



HEMOGENYX PHARMACEUTICALS PLC
(FORMERLY SILVER FALCON PLC)

ANNUAL REPORT & FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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COMPANY INFORMATION

Directors

Dr Vladislav Sandler (Chief Executive Officer)
Professor Sir Marc Feldmann (Executive Chairman)
Lawrence Pemble (Chief Operating Officer)
Alexis Sandler (Non-Executive Director)
Peter Redmond (Non-Executive Director)
Dr Robin Campbell (Non-Executive Director)

Company Secretary

Lawrence Pemble

Registered Office

5 Fleet Place
London
EC4M 7RD

Registered Number

8401609 (England and Wales)

Joint Broker

Optiva Securities Limited
2, Mill Street
London
W1S 2AT

Joint Broker

Shard Capital
23rd Floor
20 Fenchurch Street
London
EC3M 3BY

Independent Auditor

PKF Littlejohn LLP
Statutory Auditor
1 Westferry Circus
Canary Wharf
London
E14 4HD

Solicitors

Charles Russell Speechlys LLP
5 Fleet Place
London
EC4M 7RD

Principal Bankers

Metro Bank plc
One Southampton Row
London
WC1B 5HA

Registrars

Computershare Investor Services PLC
The Pavillions
Bridgwater Road
Bristol
BS13 8AE



CHAIRMAN'S STATEMENT



I am very pleased to present an update on the Company for the year ended 31 December 2017. I took over as Chairman on April 9, 2018, succeeding Dr Robin Campbell.

Silver Falcon listed on the London Stock Exchange on 9 November 2015. Following the evaluation of a number of acquisition opportunities, it announced on 11 September 2017 an agreement to acquire the entire share capital of Hemogenyx Pharmaceuticals Limited for £8m (the "Acquisition"), to be satisfied by the issue of 228,571,428 Consideration Shares at a price of 3.5p per share. The acquisition constituted a reverse takeover under IFRS2.

Concurrent with the acquisition the Company raised £2m (before expenses) through the issue of 57,142,857 New Ordinary Shares in a Placing and Subscription at a price of 3.5p per share, as well as offering 1 new share for 2 warrants to qualifying shareholders over 62,021,429 New Ordinary Shares at 4.0p per share. Silver Falcon formally changed its name to Hemogenyx Pharmaceuticals Plc.

Hemogenyx Pharmaceuticals Limited is the holding company for Hemogenyx LLC ("Hemogenyx"), a US based biotechnology company developing therapies to transform bone marrow and blood stem cell transplant procedures. These therapies aim to replace the need for the imperfect existing methods of preparation of patients for transplantation, such as chemotherapy and radiation

treatments, and at the same time address the problem of finding matching stem cell donors whilst reducing the risk of blood stem cell rejection after transplantation.

Consequently, shareholders now have exposure to an important and growing area of treatment for serious blood diseases, such as leukaemia and myeloma, whose treatment is currently restricted in use by risk of toxicity. The two products being developed by Hemogenyx have the potential to transform, and potentially revolutionise, the bone marrow or blood stem cell transplant procedure used to treat the most severe cases of these diseases.

Hemogenyx is developing two products based on a key finding made by Dr Vladislav Sandler, the Co-Founder and Chief Executive, for the \$8-9 billion bone marrow / haematopoietic stem cell transplant market which could replace chemotherapy and radiation as a means of pre-transplant conditioning, as well as addressing the problem of stem cell donor availability and issues around relapse or cell rejection after transplantation. These two products are:

- Conditioning product - CDX bi-specific antibodies which redirect a patient's own immune cells to eliminate unwanted blood stem cells preparing a patient for bone marrow transplantation;
- Cell therapy product - Cell replacement product using Human Postnatal Hemogenic Endothelial Cells (Hu-PHEC) to generate cancer-free, patient-matched blood stem cells after transplant into the patient.

The products address a large and growing need and will be sold into a market that is already substantial. If successful, Hemogenyx's products will enable a much wider range of patients to be treated than is presently the case as the products should be applicable to the very many patients who are unfit for or, through the lack of suitable cell donors, unable to receive blood stem cell transplants at present.

Hemogenyx has, to date, made impressive progress on the Company's two products efficiently using its limited financial resources. With the £1.6million net of expenses raised during the listing, we expect to take the initial conditioning product to readiness for clinical trials and to make significant progress with our cell therapy product.

CHAIRMAN'S STATEMENT

Update on Hemogenyx progress

I should take this opportunity to remind shareholders of the progress made since the reverse takeover and relisting. Overall the work is progressing successfully toward our goal of submitting an Investigational New Drug ("IND") application to the US Food and Drug Administration for our CDX antibodies product.

LakePharma, Inc. appointment

In October last year we announced the appointment of LakePharma, Inc. as our service provider for the development and manufacturing of our CDX bi-specific antibodies lead product. LakePharma will work with us through the product development process, from discovery to biomanufacturing, as we move toward readiness for clinical trials. LakePharma, the largest US-based biologics contract research organisation, is a significant partner bringing the relevant integrated antibody engineering and bioproduction expertise we need to advance our CDX product through the necessary preclinical stages to be ready to enter the clinic within our planned timetable.

University of Oxford Collaboration

In November last year we confirmed a collaboration with the University of Oxford to test new means of accelerating and improving the process by which transplanted blood stem cells grow and make healthy blood cells, and which promises to hasten the development of our Hu-PHEC technology.

Researchers at Hemogenyx will administer certain biologics from Oxford to stem cells in an attempt to accelerate and improve the engraftment of hematopoietic stem and progenitor cells in animal models. Engraftment is the process by which blood stem cells integrate into the bone marrow and make healthy blood. If successful, this approach has the potential to dramatically improve the efficiency and outcome of bone marrow transplants.

We will then be in a position to test whether this approach facilitates the conversion of Hu-PHEC into fully functional, transplantable blood stem cells. Our Hu-PHEC when developed and successfully tested will generate cancer-free, patient-matched blood stem cells and are the basis of our cell therapy product and have the potential, if all goes according to plan to improve the efficacy of the bone marrow transplantation therapy.

In addition, we expanded our material transfer agreement with a major US research university, ensuring the reliable supply of high-quality human tissues for the development of our Hu-PHEC cell therapy product.

Post-period end updates

Following the end of the period under review, we have been able to announce two additional items of significance, describing research progress. The first major item was the receipt of our first set of data results showing that developed by Hemogenyx CDX bi-specific antibodies are capable of attacking and eliminating cultured cells of the blood cancer, Acute Myelogenous Leukemia (AML), tested *in vitro*.

This is a significant development in the process needed to develop CDX antibodies to become a universally available conditioning product for patients undergoing bone marrow transplants as a treatment for serious blood diseases.

At the same time, we confirmed the filing of a provisional patent application relating to our development of a new type of humanised mice with a chimeric mouse-human blood system. This can be used to advance product development, as well as to model several other diseases and drug discovery applications.

Using these new humanised mice should allow us to demonstrate that CDX bi-specific antibodies are effective in the treatment of AML, this time *in vivo*.

Of particular significance is that this new type of humanised mice allows us to extend our work to other disease models and the evaluation of specific drug candidates. Furthermore, this is of interest to large biopharmaceutical companies. Thus, in mid-March 2018 we announced a collaboration with a major US biotechnology company (with whom we were already working and from whom we had already received revenue) to use our humanised mice for this very purpose. The deal is revenue generating for the Company and is worth up to approximately \$250,000 and we believe this has the potential to generate further income as the collaboration develops.

CHAIRMAN'S STATEMENT

Financial Results

During the year the Group made a loss of £2,361,599 (2016: £470,839 loss). The loss in the year includes a reverse acquisition expense of £1,631,020. As at present, we remain within budget for the developments of our products.

Scientific Advisory Board & Board update

I have been Chairman of the Scientific Advisory Board since September 2017 and have been working with the Company to widen its expertise and to bring in advisers that can specifically help given the stage to which the Company's product development has advanced.

In March 2018, we were very pleased to welcome Dr Michael Shepard to our Scientific Advisory Board. Dr Shepard is a renowned cancer research specialist and his work led to the discovery and development of many successful cancer treatments including Herceptin/trastuzumab, an antibody used to treat breast cancer patients when he was at Genentech. Sales of Herceptin last year exceed \$6.5 billion worldwide.

Our Scientific Advisory Board, under my Chairmanship brings together a number of experienced experts with extensive biotech and large pharma drug development experience and their calibre is a reflection of the potential opportunity that our therapies present. Further additions are under consideration.

Earlier this month I extended my commitment to the Company and became Executive Chairman, replacing Robin Campbell, who has become a Non-Executive Director.

In November, we announced that Timothy Le Druillenec, Finance Director, stood down as a Director and at the same time as my appointment to the Board, Adrian Beeston stood down as a Non-Executive Director. I again extend my thanks to both Timothy and Adrian for their contribution to the successful completion of the Company's readmission and trading on the main market of the London Stock Exchange.

The Board have continued to demonstrate their confidence in the ongoing success of the business throughout the period under review and post-period

end. I have elected to receive most of my remuneration in shares and collectively we remain confident that they should deliver significant shareholder return over the long term.

As a further sign of confidence, we were pleased to note that Cornell University, with whom we have an exclusive licence agreement relating to the patents covering the method of isolation of post-natal hemogenic endothelial cells, invented by Dr Sandler, elected to receive part payment for a sum due in a mixture of new shares and cash, rather than cash as previously expected.



CHAIRMAN'S STATEMENT

Outlook

Our two main planned products are on track and should if fully developed and brought into use greatly reduce the dangers of patient conditioning procedures and create a new form of blood stem cell transplantation that has the potential to significantly improve the long-term success of bone marrow transplants and to transform the lives of patients diagnosed with serious blood diseases.

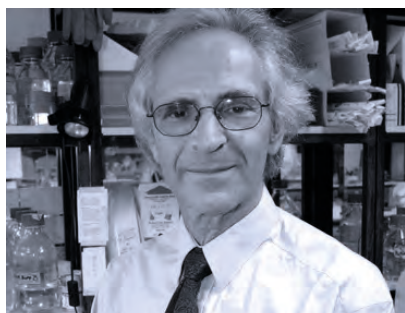
My fellow Directors and I believe that the Company is well-advanced on the planned development steps that were announced at Admission and we look forward to the next 12 months with confidence.

Prof Sir Marc Feldmann AC, FRS
MB BS, PhD, FRCP, FRCPath, FAA, F Med Sci
Chairman

1 June 2018



BOARD OF DIRECTORS AND SENIOR MANAGEMENT



PROFESSOR SIR MARC FELDMANN

Executive Director & Chairman *appointed 9 April 2018*

Professor Sir Marc Feldmann is a pre-eminent medically trained immunologist at the University of Oxford where he was Head of the Kennedy Institute of Rheumatology until 2014 and now Emeritus Professor. He trained in medicine at Melbourne University and then earned a Ph.D. in Immunology at the Walter & Eliza Hall Institute with Sir Gus Nossal, before working in London at the Imperial Cancer Research Fund. Sir Feldmann's main research interests are immunoregulation, understanding mechanisms of autoimmunity and the role of cytokines in disease, and working out how to fill unmet medical needs.

His work in London led to the generation of a new hypothesis for the mechanism of autoimmunity, linking upregulated antigen presentation and cytokine expression. Testing this hypothesis led to the discovery, with colleague Sir Ravinder Maini, of the pivotal role of TNF α (Tumor Necrosis Factor alpha) in the pathogenesis of rheumatoid arthritis. This major discovery has revolutionised therapy not only of rheumatoid arthritis but other chronic inflammatory diseases (eg Inflammatory bowel disease, psoriasis, ankylosing spondylitis), and helped change the perception of monoclonal antibodies from niche products to mainstream therapeutics. Anti-TNF therapeutics are the current leading drug class with 2016 sales exceeding US \$36 Billion.

This has led to much scientific recognition, for example election to the Royal Society and Academy of Medical Sciences in London, the National Academy of Sciences USA and the Australian Academy of Science, and multiple major International prizes: including the Crafoord Prize of the Royal Swedish Academy of Sciences, the Albert Lasker Clinical Research Award (NY), the Ernst Schering Prize, the Paul Janssen Award for Biomedical Research and the Canada-Gairdner Award. He was also the first recipient in biology or medicine of the EU/ European Patent office Inventor of the Year Award in the Lifetime Achievement category. In addition, Sir Marc has advised more than 20 of the largest pharmaceutical and biotech companies in the world and has mentored some of the most successful scientists, many of whom have become senior figures in the commercial pharmaceutical world. Sir Marc was knighted in the 2010 Queen's Birthday Honours, and was

honoured in Australia with the knighthood equivalent, the Companion of the Order of Australia.

Sir Marc has been at the forefront of promoting effective scientific-medical-pharmaceutical interactions, he has built up a huge network of friends and collaborators who meet regularly in Oxford and they will help Hemogenyx grow and go clinical.



DR. VLADISLAV SANDLER

Chief Executive Officer *appointed 4 October 2017*

Dr. Vladislav Sandler is the Co-Founder and CEO of HemoGenyx and a research Assistant Professor at the State University of New York (SUNY) Downstate. Dr. Sandler is a widely published stem cell scientist with decades of experience in scientific research. In particular, Dr. Sandler has extensive experience developing novel methods of direct reprogramming of somatic cells into functional and engraftable hematopoietic stem cells, as well as developing novel sources of pluri- and multi-potent cells.

Dr. Sandler has conducted his research in Russia, Israel, Canada and the United States, including at Children's Hospital, Harvard Medical School, the Salk Institute for Biological Sciences, Harvard University and Albert Einstein College of Medicine, among others. He also led a team of scientists at Advanced Cell Technologies, Inc. and was most recently on the faculty of Weill Cornell Medical College. While at Cornell, Dr. Sandler made the significant discovery that the cells that give rise to blood stem cells during mammalian development continue to exist after birth, and he developed the method of isolation of these cells from humans. As a result of this important work, Dr. Sandler was awarded the inaugural Daedalus Fund Award for Innovation at Cornell. He went on to found HemoGenyx in order to further pursue this significant scientific discovery and his dedication to the translation of science into clinical practice.

Dr. Sandler has published numerous peer-reviewed papers, and has received a number of awards and fellowships for his scientific research. Dr. Sandler received his PhD from the University of British Columbia. He is a member of the International Society for Stem Cell Research.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

LAWRENCE PEMBLE

Chief Operations Officer *appointed 4 October 2017*

Lawrence Pemble has comprehensive experience in successfully creating, financing and developing new businesses. He has led companies and individual projects from acquisition to growth and has a keen interest in helping businesses to achieve their potential.

Combining a strong entrepreneurial, corporate finance and corporate governance background, Lawrence has lead numerous financing rounds, M&A activities, IPOs and has held executive roles, up to and including CEO, for start-up and private equity backed ventures, both in private and public capacities.

Lawrence is currently COO of American Helium Inc, a Specialist Resource Company, listed on the TSX Venture Exchange.

Lawrence served for over six years in the Royal Marine Commandos, leading front-line operations in Sierra Leone, Somalia, Iraq and Afghanistan. Lawrence is currently studying Executive education at the University of Oxford's Said Business School.

ALEXIS SANDLER

Non-Executive Director *appointed 4 October 2017*

Alexis M. Sandler is the co-founder of HemoGenyx, for which she has served as the Chief Operating Officer. Ms. Sandler is an attorney specializing in intellectual property, with almost 15 years of experience representing a range of companies and institutions. Ms. Sandler is especially skilled at handling diverse interests in day-to-day matters of organizations, multi-party agreements and long-term strategic planning.

Ms. Sandler began her legal practice in Los Angeles at Hogan & Hartson LLP (now Hogan Lovells), where she specialized in entertainment and media law and intellectual property. She then worked for several years at Katten Muchin Rosenman LLP representing studios, production companies, television networks and other major media companies in all aspects of entertainment, media and intellectual property law. For three years, Ms. Sandler worked as the Director of Business and Legal Affairs for a division of the Fox Entertainment Group, during

which time she was named one of Southern California's Best Young Lawyers by Los Angeles magazine. While at Fox, Ms. Sandler successfully negotiated hundreds of major distribution agreements, in addition to advising the company on important corporate and other legal matters. Ms. Sandler went on to become the General Counsel at a Smithsonian affiliate museum in New York City. Ms. Sandler is currently the Associate General Counsel for a major New York City cultural institution. She also serves as the Secretary of the Board of Directors for MoMA PS1, the contemporary art space.

