SalvaRx Group plc

(“SalvaRx”, or the “Company”)

Half Yearly Report to 30 June 2016

SalvaRx Group plc (AIM: SALV), the drug development company focused on immunotherapy for cancer, is pleased to announce its interim results for the six months ended 30 June 2016.

**Highlights**

- Reverse takeover of 3Legs Resources plc completed on 22 March 2016 in conjunction with a placing to raise £1.95 million (gross).
- Dr.Ian Walters, formerly of Bristol-Myers Squibb, appointed Chief Executive Officer
- SalvaRx now focused on building a portfolio of cancer immunotherapy assets via acquisition and investment.
- iOx Therapeutics Ltd, in which SalvaRx has a 60.5% interest, awarded grant funding from the EU as part of a consortium developing new immunotherapy candidates.(the funding will help cover significant portion of the clinical trials).
- In April US$2 million invested for a 8.5% interest in US-based Intensity Therapeutics Inc., a private biotechnology company pioneering a new approach to treating solid tumours.
- Investment in Intensity, part funded by issue of US$ 1 million of zero coupon convertible unsecured loan notes.

**Chief Executive Officer’s Statement**

In the first half of 2016, we transformed the business to what is now a drug development company focused on the important area of cancer immunotherapy. This was achieved via the acquisition of SalvaRx Limited which constituted a reverse takeover under the AIM Rules. The Company’s name was also changed to SalvaRx Group plc at the same time. Simultaneously we raised £1.95 million to support continued drug development at iOx Therapeutics Ltd (“iOx”) in which we have a 60.5% interest. SalvaRx leadership has also augmented the iOx management team, as well as recruited a scientific advisory group and board of directors. We negotiated a collaborative research agreement for iOx with Oxford University, and secured the Horizon 2020 grant covering the development activities for iOx’s two lead products.

In April we issued a convertible note and raised an additional US$ 1 million which enabled us to execute our second transaction which was to acquire a stake in a US company, Intensity Therapeutics, Inc. (“Intensity”). This has enabled us to build a product pipeline with several candidates funded through multiple rounds of clinical testing. In addition to funding, we have assisted iOx and Intensity to build teams to oversee the execution of their drug development work.

We are focused on getting our products ready for human testing. SalvaRx’s goal is to develop products through to human proof of concept, (i.e. safety and efficacy in humans with some scientific evidence of activity against the target). This milestone represents a significant de-risking of a drug programme and a chance for substantial value inflection. We hope to have helped one of iOx’s products and one of Intensity’s products to enter the clinic in the next year. In both cases, we follow the reaction of patients tumor and health to these products, but we also take blood and tumor samples to analyse in the lab. Both companies are working with leading experts in this field and strive to understand how these drugs work, in which patients are they most likely to work and how can we make additional and or improved products in the future. I am pleased at the progress from iOx and Intensity in these areas.

We recently announced the award of a US patent for iOx drug IMM60 and also a licensing deal for a vaccine from the Ludwig Institute for Cancer Research to be used in combination with both IMM60 and IMM65. Intensity has also been granted a US patent and is preparing submissions with the US FDA and Health Canada with a goal to starting the first human studies in due course. I am very pleased with the progress at both companies where the management teams, advisory boards and boards of directors of these companies have been making sure that we have enough cash, adequate personnel and the proper strategies to deliver these medicines to cancer patients.

Our field has been exciting with several examples of success with cancer immunotherapies. More so than ever, combination therapy and patient selection are critical for commercial success in cancer treatment. Bristol-Myers Squibb(BMS) recently learned from a large global trial in lung cancer that their leading immunotherapy (Opdivo) did not work as a monotherapy in this study, and they are focusing their future efforts on combinations. Importantly, SalvaRx's strategy is to develop potential combination partners for PD-1 drugs. This strategy is not only critical to enable BMS's product to be used in broader patient population, it is also applicable to many of the big pharma companies which are focusing on this area. We have had preliminary discussions with many of these companies about our strategy and assets.

