3,095 | 49 | 93 |
| Fair value gain on investments | | (11,447) | - | - |
| Realised gain on disposal of investment | | (53,052) | - | - |
| Finance cost | 3 | 27 | - | 65 |
| Foreign exchange adjustment on loans | | 25 | - | - |
| Operating cash flows before movements in working | | (75) | (141) | (419) |
| Change in receivables | | (2) | (35) | (17) |
| Change in payables | | 68 | 65 | 84 |
| Cash used in operations | | - | (111) | (352) |
| Taxation received | | - | - | - |
| Net cash outflow from operating activities | | (9) | (111) | (352) |
| Investing activities | | | | |
| Investment in associates | | - | - | - |
| Purchase of investments | | - | - | - |
| Prepaid equity option | | - | - | - |
| Net cash used in investing activities | | - | - | - |
| Financing activities | | | | |
| Decrease/(increase) in related party receivables | | 9 | (646) | (405) |
| Proceeds on issue of ordinary shares | | - | - | - |
| Proceeds from the issue of other short-term loans | | - | 757 | 757 |
| Proceeds from the issue of convertible loan notes | | - | - | - |
| Net cash from financing activities | | 9 | 111 | (352) |
| Net increase in cash and cash equivalents | | - | - | - |
| Cash and cash equivalents at beginning of | | - | - | - |
| Effect of exchange rate on cashflow | | - | - | - |
| Cash and cash equivalents at end of period/year | | - | - | - |

SalvaRx Group plc
Condensed statement of changes in equity
As at 30 June 2019

| | Share capital | Share premium | Reverse acquisition reserve | Purchase of own shares | Accumulated deficit | Share-based payments reserves | Total equity |
|--|---------------|---------------|-----------------------------|------------------------|---------------------|-------------------------------|-----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| At 1 January 2018 | 911 | - | 2,125 | (215) | (1,738) | 457 | 1,540 |
| Share based payments charge | - | - | - | - | - | 50 | 50 |
| Net loss for the period | - | - | - | - | (190) | - | (190) |
| At 30 June 2018 (as restated – note 1) | 911 | - | 2,125 | (215) | (1,928) | 507 | 1,400 |
| Share based payment charge | - | - | - | - | - | 33 | 33 |
| Issue of equity for cash | 6 | 66 | - | - | - | - | 72 |
| Net loss for the period | - | - | - | - | (388) | - | (388) |
| At 31 December 2018 (as restated – note 1) | 917 | 66 | 2,125 | (215) | (2,316) | 540 | 1,117 |
| Net profit for the period | - | - | - | - | 61,277 | - | 61,277 |
| Share based payment charge | - | - | - | - | - | 3,095 | 3,095 |
| Transfer – options cancelled | - | - | - | - | 540 | (540) | - |
| Exercise of options | - | - | - | - | - | (2,709) | (2,709) |
| Transfer to retained earnings – disposal of investment | - | - | (2,125) | 215 | 1,910 | - | - |
| Distribution of redeemable shares | - | - | - | - | (57,112) | - | (57,112) |
| At 30 June 2019 | 917 | 66 | - | - | 4,299 | 386 | 5,668 |

1 General information

SalvaRx Group plc (the 'Company' and, together with its subsidiaries, the 'Group') is incorporated in the Isle of Man, British Isles under the Isle of Man Companies Act 2006. The address of the registered office is Commerce House, 1 Bowring Road, Ramsey, Isle of Man, British Isles, IM8 2LQ.

Until 8 January 2019, the principal activity of the Group was drug pre-clinical development with particular focus on developing a series of compounds for cancer immunotherapy. Following the disposal of SalvaRx Limited, the Company became an AIM Rule 15 cash shell.

The comparative information for the year ended 31 December 2018 and period ended 30 June 2018 comprise the Group. On 8 January 2019, the Company disposed of its interest in SalvaRX Limited. From this date, the financial statements of the Company have been prepared on a stand-alone basis. The comparative financial information for the period ended 30 June 2018 and year ended 31 December 2018 has been restated to reflect that of the Company only.