Ms. Sandler received her AB from Harvard University and her JD from the UCLA School of Law, and is a member of the State Bar of New York and the State Bar of California.

PETER REDMOND

Executive Director *appointed 4 October 2017*

Peter Redmond is a corporate financier with some 30 years' experience in corporate finance and venture capital. He has acted on and assisted a wide range of companies to attain a listing over many years, on the Unlisted Securities Market, the Full List and AIM, whether by IPO or in many cases via reversals, across a wide range of sectors, ranging from technology through financial services to natural resources and, in recent years has done so as a director of the companies concerned. He has been active over many years in corporate rescues and reconstructions on AIM and in reverse transactions into a range of investing companies. He was a founder director of Cleeve Capital plc (now Satellite Solutions plc) and Mithril Capital plc (now BeHeard Group plc), both of which were admitted to the Standard List of the London Stock Exchange, and took a leading role in the reconstruction and refinancing of of AIM-quoted Kennedy Investments plc and 3Legs Resources plc (now SalvaRx plc). Peter is Chairman of AIM-quoted Pires Investments plc and URA Holdings plc.



BOARD OF DIRECTORS AND SENIOR MANAGEMENT

DR. ROBIN CAMPBELL

Non-Executive Director *appointed 4 October 2017*

Robin Campbell, PhD has more than 30 years experience working with large companies (Shell Research, GSK), start-ups (Porton International, PafraBio) and in investment banking (including Credit Suisse, Jefferies). Roles in industry encompassed R&D, international strategic marketing, market access and business development.

Currently his specialty is searching out investable opportunities in the broader life sciences sector, and helping small companies raise growth capital. Robin has helped list a number of companies onto the AIM and international exchanges, advised companies on secondary fundraisings, private equity raises, M&A and has a broad reach into institutional and retail investor networks.

He has a degree in Microbiology from King's College London, and a Ph.D. in Immunobiology from Liverpool University. Dr Campbell currently advises a number of private and listed businesses in respect to strategic and financial market opportunities.

Dr. Campbell acted as Chairman from readmission to the appointment of Sir Marc Feldmann on 9 April 2018.



DIRECTOR'S STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The Directors present their Strategic Report of Hemogenyx Pharmaceuticals Plc for the year ended 31 December 2017.

Introduction

This Strategic Report comprises a number of sections, namely; the Group's objectives, the Group's strategy and business model, a review of the Group's business using key performance indicators, and the principal risks and uncertainties facing the business.

Objectives

The Group's objective is to develop breakthrough therapies for the treatment of blood diseases. Its aim is to change the way in which bone marrow/hematopoietic stem cell transplants are performed and improve their efficacy.

Strategy and business model

The Group's long-term strategy is to create a suite of products to address current problems associated with bone marrow, or hematopoietic stem cell transplants. The latter represents an important part of the solution to treating blood-related diseases (with the opportunity to improve outcomes through reduced blood stem cell transplant rejection and relapse) and, if successful, potentially provides long-term cures for these diseases.

The Group's business model aims to advance its therapies through clinical proof-of-concept, taking them towards a final stage of development. A goal is the licensing of one or more of its therapies to partners in return for potential upfront payments, research funding support, success milestone and royalty payments.

Operational review and outlook

The operational review and outlook are set out in the Chairman's Statement.

Financial review

The Group incurred a loss for the year to 31 December 2017 of £2,361,599 (31 December 2016 – loss of £470,839).

In the year to 31 December 2017 the loss mainly arose from expenses in connection to the deemed share based payment resulting from the transaction, costs associated

with the relisting including Advisory and Consultancy Fees, salaries, consulting and professional along with general administration expenses. These expenses have been met from the proceeds of the issue of shares. The Group received other income of £101,138 from a collaboration with a partner.

Cash flow and cash position

Cash used in operations totalled £452,979 (31 December 2016 - £540,495)

As at 31 December 2017, the Group had a cash balance of £1,876,655 (31 December 2016 - £ 87,223).

Key Performance Indicators

The Directors have identified the KPIs below that they feel are the most vital measurements for the Group to monitor given its current stage of development. KPIs are monitored on an annual basis to ensure that they remain the most important and relevant measure of performance and progress.

Cash management

The Group strengthened its cash position in October 2017 with a fundraise in conjunction with listing of £1.6 million net of costs. The cash position at 31 December 2017 was £1,876,655 (31 December 2016 £87,223).

The Group carefully plans expenditure with rolling cash flow forecasts and tight financial control. The Group takes a collaborative cost sharing approach with business partners and avoids long-term commitments as far as possible.



DIRECTOR'S STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

Intellectual property

The Group will focus on developing a new conditioning treatment and cell therapy product for HSC/BM transplantation. The Group, or its licensors, has applied for patents to protect its proprietary technology and future products, which are in varying stages of development

The success of the Group will depend largely on the Group's ability to implement successful drug development programmes, obtain the required regulatory approvals (in various territories), protect and exploit its own intellectual property and know-how, and the intellectual property and know-how licensed to it, and to generate a cash flow in accordance with the strategy of the Group. Intellectual property is protected by the Group through taking a proactive approach to filing patents over its products and technologies, as well as the diligent maintenance and protection of such patents and licenses.

The Group patent portfolio currently includes:

CDX bi-specific antibodies

The provisional patent application relating to the CDX bi-specific antibodies is an application filed by Hemogenyx LLC in the USA on 4 April 2016 ("CDX Patent"). The invention summarised in the patent application is a method of eliminating hematopoietic stem cells/hematopoietic progenitors (HSC/HP) in a patient using bi-specific antibodies specifically binding to a protein predominantly expressed on the surface of HSC/HP and to a protein uniquely expressed on a surface of immune cells. The bound bi-specific antibodies redirect immune cells to eliminate HSC/HP. The invention relates to the required conditioning of a patient prior to a BM/HSC transplant. In this respect, the invention serves two main purposes:

- it provides adequate immunosuppression of the patient and clears sufficient niche space in the bone marrow for the transplant of HSC. This allows transplanted cells to engraft in the recipient; and
- it could potentially help to eradicate the source of malignancy.

The provisional patent application is converted to a PCT application and broadened to cover the composition of matter (in this case, novel sequences of antibodies). On April 4 2017, a PCT (Patent Cooperation Treaty) application was filed by Hemogenyx which includes additional claims

that extend the CDX Patent set out in the provisional patent application. These claims protect specific sequences of several high quality clones discovered and validated by the Group. The claim extension transforms the original "method" provisional patent application into a "composition of matter" PCT application.

The Group is planning to file additional composition of matter patent applications in relation to the CDX antibodies product.

Hu-PHEC cell therapy patent

The patent relating to Hu-PHEC is an application filed by Cornell University ("Cornell Patent") in several jurisdictions on 13 November 2014. The invention summarised a method of isolation and identification of post-natal hemogenic endothelial cells, as well as the provision of substantially purified populations of post-natal hemogenic endothelial cells, compositions of post-natal endothelial cells and methods to utilize post-natal hemogenic endothelial cells to regenerate the hematopoietic system in a patient.

Product development

The Group develops therapies to transform bone marrow and blood stem cell transplant procedures. These therapies aim to replace the need for existing methods of preparation of patients for transplantation, such as chemotherapy and radiation treatments, and at the same time address the problem of finding matching stem cell donors whilst reducing the risk of blood stem cell rejection after transplantation.

The Group's two key products, CDX antibodies and Hu-PHEC cell therapy are currently in preclinical development.

The Directors monitor product development through pre-clinical results. The CDX product has been successfully evaluated in the Group's proprietary humanised mouse model, achieving its proof of concept. Furthermore, we have achieved a notable demonstration of CDX's activity versus AML cells cultured *in vitro*.



DIRECTOR'S STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

Diversity

Hemogenyx is committed to workplace diversity which includes but is not limited to gender, age, ethnicity and cultural background.

Hemogenyx's Diversity Policy defines initiatives which assist the Company in maintaining and improving the diversity of its workforce. The table below highlights the proportion of women engaged by the Group:

	Men	Women
Organisation as a whole	5	4
Executive management team	2	-
Board	5	1

Board of Advisors

The Group engages the services of a Board of Advisors who are highly experienced in both the clinical development of treatments and regulatory processes to commercialization.

Dr Alexander Tarakhovsky M.D., Ph.D.

SCIENTIFIC ADVISOR

- Professor and Head of Laboratories at The Rockefeller University
- An expert and recognized thought leader in immunology and epigenetics

H. Michael Shepard, PhD.

SCIENTIFIC ADVISOR

- Led to the discovery and development of many successful cancer treatments including Herceptin/trastuzumab - annual sales exceed \$6.5 billion worldwide
- Received Harvard Medical School's prestigious Warren Alpert Prize in recognition of contributions to the field of cancer treatment research
- Founded NewBiotics, Inc., acquired by Kiadis Pharma
- Founded BioLogix acquired by Symphogen

Dr Koen van Besien M.D.

CLINICAL ADVISOR

- Professor of Medicine and Director of the Stem Cell Transplant Program at NYP-Weill Cornell College of Medicine
- Developed novel methods of transplantation for those patients who lack matching donors
- >200 publications in peer reviewed journals
- Editor in Chief of the journal, Leukemia and Lymphoma

Dr Mark Pykett V.M.D., Ph.D.

BUSINESS ADVISOR

- President and CEO of Agilis Biopharmaceuticals
- 20+ years' experience in the pharma industry
- Former CEO of Navidea Biopharmaceuticals
- Former President & COO of Alseres Pharmaceuticals

Dr Jules Mitchel

CLINICAL DEVELOPMENT ADVISOR

- President of Target Health Inc, a CRO
- Established a broad base pharma experience including three NDA submissions, many FDA discussions
- Expertise in Pharmacokinetics

Dr Boris Shor Ph.D.

BUSINESS DEVELOPMENT ADVISOR

- Executive Director at Immune Pharmaceuticals
- Former group leader at the Oncology Research Unit of Pfizer
- 15+ years' experience with biotech start-ups

DIRECTOR'S STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

Corporate Responsibility

We have defined the scope of our Group's responsible business practices as falling within the following key focus areas:

- Health and Safety – ensuring the safety and well-being of our staff
- Environment – managing our environmental impact areas of waste, energy and water
- Employees – supporting our people to develop and flourish within the business
- Community – positive interaction with the communities in which we operate
- Ethical Standards – operating to the highest ethical standards

We remain committed to ensuring these activities become embedded in how we operate and contribute towards the success of our business. This includes not only identifying and managing business risk but exploring opportunities to add value to the business.

Green House Gas emissions

Given the nature of its activities, there is limited scope for the Group to have a major impact on environmental matters. Nevertheless, the Directors are mindful of their responsibilities in this regard and strive to seek opportunities where improvements may be made; these are generally concentrated in areas of energy conservation, recycling and waste control.

Principal Risks and Uncertainties

The Group operates in an uncertain environment and is subject to a number of risk factors. The Directors have carried out a robust assessment of the principal risks facing the Group, including those that threaten its business model, future performance, solvency or liquidity. They consider the following risk factors are of particular relevance to the Group's activities and to any investment in the Group. It should be noted that the list is not exhaustive and that other risk factors not presently known or currently deemed immaterial may apply.

The risk factors are summarised below:

Risks relating to the Group's business strategy

The Group's business is relatively undeveloped

The operations of Hemogenyx are at a relatively early stage and, to date, no commercial sales of its products have been made. The ability of the Group to achieve commercialisation is dependent on a number of factors, many of which are outside of the Group's control. Examples of factors outside of the Group's control are the impact of Brexit, capital market conditions, FDA approval and competition.

Business Strategy of the Group

The development of clinical products for new medical treatments is inherently uncertain, with high failure rates in clinical studies for both early and late stage development products and such clinical studies can be expensive, time-consuming and complicated and there is no certainty as to the outcome of such studies. Even once clinical studies have been successfully carried out, later phase trials may not successfully replicate or improve on such outcomes.

Staffing and key personnel

The Group is reliant on a number of the key personnel, in particular Dr Vladislav Sandler who is the co-founder of Hemogenyx (refer to Corporate Governance Report for further detail). Whilst the Group has endeavoured to ensure that it has contractual arrangements which include non-compete restrictions in place with such persons to lessen the risk of them ceasing to be involved with the Group, in the event that the Group was to lose the services of such individuals, its results could be adversely affected.



DIRECTOR'S STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

Costs to commercialisation

The ability of the Group to bring its products to first commercial sale will be dependent in part on the overall costs of manufacturing and the costs involved could be significant and there is no guarantee that the sale prices achievable for its products will be viable and sustainable.

Clinical studies and timelines risk

Hemogenyx is currently progressing its CDX and Hu-PHEC product candidates through preclinical development. Although encouraging results have been achieved so far, there can be no certainty that these results can be reproduced in clinical trials. The monies raised in the Placing and the Subscription are intended to support those preclinical development activities.

The development of clinical products for new medical treatments is inherently uncertain, with high failure rates in clinical studies for both early- and late-stage development products. Furthermore, such clinical studies (Phase 1, Phase 2a/2b, Phase 3) are typically expensive, complex, can take considerable time to complete and have uncertain outcomes.

Furthermore, as a result of adverse, undesirable, unintended or inconclusive results from any testing or clinical trials (which have yet to be designed), the future progress, planning and potential treatment outcome of the products and clinical programmes may be affected, and may potentially prevent or limit the commercial use of one, many or all of the Company's products. In addition, later phase clinical trials may fail to show the desired safety and efficacy obtained in earlier studies, and a successful completion of one stage of clinical development of an investigational clinical product does not ensure that subsequent stages of clinical development will be successful.

Failure can occur at any stage of clinical development and, as a result, enforced delays to the clinical development plan could delay or prevent commercialisation of the Company's product candidates. Various factors associated with the potential failure or delay in completing a clinical programme include, but are not limited to:

- Delays in securing clinical investigators or clinical study sites;

- Delays in securing any regulatory authority, hospital ethics committee, or institutional review board approval or approvals necessary to commence a clinical study;
- Delays or failure to recruit a sufficient number of clinical study participants in accordance with the clinical study protocol;
- Difficulty or inability to monitor subjects adequately during or after treatment;
- Inability to replicate in Phase 3 controlled studies any safety and efficacy data obtained from controlled Phase 2a/2b clinical studies;
- Difficulty or inability to secure clinical investigator compliance to follow the approved clinical study protocol; and
- Unexpected adverse events or any other safety or related issues.



DIRECTOR'S STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

Research and development risk

The Group operates in the biotechnology and biopharmaceutical development sectors and carries out complex scientific research. If the research or preclinical testing or clinical trials of any of Hemogenyx's product candidates fail, meaning that these candidates will not be licensed or marketed, this would result in a complete absence of revenue from these failed candidates. Positive results from preclinical and early clinical studies do not guarantee positive results from clinical trials required to permit application for regulatory approval. Furthermore, the Group may discontinue the development of candidates if results are not positive or unlikely to further its progress towards a meaningful outcome or collaboration.

Intellectual property (IP) infringement

The Group may be subject to future litigation concerning its own IP and the IP of others. Adverse judgements in relation to its IP would likely have negative outcomes for its results of operations.

Environmental and other regulatory requirements

The event of a breach with any environmental or regulatory requirements may give rise to reputational, financial or other sanctions against the Group, and therefore the Board considers these risks seriously and designs, maintains and reviews its policies and processes so as to mitigate or avoid these risks. Whilst the Board has a good record of compliance, there is no assurance that the Group's activities will always be compliant.