**Outlook**

The two lead compounds from iOx and the lead compound from Intensity are now capitalized sufficiently to get these products into the clinic. We continue to see new exciting opportunities in this space and are evaluating these for SalvaRx. Our efforts are being recognized by our peers and we continue to prioritize discussions with potential big pharma partners. I am hopeful that our innovative medicines can have an impact on the many cancer patients worldwide who have a need for new treatment options.

Dr Ian Walters

Chief Executive Officer

Enquiries

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## SalvaRx Group plc
## Consolidated income statement
## For the six months ended 30 June 2016

| | Note | Unaudited Six months ended 30 June 2016 £'000 | Unaudited 6 May 2015 to 30 June 2015 £'000 | Unaudited 6 May 2015 to 31 December 2015 £'000 |
|---|---|---|---|---|
| Research and development | | **(240)** | - | (260) |
| Exceptional item (non-cash charge arising on reverse takeover transaction) | 2 | **(563)** | - | - |
| Other operating costs | | **(636)** | (11) | (130) |
| **Operating loss** | | **(1,439)** | (11) | (390) |
| Finance cost | 5 | **(25)** | **-** | **-** |
| **Loss before tax** | | **(1,464)** | (11) | (390) |
| Tax | | **-** | - | - |
| **Net loss and comprehensive loss for the period** | | **(1,464)** | (11) | (390) |
| **Net loss and comprehensive loss attributable to** | | | | |
| Owners of the company | | **(1,319)** | (11) | (280) |
| Non-controlling interest | | **(145)** | - | (110) |
| | | **(1,464)** | (11) | (390) |
| **Loss per ordinary shares** | | | | |
| Basic and diluted | 6 | **(0.05p)** | (0.00p) | (0.06p) |

***In accordance with note 3, and the adoption of reverse takeover accounting principles, comparatives are for SalvaRx Limited.**

**SalvaRx Group plc**
**Consolidated statement of financial position**
**As at 30 June 2016**

| | Note | Unaudited 30 June 2016 £'000 | Unaudited *30 June 2015 £'000 | Unaudited *31 December 2015 £'000 |
|---|---|---|---|---|
| **Assets** | | | | |
| **Non-current assets** | | | | |
| Investment available for sale | 3 | **1,375** | - | - |
| Goodwill | 4 | **1,210** | - | 1,210 |
| | | **2,585** | - | 1,210 |
| **Current assets** | | | | |
| Trade and other receivables | | **71** | 510 | 236 |
| Cash and cash equivalents | | **1,876** | - | 567 |
| | | **1,947** | 510 | 803 |
| **Total assets** | | **4,532** | 510 | 2,013 |
| **Liabilities** | | | | |
| **Non-current liabilities** | | | | |
| Convertible loan notes | 5 | **399** | - | - |
| Equity option on convertible loan | 5 | **386** | - | - |
| | | **785** | **-** | **-** |
| **Current liabilities** | | | | |
| Trade and other payables | | **511** | 11 | 244 |
| | | **511** | 11 | 244 |
| **Total liabilities** | | **1,296** | 11 | 244 |
| **Net assets** | | **3,236** | 499 | 1,769 |
| **Equity** | | | | |
| Share capital | 7 | **912** | 155 | 155 |
| Share premium account | | **62,353** | 52,533 | 52533 |
| Other reserves | | **(59,288)** | (52,178) | (51,748) |
| Equity, purchase of own shares | 2 | **(215)** | - | - |
| Share-based payment reserves | | **134** | - | 25 |
| Accumulated deficit | | **(1,599)** | (11) | (280) |
| Equity attributable to owners of the company | | **2,297** | 499 | 685 |
| Non-controlling interest | | **939** | - | 1,084 |
| **Total equity** | | **3,236** | 499 | 1,769 |

***In accordance with note 3, and the adoption of reverse takeover accounting principles, comparatives are for SalvaRx Limited.**