Basis of preparation

The interim financial information has been prepared using policies based on International Financial Reporting Standards ('IFRSs') as issued by the International Accounting Standards Board (the 'IASB') and as adopted by the European Union (the 'EU'). These policies and practices are consistent with those adopted in the Group's financial statements for the year ended 31 December 2018.

The interim financial statements have not been audited, and have not been prepared in compliance with International Accounting Standard ('IAS') 34, '*Interim Financial Reporting*'. In the opinion of the Directors, the interim financial information for the period represents fairly the financial position, results from operation and cash flows for the period in conformity with generally accepted accounting principles consistently applied.

These interim financial statements include the accounts of the Company and its subsidiaries up until the date of disposal on 8 January 2019.

The Group's interim financial statements are presented in pounds sterling, which is the Group's functional and presentational currency, and all values are rounded to the nearest thousands (£000) except loss per ordinary share and figures and numbers in the Notes.

Going concern

As part of their going concern assessment, the Directors have followed the guidelines published by the Financial Reporting Council entitled "Guidance on Risk Management and Internal Control and Related Financial and Business Reporting".

At 30 June 2019, the Group had cash and cash equivalent of £Nil. The Company is in a net current asset position of £990,000, and an overall net asset position of £5,668,000. Following the disposal and demerger, the Company has limited cash reserves and its principal assets are up to 56,657,531 Retained Shares in Portage Biotech Inc. worth approximately US\$5,099,178 (approximately, £4,015,325). As shares in a Canadian listed entity, these are readily convertible into cash and are to be set aside for general working capital requirements.

As a cash shell, the Company has a low level of underlying overhead. The Directors have prepared forecasts that demonstrate that the Company has adequate resources (comprising cash in hand and the Retained Shares) to cover these costs for at least the next twelve months from the date of this report. The Directors have therefore concluded that it remains appropriate to prepare these interim financial statements on a going concern basis.

Significant accounting policies

Financial assets and financial liabilities

Classification of financial assets

When the Company first recognises a financial asset, it classifies it based on the business model for managing the asset and the asset's contractual cash flow characteristics, as follows:

- Amortised cost – a financial asset is measured at amortised cost if both of the following conditions are met:
 - the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
 - the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- Fair value through profit or loss – any financial assets that are not held as amortised costs assets are measured at fair value through profit or loss.

Financial assets are not reclassified subsequent to their initial recognition, unless the Company changes its business model for managing financial assets, in which case it must reclassify all affected financial assets.

Classification of financial liabilities

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

All financial liabilities are classified and measured at amortised cost.

1. Recognition

The Company recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

2. Subsequent measurement

Equity and preference share investments are stated at fair value through profit or loss. Loans and receivables are stated at amortised cost less any impairment losses.

The Company determines asset fair values using IPEV guidelines and other valuation methods with reference to the valuation principles of IFRS 13. The valuation principles adopted are classified as Level 3 for unquoted investments and Level 1 for quoted investments in the IFRS 13 fair value hierarchy. IPEV guidelines recommend the use of an appropriate valuation methodology based on the investments held.

The Company then seeks to determine whether holding the investment at recent available transaction price is appropriate given the implied value, or whether an adjustment should be made to achieve fair value: whether this be in the form of an impairment or a write-up.

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The Company measures instruments quoted in an active market at mid-price.

2 Significant accounting policies (continued)

Financial assets and financial liabilities (continued)

2. Subsequent measurement (continued)

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The Company recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. Financial assets that are not carried at fair value though profit and loss are subject to an impairment test.

3. Impairment

12-month expected credit losses

12-month expected credit losses are calculated by multiplying the probability of a default occurring in the next 12 months with the total (lifetime) expected credit losses that would result from that default, regardless of when those losses occur. Therefore, 12-month expected credit losses represent a financial asset's lifetime expected credit losses that are expected to arise

from default events that are possible within the 12-month period following origination of an asset, or from each reporting date for those assets in initial recognition stage.