DIRECTOR'S STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

Financing

The Group's ability to develop its product through to commercial sale will depend upon the Group's ability to obtain financing primarily through a further raising of new equity capital. Although the Group has been successful in raising new equity capital there can be no guarantee that it will be able to do so in the future. The Group may not be successful in procuring the requisite funds on terms which are acceptable to it (or at all) and, if such funding is unavailable, would raise questions over its ability to further develop its products through to commercialisation. Further, Shareholders' holdings of Ordinary Shares may be materially diluted if debt financing is not available.

Market Conditions

Market conditions, including general economic conditions and their effect on exchange rates, interest rates and inflation rates, may impact the ultimate value of the Group regardless of its operating performance. The Group also faces competition from other organisations, some of which may have greater resources or be more established in a particular territory. The Board considers and reviews all market conditions to try and mitigate any risks that may arise from these.

Political and Country risk – EU Referendum

The Company is quoted in the United Kingdom (UK) and operates in the UK and European Union (EU), in addition to other territories. As a result of the Referendum, the Company may be subject to the impact of the UK leaving the EU. As a result, given the ongoing uncertainty surrounding the situation the Company is monitoring matters and seeking advice as to how to mitigate the risks arising.

Approved by the Board on 1 June 2018

.....
Lawrence Pemble
Chief Operating Officer

DIRECTOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The Directors present their report with the audited financial statements of the Group for the year ended 31 December 2017.

The Company's Ordinary Shares were admitted to listing on the London Stock Exchange under the name Silver Falcon PLC, on the Official List pursuant to Chapters 14 of the Listing Rules, which sets out the requirements for Standard Listings, on 9 November 2015.

On 4 October, 2017 the Company's shareholders voted in favour of acquiring the biotechnology company Hemogenyx Pharmaceuticals Limited, with shares being readmitted to trading on 5 October 2017 under the name Hemogenyx Pharmaceuticals PLC.

Principal Activity

The Group's principal activity of the Group is on the discovery, development and commercialization of novel therapies and treatments for blood diseases such as leukemia and lymphoma. The company's leading technologies aim to change the way in which bone marrow/hematopoietic stem cell (BM/HSC) transplants are performed and improve their efficacy. HemoGenyx's two distinct and complementary products include an immunotherapy product for patient conditioning-the CDX bi-specific antibody-and a cell therapy product for BM/

HSC transplantation-the HuPHEC. Each of these products holds the potential to revolutionize the way BM/HSC transplants are being performed, offering solutions that mitigate the dangers and limitations associated with the current standard of care.

The Group has one company that is located outside of the UK. The principal laboratory of the Group is location in Brooklyn, New York, USA.

Results and Dividends

The Consolidated Statement of Comprehensive Income set out on page 40 and shows a loss for the year amounting to £2,361,599 (2016 – loss of £470,83). The Directors do not propose a dividend in respect of the year ended 31 December 2017 (31 December 2016: nil).

Directors and Directors' Interests

The Directors who held office during the year were as follows:

	Date Appointed	Date Resigned
Dr Vladislav Sandler	4 October 2017	-
Dr Robin Campbell	4 October 2017	-
Lawrence Pemble	4 October 2017	-
Alexis Sandler	4 October 2017	-
Peter Redmond	4 October 2017	-
Adrian Beeston	4 October 2017	9 April 2018
Geoffrey Dart	13 February 2013	4 October 2017
Timothy Le Druillenee	4 October 2017	30 November 2017

DIRECTOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

Relationship Agreement

In accordance with Listing Rule 9.8.4(14)R, the Company has set out below a statement describing the relationship agreement entered into by the Company with its principal shareholder.

On 8 September 2017, the Company entered into a Relationship Agreement with Dr. Vladislav Sandler and Alexis Sandler (the "Controlling Parties"), which came into force at the Company's re-admission. The principal purpose of the Relationship Agreement is to ensure that the Company is capable at all times of carrying on its business independently of the Controlling Parties.

If the Company ceases to be admitted to the Main Market of the London Stock Exchange, or the Controlling Parties (together with their associates) cease to hold 20 per cent or more of the voting rights over the Company's shares the Relationship Agreement shall terminate save for certain specified provisions.

The Relationship Agreement provides that the Controlling Parties undertake to use all reasonable endeavours to procure that they and their associates shall:

- conduct all transactions with the Company on an arm's length basis and on a normal commercial basis;
- not take any action that would have the effect of preventing the Company from complying with its obligations under the Listing Rules or the corporate governance principles adopted by the Group;
- not propose or procure the proposal of a shareholder resolution which is intended to, or appears to be intended to, circumvent the proper application of the Listing Rules; and
- not take any actions which is intended to, or appears to be intended to, breach or circumvent the proper application of the Relationship Agreement, the Listing Rules or the corporate governance principles adopted by the Group.

The Directors believe that the terms of the Relationship Agreement enable the Company to carry on its business independently from the Controlling Parties and their affiliates, and ensure that all transactions and relationships between the Company and the Controlling Parties are, and will be, at arm's length and on a normal commercial basis. The Company has and, in so far as it is aware, the Controlling Parties and their associates have, complied with the independence provisions set out in the Relationship Agreement from the date of the agreement, through the relevant period under review. The ordinary shares owned by the Controlling Parties rank *pari passu* with the other ordinary shares in all respects.



DIRECTOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The Directors of the Company who held office at 31 December 2017 had the following beneficial interest in the Ordinary shares of the Company at 31 December 2017 according to the register of directors' interests:

Director	At 31 December 2017	At 31 December 2016
Peter Redmond*	5,040,714	3,600,000
Adrian Beeston**	6,131,969	3,350,000
Dr Vladislav Sandler	40,451,210	-
Dr Robin Campbell	1,142,857	-
Alexis Sandler	75,090,685	-

* Peter Redmond holds these shares through Catalyst Corporate Consultants Ltd of which he is the sole shareholder.

** 2 million shares are held in the name of M6 Ltd in which Adrian Beeston had a beneficial interest, as at December 31, 2017

At the date of this report, there have been no changes to the Directors' beneficial interest in the Ordinary shares of the Company as disclosed in the table above.

According to the register of directors' interests, no rights to subscribe for shares in or debentures of Group companies were granted to any of the directors or their immediate families, or exercised by them, during the financial year except as indicated below (see Note 18 for detail on option plans):

OPTIONS				
Date of grant	Number of options at start of year	Options granted or acquired during year	Options lapsed during year	Number of options at end of year
Dr Robin Campbell				
4 Oct 2017	-	3,560,429	-	3,560,429
	-	3,560,429	-	3,560,429
Lawrence Pemble				
4 Oct 2017	-	3,560,429	-	3,560,429
	-	3,560,429	-	3,560,429

DIRECTOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

WARRANTS				
Date of grant	Number of warrants at start of year	Warrants granted or acquired during year	Warrants lapsed during year	Number of warrants at end of year
Dr Vladislav Sandler				
4 Oct 2017	-	214,286	-	214,286
	-	214,286	-	214,286
Peter Redmond				
4 Oct 2017	1,000,000	-	-	1,000,000
4 Oct 2017	-	942,857	-	942,857
	1,000,000	942,857	-	1,942,857
Adrian Beeston				
4 Oct 2017	2,675,000	-	-	2,675,000
4 Oct 2017	-	407,143	-	407,143
	2,675,000	407,143	-	3,082,143

* 1 million warrants are held in the name of M6 Ltd in which Adrian Beeston has a beneficial interest. Mr Beeston resigned a director of the Company on 9 April 2018.

Qualifying Third Party Indemnity Provision

At the date of this report, the Company has a third party indemnity policy in place for all Directors.

Substantial shareholders

As at 31 December 2017, the total number of issued Ordinary Shares with voting rights in the Company was 360,051,360.

The Company has been notified of the following interests of 3 per cent or more in its issued share capital as at the date of approval of this report.

Party Name	Number of Ordinary	% of
	Shares	Share Capital
Alexis Sandler	75,090,685	20.8
Vladislav Sandler	40,451,210	11.2
Craig Auringer	31,407,913	8.7
Optiva Securities Limited*	28,131,723	7.8
Samantha Bauer	27,996,487	7.7
HSBC Client Holdings Nominee (UK) Limited	18,063,805	5.0
Plum Capital Ltd	11,692,863	3.3
43 North LLC	11,371,429	3.2

* Optiva Securities Limited holds these shares through JIM Nominees Limited.

DIRECTOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

Share capital

Details of the issued share capital, together with details of the movement in issued share capital during the year, are shown in note 17 to the financial statements.

Financial instruments

Details of the use of the Company's financial risk management objectives and policies as well as exposure to financial risk are contained in the Accounting policies and note 23 of the financial statements.

Future developments and events subsequent to the year end

Further details of the Group's future developments and events subsequent to the year end are set out in the Chairman's statement and Strategic Report.

Corporate Governance

The Corporate Governance report forms part of the Director's Report and is disclosed on page 23-28.

Post-period end updates

Following the end of the period under review, we have been able to announce four additional items of significance, describing research progress. The first major item was the receipt of our first set of data results showing that developed by Hemogenyx CDX bi-specific antibodies are capable of attacking and eliminating cultured cells of the blood cancer, Acute Myelogenous Leukemia (AML), tested in vitro.

This is a significant development in the process needed to develop CDX antibodies to become a universally available conditioning product for patients undergoing bone marrow transplants as a treatment for serious blood diseases.

At the same time, we confirmed the filing of a provisional patent application relating to our development of a new type of humanised mice with a chimeric mouse-human blood system. This can be used to advance product development, as well as to model several other diseases and drug discovery applications.

Using these new humanised mice should allow us to demonstrate that CDX bi-specific antibodies are effective in the treatment of AML, this time in vivo.

Of particular significance is that this new type of humanised mice allows us to extend our work to other disease models and the evaluation of specific drug candidates. Furthermore, this is of interest to large biopharmaceutical companies. Thus, in mid-March 2018 we announced a collaboration with a major US biotechnology company (with whom we were already working and from whom we had already received revenue) to use our humanised mice for this very purpose. The deal is revenue generating for the Company and is worth up to approximately \$250,000 and we believe this has the potential to generate further income as the collaboration develops.

Further, in early May 2018, we entered into a collaboration agreement with The Rockefeller University, one of the world's foremost research institutions. The collaboration calls for scientists at Rockefeller to use Hemogenyx's new type of humanized mice for autoimmune disease modelling in an effort to develop new treatments for autoimmune diseases - specifically Lupus.

Importantly, in mid-May, Hemogenyx signed a development agreement for the CDX Antibodies, with a leading global pharmaceutical company engaged in the research, development, manufacture and marketing of pharmaceutical products. Hemogenyx will receive on a cost-free basis technical support, access to advanced methods of discovering, developing and engineering antibodies, and certain intellectual property which is expected to assist the successful preclinical development of the Hemogenyx's lead candidate bi-specific CDX antibodies. This will complement the Company's own development work currently being undertaken. The Agreement stipulates certain confidential provisions, including, at this stage, the pharmaceutical company's identity. Hemogenyx believes that the Agreement will increase the probability of its success in bringing CDX antibodies to clinical trials and beyond.

DIRECTOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

Going Concern

The Company's business activities, together with facts likely to affect its future operations and financial and liquidity positions are set out in the Chairman's Statement and Business review. In addition, note 23 to the financial statements discloses the Company's capital risk management policy and note 2 details out further considerations made by the Director in respect of going concern.

The Directors having made due and careful enquiry, are of the opinion that the Company has adequate working capital to execute its operations over the next 12 months. The Directors therefore have made an informed judgment, at the time of approving the financial statements, that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. As a result, the Directors have adopted the going concern basis of accounting in the preparation of the annual financial statements.

Political donations

The Group made no political donations during the year (2016: £nil).

Charitable donations

There were no charitable donations made by the Group in the current or prior year.

Auditors

The auditors, PKF Littlejohn LLP, have expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the Annual General Meeting.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Under Company law the Directors must not approve

the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year.

In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and accounting estimates that are reasonable and prudent;
- State whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and parent company and enable them to ensure that the financial statements and the Directors' remuneration report comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. They are also responsible to make a statement that they consider that the annual report and accounts, taken as a whole, is fair, balanced, and understandable and provides the information necessary for the shareholders to assess the Group and parent company's position and performance, business model and strategy.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

DIRECTOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

Directors' responsibility statement pursuant to disclosure and Transparency Rule.

Each of the Directors, whose names and functions are listed on page 6 confirm that, to the best of their knowledge and belief:

- the financial statements prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the Group and parent company; and
- the Annual Report and financial statements, including the Business review, includes a fair review of the development and performance of the business and the position of the Group and parent company, together with a description of the principal risks and uncertainties that they face.

Disclosure of Information to Auditors

So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Approved by the Board on 1 June 2018

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Lawrence Pemble
Chief Operating Officer

GOVERNANCE REPORT

Introduction

The Company recognises the importance of, and is committed to, high standards of Corporate Governance. The Company has voluntarily applied the main and supporting principles set out in the UK Code of Corporate Governance published by the Financial Reporting Council in 2014 (“the Code”). The Code has been followed to the extent practicable for a company of its size and nature. The Code can be found at frc.org.uk/our-work/publications/Corporate-Governance. The ways in which the Company has applied the Code are explained below:

- The Code requires that a smaller company should have at least two Independent Non-Executive Directors. The Board currently consists of three Executive Directors and three Non-Executive Directors. The Non-Executive Directors are interested in either ordinary shares in the Company, options over ordinary shares in the Company, or both, and cannot therefore be considered fully independent under the Code. The remuneration of the non-executive directors includes options and this is contrary to D.1.3 of the Code, and thus the Company is not in full compliance. However, the Directors consider the present structure and arrangements to be adequate given the size and stage of development of the Company, and all are considered to be independent in character and judgement.
- Directors appointed by the Board are subject to election by shareholders at the Annual General Meeting of the Company following their appointment and thereafter are subject to re-election in accordance with the Company’s articles of association. The terms and conditions of appointment of non-executive Directors will be made available upon written request.

The Board has voluntarily adopted the Model Code for Directors’ dealings contained in the Listing Rules of the UK Listing Authority. The Board will be responsible for taking all proper and reasonable steps to ensure compliance with the Model Code by the Directors. Compliance with the Model Code is being undertaken on a voluntary basis and the FCA will not have the authority to (and will not) monitor the Company’s voluntary compliance with the Model Code, nor to impose sanctions in respect of any failure by the Company to so comply. In addition, the Company will take all proper and reasonable steps to ensure compliance by the Founders with the Model Code for dealings in the Ordinary Shares.

The Company is a small company with a modest resource base. The Company has a clear mandate to optimise the allocation of limited resources to support its development plans. As such, the Company strives to maintain a balance between conservation of limited resources and maintaining robust corporate governance practices. As the Company evolves, the Board is committed to enhancing the Company’s corporate governance policies and practices deemed appropriate for the size and maturity of the organisation.

Set out below are the Company’s corporate governance practices for the year ended 31 December 2017.

Committees

The Company has established audit, remuneration and nomination committees.

Audit Committee

The Audit Committee has responsibility for, among other things, the monitoring of the integrity of the financial statements of the Company and its Enlarged Group and the involvement of the Group’s auditors in that process. It focuses in particular on compliance with accounting policies and ensuring that an effective system of external audit and financial control is maintained, including considering the scope of the annual audit and the extent of the non-audit work undertaken by external auditors and advising on the appointment of external auditors. The ultimate responsibility for reviewing and approving the annual report and accounts and the half-yearly reports remains with the Board. The Audit Committee will meet at least three times a year at the appropriate times in the financial reporting and audit cycle.

The members of the Audit Committee are Peter Redmond, who acts as chairman of the committee and Dr. Robin Campbell.

GOVERNANCE REPORT

The Group's external auditor is PKF Littlejohn LLP who have served as external auditor for three years. The role of external auditor last went to tender in 2015. The Audit Committee closely monitors the level of audit and non-audit services that they provide to the Company and Group.

Having assessed the performance, objectivity and independence of the auditors, the Committee will be recommending the reappointment of PKF Littlejohn LLP as auditors to the Company at the 2018 Annual General Meeting.