**SalvaRx Group**
**Consolidated statement of cash flows**
**For the six months ended 30 June 2016**

| | Note | Unaudited six months ended 30 June 2016 £'000 | Unaudited *6 May 2015 to 30 June 2015 £'000 | Unaudited *6 May 2015 to 31 December 2015 £'000 |
|---|---|---|---|---|
| Loss before tax | | **(1,464)** | (11) | (390) |
| **Adjustments for:** | | | | |
| Share-based payments | | **108** | - | 25 |
| Finance cost | | **25** | - | - |
| Exceptional item | | **563** | - | - |
| **Operating cash flows before movements in working capital** | | **(768)** | (11) | (365) |
| **(Increase)/decrease in receivable** | | **165** | (510) | (237) |
| **(Increase)/decrease in payables** | | **(37)** | 11 | 229 |
| **Cash used in operations** | | **(640)** | (510) | (373) |
| **Taxation paid** | | **-** | - | - |
| **Net cash outflow from operating activities** | | **(640)** | (510) | (373) |
| **Investing activities** | | | | |
| Investment in Intensity Therapeutics Inc. | | **(1,375)** | - | - |
| **Net cash used in investing activities** | | **(1,375)** | - | - |
| **Financing activities** | | | | |
| Proceeds from the issue of share capital | | **-** | 510 | 940 |
| Cash acquired through reverse acquisition | | **2,564** | - | - |
| Proceeds on issue of convertible loan notes | | **760** | - | - |
| **Net cash from financing activities** | | **3,324** | 510 | 940 |
| **Net increase in cash and cash equivalents** | | **1,309** | - | 567 |
| **Cash and cash equivalents at beginning of period** | | **567** | - | - |
| **Cash and cash equivalents at end of period** | | **1,876** | - | 567 |

***In accordance with note 3, and the adoption of reverse takeover accounting principles, comparatives are for SalvaRx Limited.**

# SalvaRx Group plc
# Consolidated statement of changes in equity
# As at 30 June 2016

| | Attributable to the owners of the company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share Capital | Share premium | Other reserves | Purchase of own shares | Share-based payments reserves | Accumulated deficit | Equity attributable to owners | Non-controlling interest | Total equity |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| At 6 May 2015 | 155 | 52,533 | (52,688) | - | - | - | - | - | - |
| Issue of equity shares at subsidiary | - | - | 510 | - | - | - | 510 | - | 510 |
| Net loss for the period | - | - | - | - | - | (11) | (11) | - | (11) |
| **At 30 June 2015** | **155** | **52,533** | **(52,178)** | **-** | **-** | **(11)** | **499** | **-** | **499** |
| Issue of equity shares at subsidiary | - | - | 430 | - | - | - | 430 | | 430 |
| Acquisition of IOX | - | - | - | - | - | - | - | 1,200 | 1,200 |
| Share based payments | - | - | - | - | 25 | - | 25 | - | 25 |
| Pre-acquisition loss | - | - | - | - | - | - | - | (5) | (5) |
| Net loss for the period | - | - | - | - | - | (269) | (269) | (111) | (380) |
| **At 31 December 2015** | **155** | **52,533** | **(51,748)** | **-** | **25** | **(280)** | **685** | **1,084** | **1,769** |
| Issue of equity by parents | 757 | 9,820 | (7,540) | (215) | - | - | 2,822 | - | 2,822 |
| Share based payments | - | - | - | - | 109 | - | 109 | - | 109 |
| Net loss for the period | - | - | - | - | - | (1,319) | (1,319) | (145) | (1,464) |
| **At 30 June 2016** | **912** | **62,353** | **(59,288)** | **(215)** | **134** | **(1,599)** | **2,297** | **939** | **3,236** |

## SalvaRx Group plc
## Notes to the interim financial statements for the six months ended 30 June 2016

**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.

On 22 March 2016, the Company acquired the 88.9% of the share capital of SalvaRx Limited not already owned by it for a consideration of £8.8m satisfied by the issue of 24,788,732 New Ordinary Shares. The Acquisition was of sufficient size to constitute a reverse takeover under the AIM Rules and is accounted for as a reverse acquisition in these financial statements (Note 3). As a result, SalvaRx Limited is an accounting acquirer and comparative figures provided in these financial statements are those of SalvaRx Limited.