Lifetime expected credit losses

Lifetime expected credit losses are the present value of expected credit losses that arise if a borrower defaults on its obligation at any point throughout the term of a lender's financial asset (that is, all possible default events during the term of the financial asset are included in the analysis). Lifetime expected credit losses are calculated based on a weighted average of expected credit losses, with the weightings being based on the respective probabilities of default.

4. Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with IFRS 9.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits that are subject to an insignificant risk of changes in fair value.

Trade and other receivables

Trade and other receivables originated by the Company are initially recognised at fair value and subsequently stated at amortised cost less impairment losses.

1 Significant accounting policies (continued)**Financial assets and financial liabilities (continued)***Trade and other payables*

Trade and other payables are initially recognised at fair value less directly attributable transaction costs. Subsequently they are measured at amortised cost using the effective interest method.

2 Financial assets at fair value through profit or loss

| | Unaudited 30 June 2019 | Unaudited 30 June 2018 | Unaudited 31 December 2018 |
|-------------------------------|---------------------------|---------------------------|-------------------------------|
| | £'000 | £'000 | £'000 |
| Quoted investments - equities | 4,678 | - | - |
| | <u> </u> | <u> </u> | <u> </u> |

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments;

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using; quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data;

Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The Directors consider that the investment held is classified as Level 1 in the fair value hierarchy.

3 Share capital

| | Unaudited 30 June 2019 | | Unaudited 30 June 2018 | | Unaudited 31 December 2018 | |
|------------------------------|---------------------------|------------|---------------------------|------------|-------------------------------|------------|
| | Number in 000 | £'000 | Number in 000 | £'000 | Number in 000 | £'000 |
| Authorised | | | | | | |
| Ordinary Shares of 2.5p each | 80,000 | 2,000 | 80,000 | 2,000 | 80,000 | 2,000 |
| Issued and fully paid | | | | | | |
| Ordinary Shares of 2.5p each | <u>36,700</u> | <u>917</u> | <u>36,467</u> | <u>911</u> | <u>36,467</u> | <u>911</u> |

3 Share capital (continued)

The Company has one class of Ordinary Shares, which carry no right to fixed income.

As part of the disposal of SalvaRx Limited on 8 January 2019, the Company completed the purchase of outstanding options over 2,767,470 new Ordinary Shares in consideration of the grant of new options over a total of 40,692,697 shares (the "Portage Options") in Portage Biotech Inc ("Portage").

The Company has 9,358,511 Portage Options issued and outstanding as at 30 June 2019. These options expire on 8 January 2020 and are convertible into equal number of shares in Portage Biotech Inc ("Portage") at an exercise price of US\$ 0.00001 each.

On 8 January 2019, shareholders approved a share split, whereby each Ordinary Share in issue was split into one Ordinary Share and one Redeemable B Share. Following the split, shareholders approved the distribution of all Redeemable B Shares to existing holders, with the distribution being satisfied by 660,593,556 Portage Biotech Inc. shares. Following the distribution, the Redeemable B Shares were cancelled.

4 Profit/(loss) per ordinary share

Basic profit/(loss) per ordinary share is calculated by dividing the net profit/(loss) for the period/year attributable to Ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period/year. The calculation of the basic and diluted profit/(loss) per ordinary share is based on the following data:

| | Unaudited Period ended 30 June 2019 £'000 | Unaudited Period ended 30 June 2018 £'000 | 31 December 2018 £'000 |
|--|---|--|------------------------------|
| Profit/(loss) for the purposes of basic loss per share | 61,277 | (190) | (577) |
| Number of shares | Number | Number | Number |
| Weighted average number of ordinary shares for the purposes of basic profit/(loss) per share | 36,699,642 | 36,467,123 | 36,506,384 |
| Profit/(loss) per ordinary share | 1.67 | (0.005) | (0.016) |

Dilutive loss per ordinary share equals basic loss per ordinary share as there is no dilutive effect from the subsisting share options.

5 Related party transactions

During the period, interest of £13,417 each (31 December 2018: £14,000, period to 30 June 2018: £nil) was charged on the outstanding short-term loan balances due to Jim Mellon and Gregory Bailey respectively.

6 Post balance sheet events

No post balance sheet events have occurred that required disclosure.