During the year to 31 December 2017 the Audit Committee considered the following key issues in relation to the Financial Statements:

Issue	Action
Accounting policies	The Committee reviewed and discussed the significant accounting policies with management and the external auditor and reached the conclusion that each policy was appropriate to the Group.
Carrying value of investment in Hemogenyx LLC	The Committee reviewed the impairment assessment report prepared by management and agreed that given the reasonable expectation that the Group will achieve its milestone targets over the next 18 months that no impairment to the value of the investment in Hemogenyx LLC was required as at 31 December 2017.
Going Concern review	The Committee considered the ability of the Group to operate as a Going Concern considering cash flow forecast for the next 12 months and milestone achievements. It was determined by the Committee that it was reasonable to expect that the Group has, or will have access to sufficient funding in order to achieve its 12 month milestone targets and that it was appropriate for the Financial Statements to be prepared on a going concern basis.
Review of audit and non-audit services and fees	<p>The external auditor is not engaged by the Group to carry out any non-audit work in respect of which it might, in the future, be required to express an audit opinion.</p> <p>The Committee reviewed the fees charged for the provision of audit and non-audit services and determined that they were in line with fees charged to companies of similar size and stage of development.</p> <p>The Committee considered and was satisfied the external auditor's assessment of its own independence.</p>

GOVERNANCE REPORT

Remuneration Committee

The remuneration committee will review the performance of the executive directors and make recommendations to the Board on matters relating to their remuneration and terms of employment. The committee will also make recommendations to the Board on proposals for the granting of share awards and other equity incentives pursuant to any share award scheme or equity incentive scheme in operation from time to time. The Remuneration Committee will meet at least twice a year.

The members of the Remuneration Committee are Dr. Robin Campbell, who acts as chairman of the committee, Alexis Sandler and Peter Redmond.

Nomination Committee

The Nomination Committee is responsible for considering and making recommendations to the Board in respect of appointments to the Board, the Board committees and the chairmanship of the Board committees. It is also responsible for keeping the structure, size and composition of the Board under regular review, and for making recommendations to the Board with regard to any changes necessary, taking into account the skills and expertise that will be needed on the Board in the future. The Nomination Committee will meet at least once a year.

The members of the Nomination Committee are Alexis Sandler, Peter Redmond and Dr. Robin Campbell.

Leadership

The Company is headed by an effective Board which is collectively responsible for the long-term success of the Company.

The role of the Board - The Board sets the Company's strategy, ensuring that the necessary resources are in place to achieve the agreed strategic priorities, and reviews management and financial performance. It is accountable to shareholders for the creation and delivery of strong, sustainable financial performance and long-term shareholder value. To achieve this, the Board directs and monitors the Company's affairs within a framework of controls which enable risk to be assessed and managed effectively. The Board also has responsibility for setting the Company's core values and standards of business conduct and for ensuring that these, together with the

Company's obligations to its stakeholders, are widely understood throughout the Company. The Board has a formal schedule of matters reserved which is provided later in this report.

Board Meetings - The core activities of the Board are carried out in scheduled meetings of the Board. These meetings are timed to link to key events in the Company's corporate calendar and regular reviews of the business are conducted. Additional meetings and conference calls are arranged to consider matters which require decisions outside the scheduled meetings. During the year, the Board met on 9 occasions.

Outside the scheduled meetings of the Board, the Directors maintain frequent contact with each other to discuss any issues of concern they may have relating to the Company or their areas of responsibility, and to keep them fully briefed on the Company's operations.

Matters reserved specifically for the Board - The Board has a formal schedule of matters reserved that can only be decided by the Board. The key matters reserved are the consideration and approval of;

- The Company's overall strategy;
- Financial statements and dividend policy;
- Management structure including succession planning, appointments and remuneration; material acquisitions and disposal, material contracts, major capital expenditure projects and budgets;
- Capital structure, debt and equity financing and other matters;
- Risk management and internal controls;
- The Company's corporate governance and compliance arrangements; and
- Corporate policies.

Summary of the Board's work in the year – During the year, the Board considered all relevant matters within its remit, but focused in particular on the establishment of the Company and the identification of a suitable investment opportunity for the Company to pursue.

GOVERNANCE REPORT

	Number held and entitled to attend	Number attended
Dr Vladislav Sandler	5	5
Professor Sir Marc Feldmann ¹	-	-
Dr Robin Campbell	5	5
Lawrence Pemble	5	5
Alexis Sandler	5	5
Peter Redmond	9	9
Adrian Beeston	9	8
Geoffrey Dart ²	9	9
Timothy Le Druillenee ³	4	4

¹ Sir Marc Feldmann was appointed post year end on 9 April 2018

² Until resignation on 4 October 2017

³ Until resignation on 30 November 2017

The Board is pleased with the high level of attendance and participation of Directors at Board and committee meetings.

The Chairman sets the Board Agenda and ensures adequate time for discussion.

Non-executive Directors - The non-executive Directors bring a broad range of business and commercial experience to the Company and have a particular responsibility to challenge independently and constructively the performance of the Executive management (where appointed) and to monitor the performance of the management team in the delivery of the agreed objectives and targets.

All directors with the exception of the CEO and Marc Feldmann have been appointed for an initial term of 12 months, which may, subject to satisfactory performance and re-election by shareholders, be extended by mutual agreement.

Other governance matters - All of the Directors are aware that independent professional advice is available to each Director in order to properly discharge their duties as a Director. In addition, each Director and Board committee has access to the advice of the Company Secretary.

The Company Secretary - The Company Secretary is Lawrence Pemble. He is responsible for the Board complying with UK procedures.



GOVERNANCE REPORT

Effectiveness

For the period under review the Board comprised of a Chief Executive Office, an Executive Chairman, a Chief Operations Officer and three independent non-executive Directors. Biographical details of the Board members are set out on pages 6-8 of this report.

The Directors are of the view that the Board and its committees consist of Directors with an appropriate balance of skills, experience, independence and diverse backgrounds to enable them to discharge their duties and responsibilities effectively.

Independence - The non-executive Directors bring a broad range of business and commercial experience to the Company. The Board considers each of the non-executive Directors to be independent in character and judgement.

Appointments - the Board is responsible for reviewing and the structure, size and composition of the Board and making recommendations to the board with regards to any required changes.

Commitments - All Directors have disclosed any significant commitments to the Board and confirmed that they have sufficient time to discharge their duties.

Induction - All new Directors received an induction as soon as practical on joining the Board.

Conflict of interest - A Director has a duty to avoid a situation in which he or she has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the interests of the Company. The Board had satisfied itself that there is no compromise to the independence of those Directors who have appointments on the Boards of, or relationships with, companies outside the Company. The Board requires Directors to declare all appointments and other situations which could result in a possible conflict of interest.

Board performance and evaluation – Hemogenyx Pharmaceuticals Plc has a policy of appraising Board performance annually. Having reviewed various approaches to Board appraisal, it has concluded that for a Company of its current scale, an internal process in which all Board members submit answers to a questionnaire

that considers the functionality of the Board and its committees is most appropriate at this stage.

Accountability

The Board is committed to providing shareholders with a clear assessment of the Company's position and prospects. This is achieved through this report and as required other periodic financial and trading statements.

Going concern - The Company's business activities, together with factors likely to affect its future operations, financial position, and liquidity position are set out in the Chairman's Statement and the principle risks and uncertainties sections of the Strategic Report. In addition, the notes to financial statements disclose the Company's financial risk management practices with respect to its capital structure, liquidity risk, interest rate risk, credit risk, and other related matters.

The Directors, having made due and careful enquiry, are of the opinion that the Company has adequate working capital to execute its operations and has the ability to access additional financing, if required, over the next 12 months. The Directors, therefore, have made an informed judgement, at the time of approving financial statements, that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. As a result, the Directors have continued to adopt the going concern basis of accounting in preparing the annual financial statements.

Internal controls - The Board of Directors reviews the effectiveness of the Company's system of internal controls in line with the requirement of the Code. The internal control system is designed to manage the risk of failure to achieve its business objectives. This covers internal financial and operational controls, compliances and risk management. The Company has necessary procedures in place for the year under review and up to the date of approval of the Annual Report and financial statements. The Directors acknowledge their responsibility for the Company's system of internal controls and for reviewing its effectiveness. The Board confirms the need for an ongoing process for identification, evaluation and management of significant risks faced by the Company. The Directors carry out a risk assessment before signing up to any commitments.

GOVERNANCE REPORT

Shareholder relations

Communication and dialogue - Open and transparent communication with shareholders is given high priority in accordance with regulatory requirements. All Directors are kept aware of changes in major shareholders in the Company and are available to meet with shareholders who have specific interests or concerns. The Company issues its results promptly to individual shareholders and also publishes them on the Company's website. Regular updates to record news in relation to the Company and the status of its research and development programmes are included on the Company's website. Shareholders and other interested parties can subscribe to receive these news updates by email by registering online on the website free of charge.

Annual General Meeting - At every AGM individual shareholders are given the opportunity to put questions to the Chairman and to other members of the Board that may be present. Notice of the AGM is sent to shareholders at least 21 working days before the meeting. Details of proxy votes for and against each resolution, together with the votes withheld are announced to the London Stock Exchange and are published on the Company's website as soon as practical after the meeting.

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Lawrence Pemble
Chief Operating Officer
Date 1 June 2018



DIRECTORS' REMUNERATION REPORT

The Company has an established remuneration committee. The Committee reviews the scale and structure of the Directors' fees, taking into account the interests of shareholders and the performance of the Company and directors.

The items included in this report are audited unless otherwise stated.

Statement of Hemogenyx Pharmaceutical Plc's policy on Directors' remuneration by the Chairman of the Remuneration Committee

As Chairman of the Remuneration Committee I am pleased to introduce our first Directors' Remuneration Report. One of the Remuneration Committee's aims is to provide clear, transparent remuneration reporting for our shareholders which adheres to the best practice corporate governance principles that are required for listed organisations.

The Directors' Remuneration Policy, which is set out on pages 29 to 34 of this report, will be submitted to shareholders for approval at our Annual General Meeting on 27 June 2018.

A key focus of the Directors' Remuneration Policy is to align the interests of the Directors to the long-term interests of the shareholders and aims to support a high performance culture with appropriate reward for superior performance, without creating incentives that will encourage excessive risk taking or unsustainable company performance. This is underpinned through the implementation and operation of incentive plans.

Key Activities of the Remuneration Committee

The key activities of the Remuneration Committee are:

- to determine and agree with the Board the framework or broad policy for the remuneration of the Company's chairman, chief executive, the executive directors, the company secretary and such other members of the executive management as it is designated to consider;
- in determining such policy, take into account all factors which it deems necessary including relevant legal and regulatory requirements, the provisions and recommendations of the UK Corporate Governance Code (the "Code") and associated guidance. The objective of such policy shall be to ensure that

members of the executive management of the Company are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company;

- recommend and monitor the level and structure of remuneration for senior management;
- when setting remuneration policy for directors, review and have regard to the remuneration trends across the Company, and review the on-going appropriateness and relevance of the remuneration policy;
- obtain reliable, up-to-date information about remuneration in other companies. To help it fulfil its obligations the Committee shall have full authority to appoint remuneration consultants and to commission or purchase any reports, surveys or information which it deems necessary, within any budgetary restraints imposed by the Board;
- be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee;
- approve the design of, and determine targets for, any performance related pay schemes operated by the Company and approve the total annual payments made under such schemes;
- review the design of all share incentive plans for approval by the Board and shareholders. For any such plans, determine each year whether awards will be made, and if so, the overall amount of such awards, the individual awards to executive directors, company secretary and other designated senior executives and the performance targets to be used;
- ensure that contractual terms on termination, and any payments made, are fair to the individual, and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognized; and
- oversee any major changes in employee benefits structures throughout the Company.

DIRECTORS' REMUNERATION REPORT

Members

The Remuneration Committee comprises the following independent non-executive directors:

Name	Position	Date of appointment
Dr. Robin Campbell	Chairman	5 October 2017
Alexis Sandler	Member	5 October 2017
Peter Redmond	Member	5 October 2017

Remuneration Components

The Company remunerates directors in line with best market practice in the industry in which it operates. The components of Director remuneration that are considered by the Board for the remuneration of directors in future years are likely to consist of:

- Base salaries
- Pension and other benefits
- Annual bonus
- Share Incentive arrangements

The Executive Directors have each entered into service agreements with the Company and the Non-executive directors have entered into letters of appointment with the Company.

All such contracts impose certain restrictions as regards the use of confidential information and intellectual property and each of the Executive Directors' service contracts impose restrictive covenants which apply following the termination of the agreement.

In addition, Dr. Vladislav Sandler has a separate contract with Hemogenyx LLC effective 1 September 2017 appointing him as CEO and Chief Scientific Officer of Hemogenyx LLC for a three year term and setting out his duties in relation to his day-to-day work in connection with Hemogenyx's product candidates. Pursuant to this contract, Dr Sandler receives \$120,000 per annum and four weeks' holiday a year. Dr Sandler is also subject to certain non-compete and non-interference covenants in the event of its termination (subject to certain limited exceptions).

Other matters

The Company does not currently have any annual or long-term incentive schemes or any other scheme interests in place for any of the Directors.

The Company does not have any pension plans for any of the Directors and does not pay pension amounts in relation to their remuneration. The Company has not paid out any excess retirement benefits to any Directors or past Directors. The Company has not paid any compensation to past Directors.

Recruitment Policy

Base salary levels will take into account market data for the relevant role, internal relativities, their individual's experience and their current base salary. Where an individual is recruited at below market norms, they may be re-aligned over time (e.g. two to three years), subject to performance in the role. Benefits will generally be in accordance with the approved policy.

For external and internal appointments, the Board may agree that the Company will meet certain relocation and/or incidental expenses as appropriate.



DIRECTORS' REMUNERATION REPORT

Payment for loss of Office

The Committee will honour Executive Directors' contractual entitlements. Service contracts do not contain liquidated damages clauses. If a contract is to be terminated, the Committee will determine such mitigation as it considers fair and reasonable in each case. There is no agreement between the Company and its Executive Directors or employees, providing for compensation for loss of office or employment that occurs because of a takeover bid.

The Committee reserves the right to make additional payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation); or by way of settlement or compromise of any claim arising in connection with the termination of an Executive Director's office or employment.

Service Agreements and letters of appointment

The Executive Directors' service agreements are for an initial term of twelve months and may be terminated by the Company or the Executive Director by giving 3 months' notice.

Name	Date of service agreement	Notice period by Company (months)	Notice period by Director (months)
Dr. Vladislav Sandler	4 October 2017	3	3
Lawrence Pemble	4 October 2017	3	3

The Non-Executive Directors of the Company do not have service contracts, but are appointed by letters of appointment. Each Non-Executive Director's term of office runs for an initial period of one year unless terminated earlier upon written notice or upon their resignations.

The terms of the Non-Executive Directors' appointments are subject to their re-election by the Company's shareholders at any Annual General Meeting at which the Non-Executive Directors stand for re-election.

The details of each Non-Executive Director's current term are set out below:

Name	Date of service agreement	Current term (years)	Notice period by Company (months)	Notice period by Director (months)	Date of resignation
Dr Robin Campbell	4 October 2017	1	3	3	-
Alexis Sandler	4 October 2017	1	3	3	-
Peter Redmond	4 October 2017	1	3	3	-
Adrian Beeston	4 October 2017	1	3	3	9 April 2018
Lawrence Pemble	5 September 2015	1	3	3	4 October 2017

EXECUTIVE DIRECTORS' REMUNERATION

The table below sets out the remuneration received by each Executive Director for the years ended 31 December 2017 and 2016. Dr. Vladislav Sandler was the highest paid Director:

Executive Directors	Basic salary 2017 £'000	Taxable benefits 2017 £'000	Pension 2017 £'000	Annual Bonus 2017 £'000	Total 2017 £'000
Dr. Vladislav Sandler	79	42	-	-	79
Lawrence Pemble	10	-	7	-	17
Geoffrey Dart	-	-	-	35	35
Total	89	-	7	35	131

* Mr Dart received a success fee upon completion of the acquisition satisfied by the issue of 1,000,000 shares at an issue price of 3.5 pence.