Prior to the above, the name of the Company was changed to SalvaRx Group plc, the shares were consolidated on the basis of 1 New Ordinary Share for every 100 Ordinary Shares, and there was a placing of 5,492,958 New Ordinary Shares at a price of 35.5p per share to raise £1.95m before expenses.

The principal activity of the Group is drug development, pre-clinical development with particular focus on developing series of compounds for cancer immunotherapy.

***Basis of preparation***

The consolidated 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 2015 except for the following new policies which have been adopted due to change in the business activities of the Group and will be adopted in the Group's financial statements for the year ending 31 December 2016.

The consolidated 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 consolidated 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 consolidated interim financial statements include the accounts of the Company and:

i. SalvaRx Limited, ("SalvaRx) incorporated on 6 May 2015 in the British Virgin Islands.

ii IOX Therapeutics Limited ("IOX") incorporated in the U.K. as a private company (Company Number 9430782) under the Companies Act 2006 on 10 February, 2015. SalvaRx Limited acquired 60.49% equity in IOX on 1 July, 2015.

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.

***New accounting policies adopted for the year ending 31 December 2016:***

**Research and Development Expenses**

***(i) Research and development***

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. No development costs have been capitalized to date.

Research and development expenses include all direct and indirect operating expenses supporting the products in development

***(ii) Subsequent expenditure***

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognized in profit or loss as incurred.

***(iii) Clinical trial expenses***

Clinical trial expenses are a component of the Company's research and development costs. These expenses include fees paid to contract research organizations, clinical sites, and other organizations who conduct development activities on the Company's behalf. The amount of clinical trial expenses recognized in a period related to clinical agreements are based on estimates of the work performed using an accrual basis of accounting. These estimates incorporate factors such as patient enrolment, services provided, contractual terms, and prior experience with similar contracts.

**Goodwill**

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses which are not reversed. Goodwill is allocated to the cash generating unit expected to benefit from the business combination in which the goodwill arose, for the purpose of impairment testing.

**Business Combinations**

The Company applies the acquisition method to account for all acquired businesses, whereby the identifiable assets acquired and the liabilities assumed are measured at their acquisition-date fair values (with few exceptions as required by IFRS 3 *Business Combinations*).

The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Company.

Acquisition-related costs (e.g. finder's fees, consulting fees, administrative costs, etc.) are recognized as expenses in the periods in which the costs are incurred and the services are received.
On acquisition date, goodwill is measured as the excess of the aggregate of consideration transferred, any non-controlling interests in the acquiree, and acquisition-date fair value of the Company's previously held equity interest in the acquiree (if business combination achieved in stages) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after appropriate reassessment, the amount as calculated above is negative, it is recognized immediately in profit or loss as a bargain purchase gain.

At acquisition date, non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership instruments' proportionate share in the recognized amounts of the acquiree's identifiable net assets. This choice of measurement is made separately for each business combination. Other components of non-controlling interests are measured at their acquisition-date fair values, unless otherwise required by IFRS.

The acquisition-date fair value of any contingent consideration is recognized as part of the consideration transferred by the Company in exchange for the acquiree. Changes in the fair value of contingent consideration that result from additional information obtained during the measurement period (maximum one year from the acquisition date) about facts and circumstances that existed at the acquisition date are adjusted retrospectively against goodwill.

***Going concern***

As part of their going concern review 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''.