Executive Directors	Basic salary 2016 £'000	Taxable benefits 2016 £'000	Pension 2016 £'000	Annual Bonus 2016 £'000	Total 2016 £'000
Geoffrey Dart	-	-	-	-	-
Total	-	-	-	-	-

Prior to completion of the acquisition no Company Directors received any remuneration.

NON-EXECUTIVE DIRECTORS' REMUNERATION

The table below sets out the remuneration received by each Non-Executive Director during the years ended 31 December 2017 and 2016:

Non-Executive Directors	2017 £'000	Share based payments 2017 £'000	Other* 2017 £'000	Total 2017 £'000
Dr Robin Campbell	11	7	-	18
Alexis Sandler	-	-	-	-
Peter Redmond	9	-	35	9
Adrian Beeston	2	-	35	2
Tim Le Druillenec	9	-	-	9
Total	31	7	70	38

* Messrs Redmond and Beeston received a success fee upon completion of the acquisition satisfied by the issue of 1,000,000 shares each at an issue price of 3.5 pence.

Non-Executive Directors	2016 £'000	Share based payments 2016 £'000	Other* 2016 £'000	Total 2016 £'000
Peter Redmond	-	-	-	-
Adrian Beeston	-	-	-	-
Total	-	-	-	-

Prior to completion of the acquisition no Company Directors received any remuneration.

Relative importance of spend on pay

The table below illustrates the year-on-year change in total remuneration compared to distributions to shareholders and loss before tax for the financial years ended 31 December 2017 and 2016:

	Distributions to shareholders £	Total employee pay £	Operational cash outflow £
Year ended 31 December 2017	44	246,919	441,368
Year ended 31 December 2016	-	129,400	278,133
Percentage change	N/A	90.8	58.7

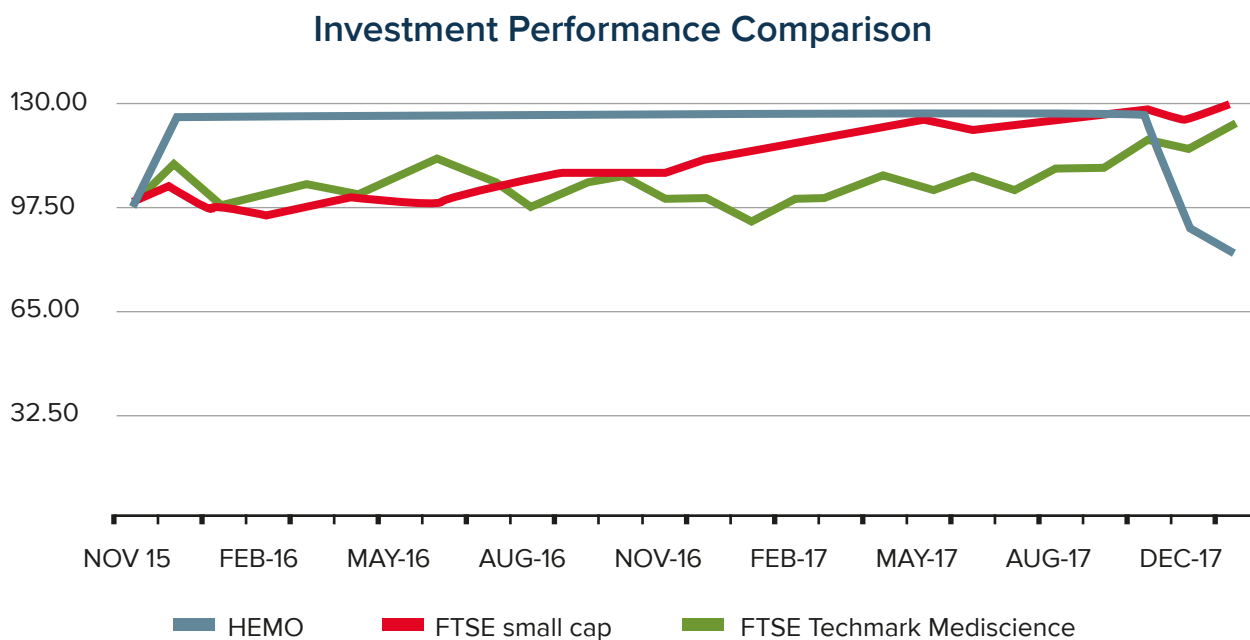
Total employee pay includes wages and salaries, social security costs, pension healthcare cost, 401K scheme cost and share-based payments for employees in continuing operations. Further details on Employee remuneration are provided in note 8.

Operational cash outflow has been shown in the table above as cash flow monitoring and forecasting is an important consideration for the Remuneration Committee and Board of Directors when determining cash based remuneration for directors and employees.

DIRECTORS' REMUNERATION REPORT

Historical Share Price Performance Comparison

The table below compares the share price performance (based on a notional investment of £100) of Hemogenyx Plc against the FTSE SmallCap and FTSE Techmark Mediscience for the period November 2015 to December 2017 calculated on a month end spot basis. The FTSE SmallCap is been chosen to provide a wider market comparator constituting companies of an appropriate size and the FTSE Techmark Mediscience chosen due to sector relevance :



Hemogenyx Plc was listed in November 2015 (under the name Silver Falcon Plc) and therefore no historical share price data exists prior to this period, there was also no data between December 2015 and October 2017 pending completion of a transaction.

It is for these reasons that the historical investment performance is not reflective of the current Group.

Consideration of shareholder views

The Board considers shareholder feedback received and guidance from shareholder bodies. This feedback, plus any additional feedback received from time to time, is considered as part of the Company's annual policy on remuneration.

Approved on behalf of the Board of Directors.

.....
Dr Robin Campbell
 Director & Remuneration Committee Chairman
 Date: 1 June 2018

INDEPENDENT AUDITOR'S REPORT to the Members of Hemogenyx Pharmaceuticals Plc

Opinion

We have audited the financial statements of Hemogenyx Pharmaceuticals Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2017 which comprise the Consolidated Statement of Comprehensive Loss, the Group and Parent Company Statements of Financial Position, the Group and Parent Company Statements of Changes in Equity, the Group and Parent Company Statements of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's and parent company's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



INDEPENDENT AUDITOR'S REPORT

to the Members of Hemogenyx Pharmaceuticals Plc

Conclusions relating to going concern

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on page 12 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation set out on page 12 in the annual report that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement set out on page 21 in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the group and the parent company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation set out on page 21 in the annual report as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements on our audit and on the financial statements. For the purposes of determining whether the financial statements are free from material misstatement, we define materiality as the magnitude of misstatement that makes it probable that the economic decisions of a reasonably knowledgeable person, relying on the financial statements, would be changed or influenced. We also determine a level of performance materiality which we

use to assess the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole. We determined materiality for the Group to be £100,000. We agreed with the Board that all audit differences in excess of £5,000, as well as differences below that threshold that, in our view, warranted reporting.

An Overview of the Scope of our audit

The Group includes the listed Parent Company and the US based subsidiary. We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate. Our audit covered 100 % of the Group's loss for the year and 100 % of the Group's net assets.

All entities in the Group were audited by a single engagement team, we did not rely on the work of any component auditors.

As part of our planning we assessed the risk of material misstatement including those that required significant auditor consideration at the component and group level. Procedures were then performed to address the risk identified and for the most significant assessed risks of material misstatement, the procedures performed are outlined above in the key audit matters section of this report.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

to the Members of Hemogenyx Pharmaceuticals Plc

Key Audit Matter	How the scope of our audit responded to the key audit matter
Investments in Subsidiary	-
Key Audit Matter	How the scope of our audit responded to the key audit matter
<p>Investment - £8m (note 15) Loan - £595k (note 14)</p> <p>The investment in Hemogenyx Pharmaceuticals LLC following the reverse acquisition is the only material asset, including its loan, and represents approximately 83% of the parent Company's total assets.</p>	<p>We undertook several audit procedures which included:</p> <ul style="list-style-type: none"> • Agreeing the accounting entries from supporting documentation and undertaking a review of the acquisition agreement and the admission document issued to investors during the listing. • Reviewing the directors' assessment of the carrying value and their conclusions thereof. • Our review also included an assessment where we compared the value of the subsidiary's carrying value plus related party receivables against the market capitalisation of the Group as Hemogenyx Pharmaceuticals PLC contains all the Group's operations. • We also reviewed board minutes for any indications of changes in investments held by the Parent Company. <p>Our results: we found the carrying value of the investments in the subsidiary and the loan provided to the subsidiary recorded in the Parent Company's financial statements to be materially acceptable.</p>
Carrying Value of Intangible Asset (note 12)	
<p>The carrying value of Intangible Asset recorded in the subsidiary's books of £257k is the other key risk area as these items will ultimately result in the main source of income for Group.</p> <p>This asset mainly derives from an exclusive licence agreement signed in January 2015, where the Company purchased the patent rights surrounding the two main products it is working on for \$347,500. The directors concluded that no impairment was required at this stage and amortisation will commence once the two products are ready for marketing.</p>	<p>Our audit procedures included: Confirmation that the cost of intangibles is correctly recorded by agreeing the price to the supporting documentation.</p> <ul style="list-style-type: none"> • Review of the directors' assessment on the intangible assets carrying value and challenging of the underlying assumptions. • Review of the events after the year end which could indicate that the carrying value of the intangibles is overstated. <p>Our results: we found the carrying value of the intangible asset recorded in the consolidated financial statements to be materially acceptable.</p>

INDEPENDENT AUDITOR'S REPORT to the Members of Hemogenyx Pharmaceuticals Plc

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the group and parent company financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- Fair, balanced and understandable set out on page 22 - the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit committee reporting set out on page 23 - the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee / the explanation as to why the annual report does not include a section describing the work of the audit committee is materially inconsistent with our knowledge obtained in the audit; or

- Directors' statement of compliance with the UK Corporate Governance Code set out on page 23 the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements;
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or

INDEPENDENT AUDITOR'S REPORT to the Members of Hemogenyx Pharmaceuticals Plc

Matters on which we are required to report by exception *(Continued)*

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, which is included in the directors' report, the directors are responsible for the preparation of the group and parent company financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the group and parent company financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Other matters which we are required to address

We were appointed by the directors on 28 February 2018 to audit the financial statements for the year ending 31 December 2017. Our total uninterrupted period of engagement is 3 years, covering the periods ending 28 February 2015 to 31 December 2017.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting our audit.

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience and through discussions with the directors. We considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.

We communicated identified laws and regulations throughout our audit team and remained alert to any indications of non-compliance throughout the audit.

As with any audit, there remained a higher risk of non-detection irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

Our audit opinion is consistent with the additional report to the audit committee.

Zahir Khaki (Senior Statutory Auditor)
for and on behalf of PKF Littlejohn LLP
Statutory Auditor

1 Westferry Circus
Canary Wharf
London
E14 4HD

Date 1 June 2018

Consolidated Statement of Comprehensive Loss

Continuing Operations	Note	Year Ended 31 December 2017	Unaudited Year Ended 31 December 2016
Revenue		-	-
Administrative Expenses	6	837,060	447,151
Depreciation Expense	12	33,614	11,870
Operating Loss		(870,674)	(459,022)
Other income	7	101,138	
Finance Costs		(10,741)	(11,817)
Reverse acquisition expense	4	(1,631,020)	-
Loss before Taxation		(2,411,297)	(470,839)
Tax Credit	10	49,698	-
Loss for the year attributable to equity owners		(2,361,599)	(470,839)
Items that will be reclassified subsequently to profit or loss:			
Translation of foreign operations		(36,652)	26,526
Other Comprehensive income for the year		(36,652)	26,526
Total comprehensive income/(loss) to the year attributable to the equity owners		(2,398,251)	(417,787)
Basic and diluted (per share)	11	(0.01)	(0.00)

The notes to the financial statements form an integral part of these financial statements.



Statement of Financial Position Group

	Note	Year Ended 31 December 2017	Unaudited Year Ended 31 December 2016	Unaudited Year Ended 31 December 2015
Assets				
Non-current assets				
Property, plant and equipment	12	191,578	175,797	-
Intangible asset	13	257,525	281,577	234,771
Total non-current assets		449,103	457,374	234,771
Current assets				
Trade and other receivables	16	69,784	162,059	41,295
Cash and cash equivalents		1,876,655	87,223	47,390
Total current assets		1,946,439	249,282	88,685
Total assets		2,395,542	706,656	323,456
Equity and Liabilities				
Equity attributable to shareholders				
Paid-in Capital				
Called up share capital	17	3,600,514	1,010,849	255,935
Share premium	18	7,341,056	-	-
Other reserves	19	369,147	-	-
Reverse asset acquisition reserve	4	(6,157,894)	-	-
Foreign currency translation reserve		(13,984)	22,668	(3,858)
Retained Earnings		(3,006,982)	(645,383)	(174,544)
Total Equity		2,131,857	388,134	77,533
Liabilities				
Non-current liabilities				
Borrowings	21	-	263,346	229,704
Total non-current liabilities		-	263,346	229,704
Current liabilities				
Trade and other payables	21	263,685	16,687	5,240
Current borrowings	21	-	38,489	10,979
Total Current Liabilities		263,685	55,176	16,219
Total Liabilities		263,685	318,522	245,923
Total equity and liabilities		2,395,542	706,656	323,456

The notes to the financial statements form an integral part of these financial statements.

This report was approved by the board and authorised
for issue on 1 June 2018 and signed on its behalf by:

.....
Lawrence Pemble
Chief Operating Officer

Statement of Financial Position Company

	Note	Year Ended 31 December 2017	Year Ended 31 December 2016
Assets			
Non-current assets			
Loan to subsidiaries	14	594,435	-
Investment in subsidiary	15	8,000,000	-
Total non-current assets		8,594,435	-
Current assets			
Trade and other receivables	16	66,013	1,680
Cash and cash equivalents		1,748,337	1,045,723
Total current assets		1,814,350	1,047,403
Total assets		10,408,785	1,047,403
Equity and Liabilities			
Equity attributable to shareholders			
Paid-in Capital			
Called up share capital	17	3,600,514	669,000
Share premium	18	7,341,056	841,243
Other reserves	19	369,147	-
Retained Earnings		(1,165,532)	(606,522)
Total Equity		10,145,185	903,708
Liabilities			
Current liabilities			
Trade and other payables	21	263,600	143,695
Total Current Liabilities		263,600	143,695
Total Liabilities		263,600	143,695
Total equity and liabilities		10,408,785	1,047,403

The notes to the financial statements form an integral part of these financial statements.

Hemogenyx Pharmaceuticals Plc has used the exemption granted under s408 of the Companies Act 2006 that allows for the non-disclosure of the Income Statement of the parent company. The after tax loss attributable to Hemogenyx Pharmaceuticals Plc for the year ended 31 December 2017 was £558,997 (2016: £519,898).

This report was approved by the board and authorised
for issue on 1 June 2018 and signed on its behalf by:

.....
Lawrence Pemble
Chief Operating Officer

Statement of Changes in Equity Group

	Called up Share Capital	Share Premium	Other reserves	Reverse acquisition reserve	Foreign currency translation reserve	Retained losses	Total Equity
As at 1 January 2016	255,935	-	-	-	(3,858)	(174,544)	77,533
Loss in year	-	-	-	-	-	(470,839)	(470,839)
Other Comprehensive Income	-	-	-	-	26,526	-	26,526
Total comprehensive income for the period	-	-	-	-	26,526	(470,839)	(444,313)
Issue of share capital	754,914	-	-	-	-	-	754,914
As at 31 December 2016	1,010,849	-	-	-	22,668	(645,383)	388,134
Loss in year	-	-	-	-	-	(2,361,599)	(2,361,599)
Other Comprehensive Income	-	-	-	-	(36,652)	-	(36,652)
Total comprehensive income for the year	-	-	-	-	(36,652)	(2,361,599)	(2,398,251)
Transfer to reverse acquisition reserve	(1,010,849)	-	-	1,010,849	-	-	-
Recognition of Hemogenyx PLC equity at reverse acquisition	669,000	841,243	-	831,257	-	-	2,341,500
Issue of shares for acquisition of subsidiary	2,285,714	5,714,286	-	(8,000,000)	-	-	-
Issue of shares to directors for services	30,000	75,000	-	-	-	-	105,000
Issue of shares - share subscription	571,429	1,428,571	-	-	-	-	2,000,000
Share issue costs	-	(495,316)	-	-	-	-	(495,316)
Issue of shares for debt settlement	44,371	110,927	-	-	-	-	155,298
Issue of options	-	-	35,492	-	-	-	35,492
Issue of warrants	-	(333,655)	333,655	-	-	-	-
As at 31 December 2017	3,600,514	7,341,056	369,147	(6,157,894)	(13,984)	(3,006,982)	2,131,857

The notes to the financial statements form an integral part of these financial statements.



Statement of Changes in Equity Company

	Called up Share Capital	Share Premium	Other reserves	Retained earnings/(loss)	Total Equity
As at 1 January 2016	649,000	781,243	-	(86,637)	1,343,606
Loss in period	-	-	-	(519,898)	(519,898)
Other Comprehensive Income	-	-	-	-	-
Total comprehensive income for the period	-	-	-	(519,898)	(519,898)
Issue of share capital net of share issue costs	20,000	60,000	-	-	80,000
As at 31 December 2016	669,000	841,243	-	(606,535)	903,708
Loss in year	-	-	-	(558,997)	(558,997)
Other Comprehensive Income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(558,997)	(558,997)
Issue of shares for acquisition of subsidiary	2,285,714	5,714,286	-	-	8,000,000
Issue of shares to directors for services	30,000	75,000	-	-	105,000
Issue of shares - share subscription	571,429	1,428,571	-	-	2,000,000
Share issue costs	-	(495,316)	-	-	(495,316)
Issue of shares for debt settlement	44,371	110,927	-	-	155,298
Issue of options	-	-	35,492	-	35,492
Issue of warrants	-	(333,655)	333,655	-	-
As at 31 December 2017	3,600,514	7,341,056	369,147	(1,165,532)	10,145,185

The notes to the financial statements form an integral part of these financial statements.



Statement of Cash Flows Group	Note	Year Ended 31 December 2017	Unaudited Year Ended 31 December 2016
Cash flows generated from operating activities			
Loss before income tax		(2,361,599)	(470,839)
Depreciation	12	33,614	11,870
Other Non cash items interest/professional fees (shares issued)		105,000	60,358
Interest income		(732)	(217)
Interest expense		11,473	12,035
Reverse Acquisition Expense	4	1,631,020	-
Share based payments	19	35,492	-
Working capital changes applicable to pre-acquisition retained earnings		(1,145)	-
Change in trade and other payables		7,637	9,507
Change in trade and other receivables		86,260	(163,209)
Change in prepayments		-	-
Net cash outflow used in operating activities		(452,980)	(540,495)
Cash flows generated from financing activities			
Proceeds from issuance of equity securities		2,000,000	754,914
Share issue costs		(383,871)	-
Repayment of loans and borrowings	21	(154,422)	-
Other current liabilities acquired at acquisition		(245,000)	-
Net cash flow generated from financing activities		1,216,707	754,914
Cash flows generated from investing activities			
Interest income		732	217
Interest paid		(1,011)	-
Cash acquired on acquisition	4	1,098,640	-
Purchase of property, plant & equipment		(64,257)	(188,785)
Net cash flow generated from investing activities		1,034,104	(188,568)
Net increase in cash and cash equivalent		1,797,831	25,851
Effect of exchange rates on cash		(8,399)	13,982
Cash and cash equivalents at the beginning of the period		87,223	47,390
Cash and cash equivalents at the end of the period		1,876,655	87,223

Major non-cash transactions

On the 11 November 2016 2,000,000 new Ordinary Shares of £0.01 nominal value were issued at a premium of £0.03 per share to M6 Limited as settlement for a fee of £80,000 for online marketing services.

The notes to the financial statements form an integral part of these financial statements.

Statement of Cash Flows Company	Note	Year Ended 31 December 2017	Year Ended 31 December 2016
Cash flows generated from operating activities			
Loss before income tax		(558,997)	(519,898)
Other Non cash items interest/professional fees (shares issued)		105,000	80,000
Foreign exchange (gain) loss		19,176	-
Interest income		(1,166)	-
Share based payments	19	35,492	-
Change in trade and other payables		23,459	132,265
Change in trade and other receivables		(64,332)	29,487
Net cash outflow used in operating activities		(441,368)	(278,146)
Cash flows generated from financing activities			
Proceeds from issuance of equity securities		2,000,000	-
Share issue costs		(383,871)	-
Net cash flow generated from financing activities		1,616,129	-
Cash flows generated from investing activities			
Interest income		1,166	-
Loan to related parties		(473,313)	-
Net cash flow generated from investing activities		(472,147)	-
Net increase in cash and cash equivalent		702,614	(278,146)
Cash and cash equivalents at the beginning of the period		1,045,723	1,323,869
Cash and cash equivalents at the end of the period		1,748,337	1,045,723

Major non-cash transactions

On the 11 November 2016 2,000,000 new Ordinary Shares of £0.01 nominal value were issued at a premium of £0.03 per share to M6 Limited as settlement for a fee of £80,000 for online marketing services.

The notes to the financial statements form an integral part of these financial statements.



NOTES TO THE FINANCIAL STATEMENT

1. General Information

The Group's business is preclinical-stage biotechnology focused on the discovery, development and commercialization of innovative treatments relating to bone marrow/hematopoietic (blood-forming) stem cell (BM/HSC) transplants for blood diseases, including leukaemia, lymphoma and bone marrow failure. The products under development are designed to address a range of problems that occur with current standard of care treatments.

The Company's registered office is located at 5 Fleet Place, London EC4M 7RD, and is listed on the London Stock Exchange.

2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of Preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee (IFRS IC) interpretations as adopted for use by the European Union, and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of Hemogenyx Plc and its subsidiaries as at 31 December 2017. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognised in assets, are eliminated in full.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Please refer to note 4 for information on the consolidation of Hemogenyx Pharmaceuticals LLC.

Hemogenyx Plc has used the exemption granted under s408 of the Companies Act 2006 that allows for the non-disclosure of the Income Statement of the parent company. The after tax loss attributable to Hemogenyx Plc for the year ended 31 December 2017 was £558,997 (2016: £519,898).

Research and development expenditure

(i) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is expensed 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 capitalised 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 capitalised to date.

NOTES TO THE FINANCIAL STATEMENT

2. Summary of Significant Accounting Policies (Continued)

(ii) 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.

(iii) Government grants

Government grants relate to financial grants from governments, public authorities, and similar local, national or international bodies. These are recognised when there is a reasonable assurance that the Company will comply with the conditions attaching to them, and that the grant will be received. Government grants relating to research and development are off-set against the relevant costs.

Intangibles

Research and development

Research expenditure is written off as incurred. Development costs are capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, the Group intends to and has sufficient resources to complete development and to use or sell the asset, and it is able to measure reliably the expenditure attributable to the intangible asset during its development.

The Group's view is that capitalised assets have a finite useful life and to that extent they should be amortised over their respective unexpired periods with provision made for impairment when required. Assets capitalised are not amortised until the associated product is available for use or sale. Amortisation is calculated using the straight-line method to allocate the costs of development over the estimated useful economic lives. Estimated useful economic life is assessed by reference to the remaining patent life and may be adjusted after taking into consideration product and market characteristics such as fundamental building blocks and product life cycle specific to the category of expenditure.

Intellectual property (IP)

IP assets (comprising patents, know-how, copyright and licences) acquired by the Group as a result of a business combination are initially recognised at fair value or as a purchase at cost, and are capitalised.

Internally generated IP costs are written off as incurred except where IAS 38 criteria, as described in research and development above, would require such costs to be capitalised.

The Group's view is that capitalised IP assets have a finite useful life and to that extent they should be amortised over their respective unexpired periods with provision made for impairment when required. Capitalised IP assets are not amortised until the Group is generating an economic return from the underlying asset and as such no amortisation has been incurred to date as the products to which they relate are not ready to be sold on the open market. When the trials are completed and the products attain the necessary accreditation and clearance from the regulators, the Group will assess the estimated useful economic life and the IP will be amortised using the straight line method over their estimated useful economic lives.

NOTES TO THE FINANCIAL STATEMENT

2. Summary of Significant Accounting Policies (Continued)

Fixed assets

All property, plant and equipment is stated at historical cost less accumulated depreciation or impairment value. Cost includes the original purchase price and expenditure that is directly attributable to the acquisition of the items to bring the asset to its working condition. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful economic life. Assets held under finance leases, if any, are depreciated over their expected useful economic life on the same basis as owned assets, or where shorter, the lease term. Assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

Computer equipment	33%	Straight line
Laboratory equipment	20% - 50%	Straight line

The following rates are used:

Impairment of non-financial assets

The Group is required to review, at least annually, whether there are indications (events or changes in circumstances) that non-financial assets have suffered impairment and that the carrying amount may exceed the recoverable amount. If there are indications of impairment then an impairment review is undertaken. An impairment charge is recognised within operating costs for the amount by which the carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and the value-in-use. In the event that an intangible asset will no longer be used, for example, when a patent is abandoned, the balance of unamortised expenditure is written off.

Impairment reviews require the estimation of the recoverable amount based on value-in-use calculations. Non-financial assets relate typically to investments in related parties and in-process development and patents, and require broader assumptions than for developed technology. Key assumptions taken into consideration relate to technological, market and financial risks and include the chance of product launch taking into account the stage of development of the asset, the scale of milestone and royalty payments, overall market opportunities, market size and competitor activity, revenue projections, estimated useful lives of assets (such as patents), contractual relationships and discount rates to determine present values of cash flows.

Investments

Equity investments in subsidiaries are held at cost, less any provision for impairment. As there is no quoted price in an active market, fair value cannot be reliably measured.

Going Concern

The preparation of financial statements requires an assessment on the validity of the going concern assumption.

The Directors have reviewed projections for a period of at least 12 months from the date of approval of the financial statements. The financial statements have been prepared on the going concern basis. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current available working capital and working capital facilities for the next 12 months. Therefore the Directors consider the going concern basis appropriate.

NOTES TO THE FINANCIAL STATEMENT

2. Summary of Significant Accounting Policies (Continued)

Financial Instruments

Financial assets and liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument. The Company currently does not use derivative financial instruments to manage or hedge financial exposures or liabilities.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise Trade and Other Receivables and Cash and Cash Equivalents in the Statement of Financial Position.

Trade and Other Receivables and Payables

Trade and other receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value, and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Other liabilities measured at amortised cost are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. The liabilities are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer. If not, they are presented as non-current liabilities.

The liabilities are recognised initially at fair value, and subsequently measured at amortised cost using the effective interest method.

Impairment of Financial assets

The Company and Group assesses at each reporting date whether a financial asset is impaired and will recognise the impairment loss immediately through the consolidated statement of comprehensive loss.



NOTES TO THE FINANCIAL STATEMENT

2. Summary of Significant Accounting Policies (Continued)

Foreign currencies

Functional and presentation currency

The Company's presentation currency is the British Pound Sterling ("£"). The functional currency for the Company, being the currency of the primary economic environment in which the Company operates, is the British Pound Sterling. The individual financial statements of each of the Company's wholly owned subsidiaries are prepared in the currency of the primary economic environment in which it operates (its functional currency).

The Hemogenyx LLC financial statements have been translated in to Pound Sterling in accordance with IAS 21 The Effects of Changes in Foreign Exchange Rates. This standard requires that assets and liabilities be translated using the exchange rate at period end, and income, expenses and cash flow items are translated using the rate that approximates the exchange rates at the dates of the transactions (i.e. the average rate for the period). The foreign exchange differences on translation of Hemogenyx LLC are recognized in other comprehensive income (loss).

Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit and loss.



NOTES TO THE FINANCIAL STATEMENT

2. Summary of Significant Accounting Policies (Continued)

Share based payments

The Group has applied the requirements of IFRS 2 Share-based Payment for all grants of equity instruments.

The Group operates an equity-settled share option plan to certain shareholders. The fair value of the service received in exchange for the grant of options and warrants is recognised as an expense. Equity-settled share based payments are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant. The fair value determined at the grant date of equity-settled share-based payment is expensed on a graded vesting basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Fair value is measured by use of the Black-Scholes model. The expected life used in the models has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

On addition the Group issues equity-settled share-based payments to the directors and senior management ("Employee Share Options") and to its corporate finance advisers for assistance in raising private equity ("Non-employee Share Options"). Equity-settled share-based payments are measured at fair value at the date of grant for Employee Share Options and the date of service for Non-employee Share Options. The fair value determined at the grant date or service date, as applicable, of the equity-settled share-based payments is expensed, with a corresponding credit to equity, on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. At each subsequent reporting date the Group calculates the estimated cumulative charge for each award having regard to any change in the number of options that are expected to vest and the expired portion of the vesting period. The change in this cumulative charge since the last reporting date is expensed with a corresponding credit being made to equity. Once an option vests, no further adjustment is made to the aggregate amount expensed.

The fair value is calculated using the Black Scholes method for both Employee and Non-employee Share Options as management views the Black Scholes method as providing the most reliable measure of valuation. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability exercise restrictions and behavioural considerations. The market price used in the model is the issue price of Company shares at the last placement of shares immediately preceding the calculation date. The fair values calculated are inherently subjective and uncertain due to the assumptions made and the limitation of the calculations used.

Share Capital

Ordinary Shares are classified as equity. Equity instruments issued by the Hemogenyx Group are recorded at the proceeds received, net of direct issue costs.

Cash

Cash consist of cash bank deposit balances.



NOTES TO THE FINANCIAL STATEMENT

2. Summary of Significant Accounting Policies (Continued)

Taxation

Current Tax

The charge for current taxation is based on the results for the year as adjusted for items that are non-assessable or disallowed. It is calculated using rates that have been enacted, or substantially enacted, by the balance sheet date. Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the relevant taxation authorities.

Deferred Tax

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investment in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the statement of financial position date.

The carrying amount of deferred income tax assets is reviewed at each statement of financial position date. Deferred income tax assets and liabilities are offset, only if a legally enforcement right exists to set off current tax assets against current tax liabilities, the deferred income taxes related to the same taxation authority and that authority permits the Company to make a single net payment.

Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise income tax is recognised in the statement of comprehensive income.

Segmental Reporting

The Group's operations are located throughout in New York, USA with the head office located in the United Kingdom. The main assets of the Group, cash and cash equivalents, are held in United Kingdom and adequate amounts are transferred to the USA operating business on a quarterly basis on approval from the board.

The Group currently has one reportable segment - biotechnology company focused on the discovery, development and commercialization of innovative treatments relating to bone marrow/hematopoietic (blood-forming) stem cell (BM/HSC) transplants for blood disease.



NOTES TO THE FINANCIAL STATEMENT

2. Summary of Significant Accounting Policies (Continued)

New Accounting Standards and Interpretations in issue but not applied in the Financial Statements

- i) New standards, amendments and Interpretations in issue but not yet effective or not (and in some cases have not yet been adopted by the EU):

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the financial statements are listed below. The Company intend to adopt these standards, if applicable, when they become effective. These are summarised below:

- IFRS 9 – ‘Financial Instruments’ This standard replaces IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. The standard is effective for annual periods beginning on or after 1 January 2018.

The Group does not expect the adoption of IFRS 9 will result in a material change to the carrying values and classification of financial assets and liabilities.

- IFRS 15 - ‘Revenue from contracts with customers’ This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service.

The standard replaces IAS 18 ‘Revenue’ and IAS 11 ‘Construction contracts’ and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018. The Group does not expect that the adoption of IFRS 15 will result in a change to the accounting policy as the performance obligation and timing of recognition are consistent with those identified under IAS 18.

- IFRS 16 - ‘Leases’ This standard replaces the current guidance in IAS 17 – ‘Leases’ and is a far-reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a ‘right-of-use asset’ for virtually all lease contracts.

IFRS 16 includes an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting remains substantially unchanged. IFRS 16 provides updated guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts); under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The standard is effective for annual periods beginning on or after 1 January 2019. The Group is currently assessing the impact of IFRS 16.