The Group incurred a net loss of approximately £1.5m during the period and as at 30 June 2016 had cash and cash equivalent of approximately £1.9m; The Board has evaluated the cash flow and proposed budget and has reached the conclusion there is sufficient funding for the current workload projected until September 2017. This budget includes some estimation of the R&D tax credits that are available to the Group. There is some minor risk to the timing and total amount of this cash flow, but the Board has considered the availability of future funding and that existing shareholders / directors have indicated their intention to provide the further funding should this be required. That being said, major costs of drug development going forward are covered by external non-dilutive funding (collaborative research agreements and grants).

The Group believes that these available resources will be sufficient to meet its cash requirements through to the clinical trial, expected to be in 2017 for its operational and research and development activities.

As the Group continues to incur losses, transition to profitability is dependent upon achieving a level of revenues adequate to support the Group's cost structure and unless and until doing so, intends to fund future operations through additional debt or equity offerings. There can be no assurance, however, that additional funding will be available on terms acceptable to the Group, if at all.

## 2 Reverse acquisition transaction

On 30 September 2015, the Company acquired 11.14% of the issued share capital of SalvaRx Limited ("SalvaRx"), a private company incorporated in the British Virgin Islands. SalvaRx holds 60.49% of IOX Therapeutics Limited ("IOX"), a company incorporated in England and Wales.

On 22 March 2016, the Company acquired the remaining issued share capital of SalvaRx by issuing 24,788,732 ordinary shares of the Company.

Although the transaction resulted in SalvaRx becoming a wholly owned subsidiary of the Company, the transaction constitutes a reverse acquisition in as much as the shareholders of SalvaRx own a substantial majority of the outstanding ordinary shares of the Company and four out of six members of the Board of Directors of the Company are SalvaRx shareholders and management.

In substance, the shareholders of SalvaRx acquired a controlling interest in the Company and the transaction has therefore been accounted for as a reverse acquisition in accordance with guidance provided in IFRS 2 *Share-based payment* and IFRS 3 *Business Combinations*. As the Company previously discontinued its investment activities and was engaged in acquiring SalvaRx and raising equity financing to provide the required funding for the operations of the proposed acquisition and re-listing on AIM, it did not meet the definition of a business according to the definition in IFRS 3. Accordingly, this reverse acquisition does not constitute a business combination; rather it is treated as an issuance of shares by SalvaRx for the fair value of the net assets of the Company followed by a recapitalization of the Company.

In accordance with reverse transaction accounting principles, these consolidated financial statements represent a continuation of the financial statements of SalvaRx and include:

a. The assets and liabilities of SalvaRx and IOX at their pre-acquisition carrying amounts as at 30 June 2016 and expenses for the six months ended on that date

b. The assets and liabilities of the Company as at 30 June 2016 and expenses from 23 March 2016 to 30 June 2016.

c. Share capital representing the total number of shares issued by the Company and its share premium account balance associated with the share capital.

d. Comparative figures are those of SalvaRx and IOX on a consolidated basis, before the transaction and share capital and share premium balances of the Company.

The fair value of net assets of the Company acquired by SalvaRx was as follows:

| | £ |
|---|---|
| Cash | 2,564,295 |
| Other assets | 13,814 |
| Liabilities | (309,604) |
| | |
| Fair value of net assets | **2,268,505** |

Based on an assessment of the purchase consideration for an 88.9% holding in SalvaRx of £8.8m, the deemed cost of the acquisition of the Company by SalvaRx is £2,832,000. The difference between this deemed cost and the fair value of the net assets acquired of £563,000 has been expensed in accordance with IFRS2. Share based payments, reflecting the economic cost to the SalvaRx shareholders of acquiring a quoted entity. Given its significance, this cost has been treated as an exceptional item.