NOTES TO THE FINANCIAL STATEMENT

3. Significant accounting judgements, estimates and assumptions

The preparation of the financial statements in conformity with International Financial Reporting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

Estimates and judgements are continually evaluated, and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The principal areas in which judgement is applied are as follows:

Warrants to be issued pursuant to IPO

Under terms of the share placement completed pursuant to the IPO there were a maximum of 62,021,429 warrants eligible to be issued eligible participants. As at 31 December 2017 43,627,283 warrants had been issued to eligible IPO participants who had been identified. A total of 18,394,146 warrants potentially are still to be issued however it is not known if or when these warrants will be issued as the identity of the holders is not known. The Group has not brought the value of the unissued warrants to account as at 31 December, 2017 as it can not be reasonably ascertained if these outstanding warrants will ever be issued. The 18,394,146 warrants have a value of £112,274. Management has determined that a discount of 40% reasonable to allow for the probability of the identity of the warrant holders remaining unknown. After applying this discount a value £67,364 has not been brought to account in the Statement of Financial Position due to uncertainty.

Valuation of stock options

Management uses the Black Scholes model to value the share options. The model requires use of assumptions regarding volatility, risk free interest rate and a calculation of the value of the option at the time of the grant. Please see note 18 for details.

Intangible assets impairment

When there is an indicator of a significant and permanent reduction in the value of intangible assets, an impairment review is carried out. The impairment analysis is principally based on estimated discounted future cash flows. The determination of the assumptions is subjective and requires the exercise of considerable judgement. Any changes in key assumptions about the outcome of research and development activity, probability of technical and regulatory success, amount and timing of projected future cash flow or changes in market conditions could materially affect whether an impairment exists.

4. Reverse acquisition and LSE listing

On 4 October 2017, the Company acquired the entire issued share capital of Hemogenyx LLC, a private company incorporated in the United States, by way of a share for share exchange.

Although the transaction resulted in Hemogenyx LLC becoming a wholly owned subsidiary of the Company, the transaction constitutes a reverse acquisition in as much as the shareholders of Hemogenyx LLC own a substantial majority of the outstanding ordinary shares of the Company and 2 out of 6 members of the Board of Directors of the Company are Hemogenyx LLC shareholders and management.

NOTES TO THE FINANCIAL STATEMENT

4. Reverse acquisition and LSE listing (Continued)

In substance, the shareholders of Hemogenyx LLC acquired a controlling interest in the Company and the transaction has therefore been accounted for as a reverse acquisition. As the Company previously discontinued its investment activities and was engaged in acquiring Hemogenyx LLC and raising equity financing to provide the required funding for the operations of the acquisition and re-listing on the main market of the LSE, 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 and was accounted for in accordance with IFRS 2 Share-based payment and IFRIC guidance, with the difference between the equity value given up by the Hemogenyx LLC shareholders and the share of the fair value of net assets gained by the Hemogenyx LLC shareholders charged to the statement of comprehensive income as the cost of acquiring a main market LSE quoted listing.

Following the completion of the transaction the Company changed its name to Hemogenyx Pharmaceuticals Plc.

In accordance with reverse acquisition accounting principles, these consolidated financial statements represent a continuation of the consolidated financial statements of Hemogenyx LLC and include:

The assets and liabilities of Hemogenyx LLC at their pre-acquisition carrying amounts and the results for both periods;

- a. The assets and liabilities of Hemogenyx LLC at their pre-acquisition carrying amounts and the results for both periods; and
- b. The assets and liabilities of the Company as at 31 December 2017 and its results from 5 October 2017 to 31 December 2017,

On 4 October 2017, the Company issued 228,571,428 shares for all 21,923,076 shares of Homogenyx LLC.

On 4 October 2017, the quoted share price of Homogenyx plc was £0.035 and therefore this valued the investment in Hemogenyx LLC at £8,000,000.

Because the legal subsidiary, Hemogenyx LLC, was treated as the accounting acquirer and the legal Parent Company, Silver Falcon plc, was treated as the accounting subsidiary, the fair value of the shares deemed to have been issued by Hemogenyx LLC was calculated at £2,341,500 based on an assessment of the purchase consideration for an 100% holding in Hemogenyx Plc.

The fair value of net assets of Silver Falcon plc was as follows:

	£
Cash and cash equivalents	1,098,640
Other assets	60,641
Liabilities	(448,800)
Net assets	710,480

The difference between the deemed cost and the fair value of the net assets acquired of £1,631,020 has been expensed in accordance with IFRS 2, Share based payments, reflecting the economic cost to the Hemogenyx LLC shareholders of acquiring a quoted entity.

NOTES TO THE FINANCIAL STATEMENT

4. Reverse acquisition and LSE listing (Continued)

The reverse acquisition reserve that arose from the reverse takeover is made up as follows:

	Year Ended 31 December 2017
	£
As at start of year	-
Pre-acquisition losses of Hemogenyx PLC ¹	799,763
Hemogenyx LLC issued capital at acquisition ²	1,010,849
Investment in Hemogenyx LLC ³	(8,000,000)
Reverse acquisition expense ⁴	1,631,020
As at end of year	(6,157,894)

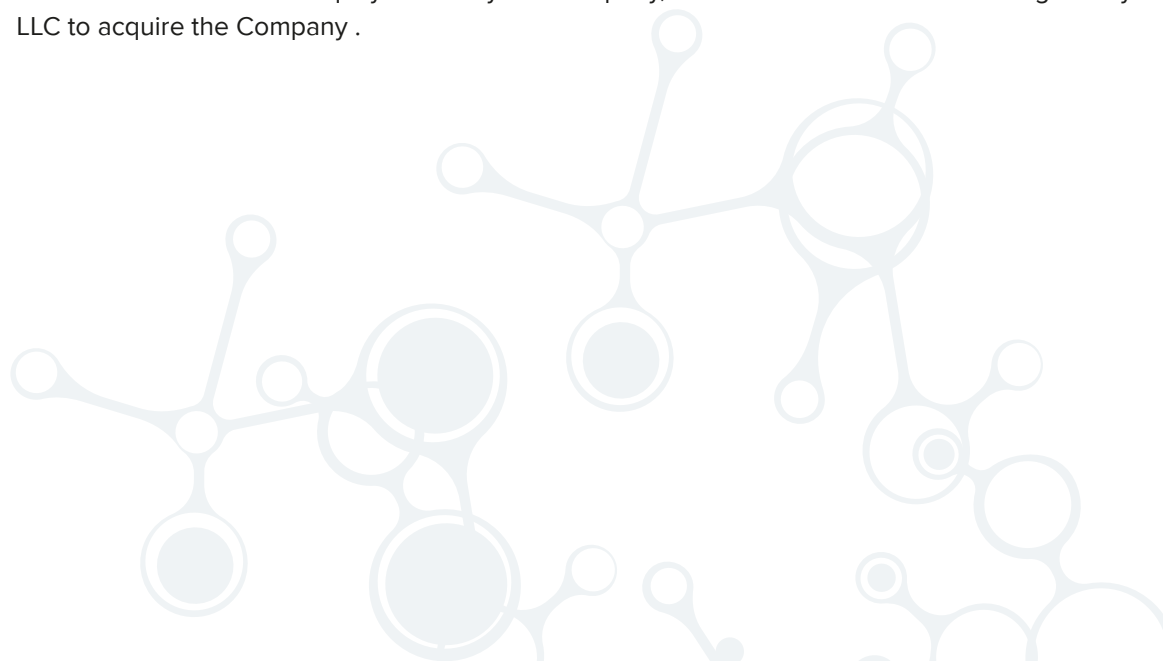
The movements on the Reverse acquisition reserve are as follows:

1) These consolidated financial statements present the legal capital structure of the Company. However, under reverse acquisition accounting rules, the Company was not acquired until 4 October 2017 and therefore the entry above is required to eliminate the initial retained losses of the Company.

2) Hemogenyx LLC had issued share capital of equivalent to £1,010,849 as at 4 October 2017. As these financial statements present the capital structure of the parent entity, the issue of equity by Hemogenyx LLC has been recorded in this reserve.

3) The Company issued 228,571,428 shares at £0.35 each, totaling £8,000,000 for the entire issued capital of Hemogenyx LLC. The above entry is required to eliminate the balance sheet impact of this transaction.

4) The reverse acquisition accounting is described in detail in note 4. The entry above represents the difference between the value of the equity issued by the Company, and the deemed consideration given by Hemogenyx LLC to acquire the Company .



NOTES TO THE FINANCIAL STATEMENT

5. Segment Information

The Group has one reportable segment, the development of breakthrough therapies for the treatment of blood diseases, and administrative functions in the United Kingdom.

The following tables present expenditure and certain asset information regarding the Group's geographical segments for the year ended 31 December 2017:

	Year Ended 31 December 2017	Year Ended 31 December 2016
	£	£
Revenue		
SEGMENT ASSETS		
United Kingdom		
- Non-current	-	-
- Current	1,814,350	1,047,416
United States		
- Non-current	449,103	457,374
- Current	132,089	249,282
Total		
- Non-current	449,103	457,374
- Current	1,946,439	249,282
CAPITAL EXPENDITURE		
United Kingdom	-	-
United States	64,257	188,785
	64,257	188,785

6. Expenses by nature

	Group Year Ended 31 December 2017	Group Year Ended 31 December 2016
	£	£
Laboratory expenses	14,046	1,619
Consumable equipment and supplies	64,287	65,236
Contractors & consultants	59,876	23,942
Transaction completion success fees	105,000	-
Travel	19,494	5,871
Staff Costs	319,119	201,626
Insurance	13,820	10,975
Other	22,521	22,000
Operating lease expense	22,188	20,934
Legal and professional fees	166,902	94,949
Foreien exchange loss / (gain)	29,807	-
Total Administrative Expenses	837,060	447,152

NOTES TO THE FINANCIAL STATEMENT

7. Other income

Other income of £101,138 during the year to 31 December 2017 (2016: nil) relates to funds received from a third party under a research collaboration programme.

8. Employees

	Group	Group	Company	Company
	Year Ended 31 December 2017	Year Ended 31 December 2016	Year Ended 31 December 2017	Year Ended 31 December 2016
	£	£	£	£
Wages and salaries	269,265	200,002	41,325	-
Social security	12,811	-	2,634	-
Share options	35,492	-	35,492	-
Pension contributions	1,551	1,624	-	-
	319,119	201,626	79,451	-

Average number of people (including executive Directors) employed:

	Group	Group	Company	Company
	Year Ended 31 December 2017	Year Ended 31 December 2016	Year Ended 31 December 2017	Year Ended 31 December 2016
	£	£	£	£
Research & development	3	2	-	-
Administration	1	1	3	3
	4	3	3	3

9. Auditors' remuneration

	Group	Group
	Year Ended 31 December 2017	Year Ended 31 December 2016
	£	£
Fees payable to the Company auditor:		
Audit of the financial statements of the Group and Company	35,000	-
Services relating to corporate finance transactions	37,995	-
	72,995	-

NOTES TO THE FINANCIAL STATEMENT

10. Income tax

	Group Year Ended 31 December 2017	Group Year Ended 31 December 2016
	£	£
Current Tax:		
Corporation tax on loss for the year	-	-
New York City Biotech tax credit - prior years	49,698	-
Deferred Tax	-	-
Tax on loss on ordinary activities	49,698	-
Loss on ordinary activities before tax	(2,411,297)	(519,898)
Analysis of charge in the year:		
Loss on ordinary activities multiplied by weighted average tax rate for the group of 25.69% (2016: 0%)	(619,558)	-
Disallowed items	398,630	-
Timing differences	(7,466)	-
Tax losses carried forward	(228,394)	-
Current Tax charge	-	-

Weighted average tax rate is calculated by reference to the tax rates effective in each of the jurisdictions. The tax rates effective at 31 December 2017 are 19% and 34% in the UK and the USA respectively. Prior to the acquisition in October 2017, Hemogenyx LLC was registered as a partnership which is not taxed under the corporation tax regime, as such weighted average tax rate for 2016 is nil.

The Group has accumulated tax losses arising in the UK of approximately £140,000 (Dec 2016: £295,198) that should be available, under current legislation, to be carried forward against future profits. No deferred tax asset has been recognised against these losses. The Group has tax losses carried forward in the US of £396,416 available under current rules until 2037. No deferred tax asset has been recognised against these losses.

11. Earnings per share

The calculation of the Basic and fully diluted earnings per share is calculated by dividing the loss for the year from continuing operations of £2,361,599 (2016: £470,839) for the Group by the weighted average number of ordinary shares in issue during the year of 260,270,699 (2016: 145,166,853).

The weighted average number of shares is adjusted for the impact of the reverse acquisition as follows:

- Prior to the reverse takeover, the number of shares is based on Hemogenyx LLC, adjusted using the share exchange ratio arising on the reverse takeover; and
- From the date of the reverse takeover, the number of share is based on the Company.

Dilutive loss per Ordinary Share equals basic loss per Ordinary Share as, due to the losses incurred in 2017 and 2016, there is no dilutive effect from the subsisting share options.

NOTES TO THE FINANCIAL STATEMENT

12. Property, Plant and Equipment

Group	Property, plant & equipment
	£
Costs	
Balance, December 31, 2015	
Additions	188,785
Balance, December 31, 2016	188,785
Additions	64,257
Foreign exchange movement	(17,344)
Balance, December 31, 2017	235,698
Accumulated depreciation and impairment losses	
Balance, December 31 2015	
Depreciation	11,870
Foreign exchange movement	1,117
Balance, December 31, 2016	12,987
Depreciation	33,614
Foreign exchange movement	(2,482)
Balance, December 31, 2017	44,120
Carrying amounts	
Carrying value at December 31, 2015	-
Carrying value December 31, 2016	175,797
Carrying value December 31, 2017	191,578

NOTES TO THE FINANCIAL STATEMENT

13. Intangible Assets

On 15 January 2015, the Company entered into an Exclusive License Agreement with Cornell University to grant to the Company patent rights to patent PCT/US14/65469 entitled “Post-Natal Hematopoietic Endothelial Cells and Their Isolation and Use” and rights to any product or method deriving therefrom.

The Company paid Cornell University \$347,500, consisting of cash payments of \$22,500 and a convertible promissory note in the amount of \$325,000.

Cost	Intellectual Property
	£
31 December 2015	234,771
Exchange movements	46,806
31 December 2016	281,577
Exchange movements	(24,052)
December 31, 2017	257,525

The carrying value of intangible assets is reviewed for indications of impairment whenever events or changes in circumstances indicate that the carrying value may exceed the recoverable amount. The products to which they relate are not ready to be sold on the open market. When the trials are completed and the products attain the necessary accreditation and clearance from the regulators, the Group will assess the estimated useful economic life and the IP will be amortised using the straight line method over their estimated useful economic lives. The directors are of the view that no impairment is required as the test results to date have been very positive and these products are now being moved on the clinical trial phase. Accordingly, the directors continue to believe that the products will eventually attain the necessary accreditation and clearance from the regulators and so no impairment has been considered necessary.

Amortisation will be charged to operating costs in the Statement of Comprehensive Income when the Group achieves product sales.

14. Loan to subsidiary

	Company Year Ended 31 December 2017	Company Year Ended 31 December 2016
	£	£
Loan to Hemogenyx LLC	594,435	
	594,435	-

Hemogenyx Pharmaceuticals PLC has made cumulative loans to Hemogenyx LLC of US\$802,121 (£594,435) as at 31 December 2017. The loan is interest free and will be repaid when Hemogenyx LLC’s operational cash flow allows. Management has undertaken an impairment assessment of the loan as at 31 December 2017 and has determined that there was no impairment required. The interest rate and impairment assessment are reviewed on an annual basis.

NOTES TO THE FINANCIAL STATEMENT

15. Investments in subsidiary

Name	Address of the registered office	Nature of business	Nature of business Proportion of ordinary shares held directly by parent (%)
Hemogenyx Pharmaceuticals LLC	9 East Lookerman Street, Suite 3A, Dover, Kent, Delaware, USA, 19901	Biomedical sciences	100

16. Trade and other receivables

	Group Year Ended 31 December 2017	Group Year Ended 31 December 2016	Company Year Ended 31 December 2017	Company Year Ended 31 December 2016
	£	£	£	£
VAT receivable	64,784	-	61,013	-
Other receivables	-	162,059	-	180
Prepayments	5,000	-	5,000	1,500
Total trade and other receivables	69,784	162,059	66,013	1,680

There are no material differences between the fair value of trade and other receivables and their carrying value at the year end.