### 3. Investment Available for Sale

On 22 April, 2016, the Company acquired 1m Series A preferred stock in Intensity Therapeutics Inc.., a Delaware corporation ("Intensity") for US$2m (£1.4m) in cash. All Series A Preferred stock is convertible into equal number of common shares in Intensity. The Company's holdings represent less than 10% of the equity of Intensity. The Company has determined that it has no significant control or influence over the affairs of Intensity and has therefore accounted for this investment at fair value as an available for sale financial instrument, which at 30 June, 2016 was considered equal to its carrying value. Intensity is planning Phase 1 study of its lead product, which enhances the penetration of cancer drugs into cancer cells while avoiding the normal cells, allowing for local delivery into the tumour, potentially sparing cancer patients the debilitating side-effects of systemically administered treatments.

As at 30 June, 2016, the Company has determined that there was no evidence of any impairment in the value of this investment and as a result no adjustment was considered necessary in its carrying value.

### 4. Goodwill

On 1 July 2015, SalvaRx acquired 15,313 new Seed Preferred Shares in IOX at a price of £120 per Seed Preferred Share, which represents 60.49 %. equity in IOX for £1,837,560.

Except for a preference over Ordinary Shares on winding up, Seed Preferred Shares have the same voting rights as Ordinary Shares and are convertible into equal number of ordinary shares.

SalvaRx has a majority equity interest and also has significant control over the management of IOX. As a result, these financial statements include results of operations for IOX from 1 July 2015 to 31 December 2015 and for six months ended 30 June 2016 and assets and liabilities as at 31 December 2015 and as at 30 June 2016.

The non-controlling interests in IOX on the date of acquisition was valued at £1.2 million, based on their 39.51 per cent. equity being valued on the basis of the price SalvaRx paid for 60.49 per cent. equity in IOX. As at 1 July 2015, net assets acquired were determined as per IFRS 3 – business combinations, as follows:

| | £ | £ |
|---|---|---|
| Goodwill | | 1,209,974 |
| Other net assets | | |
| Liability assumed | (10,074) | |
| Assets assumed * | 1,837,660 | |
| | | 1,827,586 |
| Net assets acquired | | 3,037,560 |
| Allocated to | | |
| Cash consideration paid for company's interest | | 1,837,560 |
| Non-controlling interest (39.51%) ** | | 1,200,000 |
| | | 3,037,560 |

* Consideration was paid for new Seed Preferred Shares in IOX. As SalvaRx has control over IOX and the consideration paid by SalvaRx will remain within the Group, the net cash impact of the acquisition on the Group is £nil.
** Non-controlling interest has been valued based on 39.51 per cent. of the grossed up consideration paid by SalvaRx ((£1,827,586 / 60.49 per cent.) x 39.51 per cent.)

The Group assesses the recoverability of the carrying value of goodwill on an annual basis and whenever events occur or when circumstances change that would, more likely than not, indicate that the fair value of the reporting unit (IOX) is below its carrying value.

For the purpose of impairment testing, goodwill is attributable to IOX, which is considered a cash generating unit (CPU).

For the goodwill impairment analysis performed at 30 June 2016, the Directors performed a qualitative assessment to determine whether it was more likely than not that the goodwill asset was impaired in order to determine the necessity of performing a quantitative impairment test, under which management would calculate the asset's fair value. When performing the qualitative assessment, the Directors evaluate events and circumstances that would affect the significant inputs used to determine the fair value of the goodwill. Events and circumstances evaluated include: macroeconomic conditions that could affect CPU and the Group, industry and market considerations for the pharmaceutical industry that could affect CPU and the Group, cost factors that could affect CPU and the Group's performance, its existing agreement for clinical testing and its financial requirements, and consideration of any company specific events that could negatively affect it, its business, or its fair value. Further, in April 2016, a consortium of which IOX and its clinical partner are members were awarded an €8.3m Horizon 2020 grant to support their clinical development work.

Based on the Directors' assessment of the aforementioned factors, it was determined that it was more likely than not that the fair value of the CPU is greater than its carrying amount as of 30 June 2016, and therefore no quantitative testing for impairment was required.

## 5. Convertible Loan Notes

On 21 April 2016, the Company issued US$1 million of zero coupon convertible unsecured loan notes ("Loan Notes") to Jim Mellon, the Non-Executive Chairman and Greg Bailey, a Non-Executive Director ("the Noteholders"), who are both substantial shareholders in the Company. Mr Mellon and Dr Bailey subscribed for US$0.5 million of Loan Notes each. The Loan Notes have a term of three years, with a zero coupon and may be converted in whole or in part at the Noteholder's discretion at a price of 35.5p per ordinary share. The Noteholders have undertaken not to convert their Loan Notes in circumstances where (i) the conversion would result in the Concert Party's holding in the Company exceeding 74.66% on a fully diluted basis or (ii) the percentage of shares in public hands would fall below 10%.

These notes have an embedded derivative in the form of the equity conversion rights whose value will be affected by foreign exchange movements. The company has therefore determined the fair value of the derivative to be £386,462.

The derivative value has been deducted from the loan balance and accounted for separately on the balance sheet and will be subject to revaluation on each balance sheet date through the income statement in accordance with IAS 39.

The residual loan balance at 30 June 2016 of £399,000 is held at amortised cost and is subject to a notional interest at 18.40%, which for the period to 30 June 2016 was £25,058. The interest amount is expensed as finance cost and included within the loan balance.

## 6. Loss per Ordinary Share

Basic loss per Ordinary Share from continuing operations is calculated by dividing the net loss for the period attributable to Ordinary equity holders of the parent by the weighted average number of Ordinary Shares outstanding during the period. The weighted average number of Ordinary Shares outstanding during the period and for the prior periods presented has been adjusted in accordance with *IAS 33 Earnings per share.*

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

| | Unaudited six months ended 30 June 2016 £'000 | Unaudited 6 May 2015 to 30 June 2015 £'000 | Unaudited 6 May 2015 to 31 December 2015 £'000 |
|---|---|---|---|
| **Loss** | | | |
| Loss for the purposes of basic loss per share from continuing operations being net loss attributable to equity holders of the parent | (1,294) | (11) | (390) |
| **Number of shares** | | | |
| Weighted average number of Ordinary Shares for the purposes of basic profit/(loss) per share | 26,372,722 | 10,840,680* | 20,524,876* |
| **Loss per Ordinary Share** | **£** | **£** | **£** |
| **From continuing operations** | | | |

| | | | |
|---|---|---|---|
| Basic and diluted | (0.05p) | (0.00p) | (0.01p) |

* Average number of SalvaRx shares for the period multiplied by 433.63, being the number of shares of the Company issued for each SalvaRx share on acquisition

The weighted average number of shares for the purpose of calculating the basic and diluted measures is the same. This is because the outstanding share options would have the effect of reducing the loss per ordinary share and therefore would be anti-dilutive under IAS 33 *Earnings per Share*.

## 7. Share capital

| | Unaudited 30 June 2016 | | Unaudited 30 June 2015 * | | Unaudited 31 December 205* | |
|---|---|---|---|---|---|---|
| | Number in 000 | £'000 | Number in 000 | £'000 | Number in 000 | £'000 |
| **Authorised** | | | | | | |
| Ordinary Shares of 2.5p each | **80,000** | **2,000** | 10,400 | 260 | 10,400 | 260 |
| **Issued and fully paid** | | | | | | |
| Ordinary Shares of 2.5p each | **36,467** | **912** | 6,185 | 155 | 6,185 | 155 |

* Number of shares and par value of share adjusted for the consolidation on the basis of 1 New Ordinary Share for every 100 Ordinary Shares.

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

The Company has 3,225,941 options issued and outstanding as at 30 June 2016 of which 2,508,777 options have not yet vested. These options expire between February 2018 and March 2021 and are convertible into equal number of Ordinary shares of the Company at an exercise prices ranging from 23.2p to 71p per share.

IOX has 675 options issued and outstanding as at 30 June 2016 of which 506 options have not yet vested. These options expire in 2020 and are convertible into equal number of Common shares of IOX at an exercise price of £84.23 per share.