No receivables were past due or impaired at the year end.

17. Called up share capital

Group	Class A shares Number	Class B shares Number	Ordinary shares Number	£
As at 31 December 2015	12,657,692	-	-	255,935
Issue of shares to retain contractual ownership percentage 19 February 2016	496,154	-	-	-
Issue of shares for cash various dates	-	8,769,230	-	754,914
As at 31 December 2016	13,153,846	8,769,230	-	1,010,849
Transfer of LLC paid up capital to Reverse Acquisition Reserve 4 Oct 2017	(13,153,846)	(8,769,230)	-	(1,010,849)
Issued capital of PLC at acquisition 4 Oct 2017	-	-	66,900,000	669,000
Issue of shares for acquisition of subsidiary 4 Oct 2017	-	-	228,571,428	2,285,714
Issue of shares to directors 4 Oct 2017	-	-	3,000,000	30,000
Issue of shares for cash 4 Oct 2017	-	-	57,142,857	571,429
Issue of shares for debt settlement 20 Oct 2017	-	-	4,437,075	44,371
As at 31 December 2017	-	-	360,051,358	3,600,514

The issued capital of the Group for the period 1 January 2015 to 4 October 2017 is that of Hemogenyx LLC. Upon completion of the acquisition the share capital of Hemogenyx LLC was transferred to the Reverse acquisition reserve (see note 4) and the share capital of Hemogenyx PLC was brought to account.

NOTES TO THE FINANCIAL STATEMENT

17. Called up share capital

Company	Number of shares	£
As at 1 January 2016	64,900,000	649,000
Issue of shares 11 November 2016	2,000,000	20,000
As at 31 December 2016	66,900,000	669,000
Issue of shares for acquisition of subsidiary 4 Oct 2017	228,571,426	2,285,714
Issue of shares to directors 4 Oct 2017	3,000,000	30,000
Issue of shares for cash 4 Oct 2017	57,142,857	571,429
Issue of shares for debt settlement 20 Oct 2017	4,437,075	44,371
As at 31 December 2017	360,051,358	3,600,514

18. Share Premium

Group & Company	£
As at 31 December 2016	-
Issued capital of PLC at acquisition 4 Oct 2017	841,243
Issue of shares for acquisition of subsidiary 4 Oct 2017	5,714,286
Issue of shares to directors 4 Oct 2017	75,000
Issue of shares for cash 4 Oct 2017	1,428,571
Issue of shares for debt settlement 20 Oct 2017	110,927
Value of warrants issued in connection with share placements	(333,655)
Share issue costs	(495,316)
As at 31 December 2017	7,341,056

The issued share capital of Hemogenyx LLC did not have a share premium component.

NOTES TO THE FINANCIAL STATEMENT

19. Other Reserve

Share Options Group & Company	Group	Group
	Year Ended 31 December 2017	Year Ended 31 December 2016
	£	£
As at start of year	-	-
Charge for the year - employees	35,492	-
Fair value of warrants issued in connection with share placement	333,655	-
As at end of year	369,147	-

The expense recognised for employee and non-employee services during the year is shown in the following table:

Group & Company	Year Ended 31 December 2017	Year Ended 31 December 2016
	£	£
Expense arising from equity-settled share-based payment transactions	35,492	-
Total expense arising from share-based payment transactions	1,666,512	-

Employee Plan

Under the Employee Plan ("EMP") share options are granted to directors and employees at the complete discretion of the Company. The fair value of the options is determined by the Company at the date of the grant. scribe for Ordinary Shares on each of the following events/dates:

- (i) Admission to the LSE ("Admission");
- (ii) On the date falling six (6) months after Admission;
- (iii) On the date falling twelve (12) months after Admission; and
- (iv) On the date falling twenty four (24) months after Admission

On the provision that the option holder remains an employee of the Group.

Options granted to all other option holders vest in equal tranches of 12.5% every three months from 4 January, 2018, until fully vested.

The fair value of the options is determined using the Black Scholes method as stated in Note 2. The contractual life of each option granted is two years. There are no cash settlement alternatives.

Options are settled when the Company receives a notice of exercise and cash proceeds from the optionholder equal to the aggregate exercise price of the options being exercised.

NOTES TO THE FINANCIAL STATEMENT

19. Other Reserve (Continued)

Non-Employee Plan

Under the Non-Employee Plan (“NEMP”) share options are granted to non-employees at the complete discretion of the Company. The exercise price of the options is determined by the Company at the date of the grant. The options vest at the date of the grant.

The fair value of the options is determined using the Black Scholes method as stated in Note 2 and not the value of services provided as this is deemed the most appropriate method of valuation. In all cases non-employee option holders received cash remuneration in consideration for services rendered in accordance with agreed letters of engagement. The contractual life of each option granted ranges from two to five years. There are no cash settlement alternatives. Volatility was determined by calculating the volatility for three similar listed companies and applying the average of the four volatilities calculated.

Options are settled when the Company receives a notice of exercise and cash proceeds from the option holder equal to the aggregate exercise price of the options being exercised.

A schedule of options granted is below:

	Number options
Employees, including directors*	9,257,111
Members of the Scientific Advisory Board	16,021,927
Total	25,279,038

*Details of options held by individual directors are disclosed in the Directors’ Report.

Group & Company	2017	2017	2016	2016
	Number	WAEP pence	Number	WAEP pence
	£	£	£	£
Outstanding at the beginning of the year	-	-	-	-
Granted during the year	25,279,038	3.5	-	-
Outstanding at end of year	25,279,038	3.5	-	-
Exercisable at end of year	1,780,214	3.5	-	-

The weighted average remaining contractual life for the share options outstanding as at 31 December 2017 is 3.89 years (2016: n/a). The weighted average fair value of options granted during the year was 0.01 pence (2016: n/a). The exercise price for options outstanding at the end of the year was 3.5 pence (2016: n/a).

NOTES TO THE FINANCIAL STATEMENT

19. Other reserves (Continued)

The following table lists the inputs to the models used for the two plans for the years ended 31 December 2017 and 31 December 2016:

	2017 (EMP)
Expected volatility %	39.56
Risk-free interest rate %	0.472
Expected life of options (years)	2
WAEP ¹ - pence	3.5
Expected dividend yield	-
Model used	Black Scholes

Warrants

The share placement that completed on 4 October 2017 with the issue of 57,142,857 shares at £0.035 carried 1 for 2 warrants for qualifying shareholders over 62,021,429 new ordinary shares at £0.04 per share. In order to qualify for these warrants the shareholder must have retained the shares for a period of 60 days after admission.

As at 31 December 2017 43,627,283 warrants had been issued to eligible IPO participants who had been identified. A total of 18,394,146 warrants potentially are still to be issued however it is not known if or when these warrants will be issued as the identity of the holders is not known. The 18,394,146 warrants have a value of £112,274 and applying a reasonable discount of 40% to allow for the probability of the identity of the warrant holders remaining unknown, an adjusted value £67,364 has not been brought to account in the Statement of Financial Position due to uncertainty.

The following table lists the inputs to the models used for the two plans for the years ended 31 December 2017:

	2017 (NEMP)
Expected volatility %	39.56
Risk-free interest rate %	0.472
Expected life of options (years)	2
WAEP ¹ - pence	4.0
Expected dividend yield	-
Model used	Black Scholes

NOTES TO THE FINANCIAL STATEMENT

20. Capital and Reserves

The nature and purpose of equity and reserves are as follows:

Share capital comprises the nominal value of the ordinary issued share capital of the Company.

Share Premium represents consideration less nominal value of issued shares and costs directly attributable to the issue of new shares.

Other reserves represents the value of options in connection with share based payments, and warrants connected with share placements, issued by the Company.

Reverse asset acquisition reserve is the reserve created in accordance with the acquisition of Hemogenyx Pharmaceuticals LLC on 5 October, 2017 in accordance with IFRS 2.

Foreign currency translation reserve is used to recognise the exchange differences arising on translation of the assets and liabilities of foreign branches and subsidiaries with functional currencies other than Pounds Sterling, as well as the revaluation of intercompany loans.

Retained earnings represent the cumulative retained losses of the Company at the reporting date.

21. Non-current and current liabilities

	Group Year Ended 31 December 2017	Group Year Ended 31 December 2016	Company Year Ended 31 December 2017	Company Year Ended 31 December 2016
	£	£	£	£
Trade and other payables	7,333	16,687	7,247	143,695
Accruals and deferred income	256,353	-	256,353	-
Loan note interest	-	26,335	-	-
Loan notes	-	275,500	-	-
Total liabilities	263,685	318,522	263,600	143,695
Current liabilities	263,685	55,176	263,600	143,695
Non-current liabilities	-	263,346	-	-

NOTES TO THE FINANCIAL STATEMENT

Loan Notes

On 15 January 2015 Hemogenyx LLC issued a USD\$325,000 unsecured convertible promissory note to Cornell University in partial payment of the license fee with that University. The promissory note bore interest at 5% per annum with the interest payable annually in arrears. The maturity date is the earlier of (1) after the Company receives a bona fide equity investment of not less than \$5 million, (2) 14 January 2020, or (3) a change in control of the Company. The note was convertible into membership units at a price equal to the price obtained in the above-mentioned bona fide equity investment.

Post completion of the acquisition of Hemogenyx Pharmaceuticals LLC the loan note and accrued interest were repaid in full via a cash payment of £154,422 (USD\$199,866.68) and the issue of 4,008,504 ordinary shares at 3.5 pence each in Hemogenyx Pharmaceuticals PLC with a value totalling £140,297.64 (USD\$186,175).

The loan note and interest were fully repaid by 31 December 2017.

A schedule of movements in the loan note is set out in the table below:

	£
Balance 1 January 2016	240,683
Interest expense	11,817
Foreign exchange loss	49,335
Balance 31 December 2016	301,835
Interest expense	10,741
Repayment in cash	(154,422)
Repayment in equity issue	(140,298)
Foreign exchange gain	(17,856)
Balance 31 December 2017	-

22. Related party disclosures

With effect from 11 November 2015, M6 Limited ("M6") entered into an agreement to provide web development, online marketing, mobile application development and marketing, content production, advertising, public relations, and lead generation services to the Company for a fee of £80,000. The Company has agreed with M6 to issue 2,000,000 Ordinary Shares at the Placing Price at Admission in settlement of monies owed to M6. As at 11 November 2016, 2,000,000 Ordinary Shares were issued to M6 as payment for their services; further details of this transaction are disclosed in note 8. Adrian Beeston, a director of the Company, is also a director of M6 and holds c.17 per cent. of the issued ordinary share capital of M6 Limited.

During the year, the Company paid £20,239 (2015: £3,000) to Dukemount Capital Plc in respect of rent. As at the 31 December, 2017 there were no amounts owed to Dukemount in respect of rent (2016: £1,500). Peter Redmond resigned as a director of Dukemount Capital on 26 April 2017.

NOTES TO THE FINANCIAL STATEMENT

23. Financial instruments

The Group's financial instruments consist of cash, amounts receivable, accounts payable and accrued liabilities and deferred payment.

Fair value of financial assets and liabilities

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The carrying amount for cash, accounts receivable, and accounts payable and accrued liabilities on the statement of financial position approximate their fair value because of the limited term of these instruments. The fair value of deferred payment approximates its fair value. The investment is carried at cost as it is not traded on an active market.

Fair value hierarchy

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

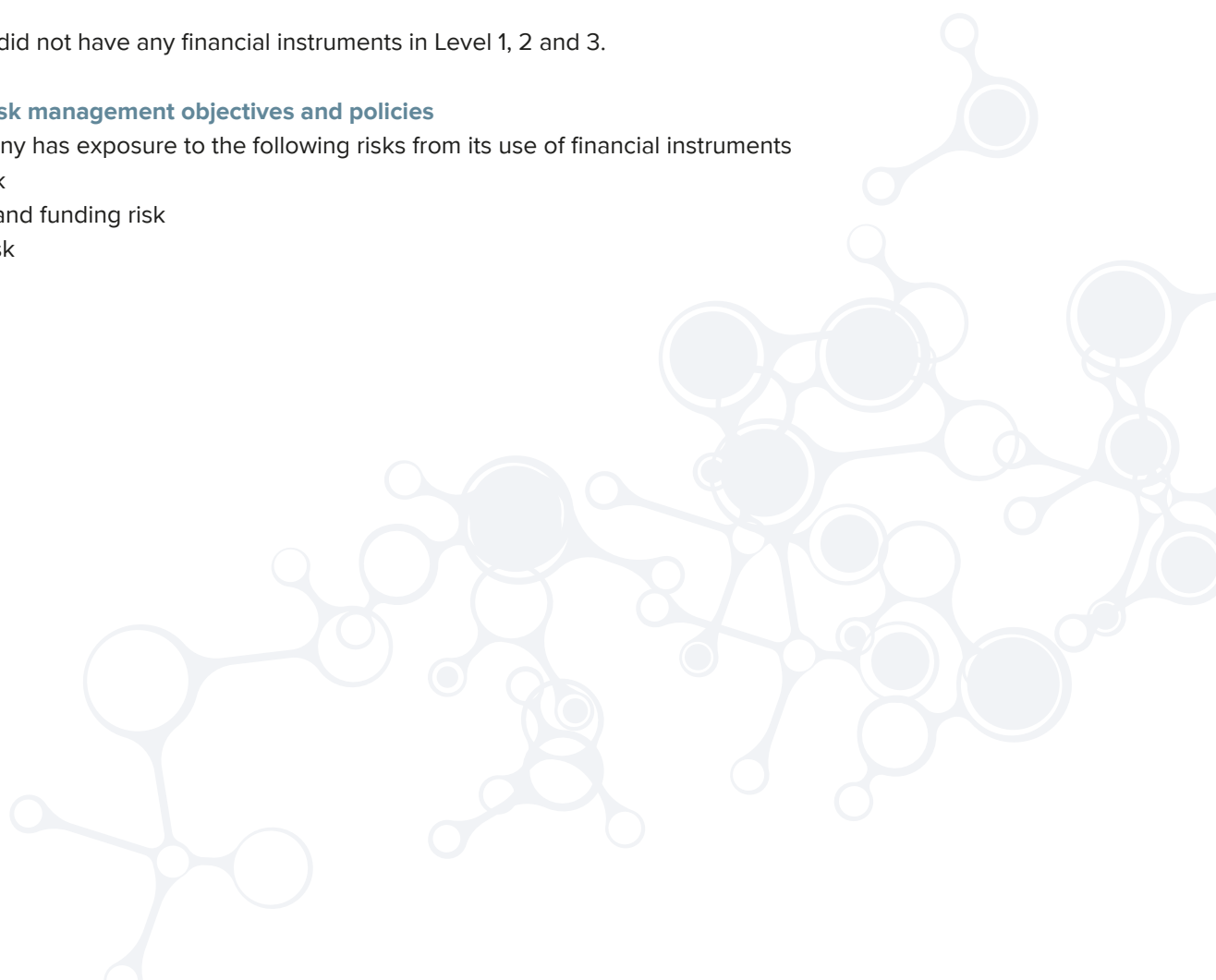
- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities; and
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group did not have any financial instruments in Level 1, 2 and 3.

Financial risk management objectives and policies

The Company has exposure to the following risks from its use of financial instruments

- Credit risk
- Liquidity and funding risk
- Market risk



NOTES TO THE FINANCIAL STATEMENT

23. Financial instruments (Continued)

The following table sets out the categories of financial instruments held by the Company as at the year ended 31 December 2017 and period ended 31 December 2016:

	Group Year Ended 31 December 2017	Group Year Ended 31 December 2016	Company Year Ended 31 December 2017	Company Year Ended 31 December 2016
	£	£	£	£
Assets				
Trade and other receivables, except prepayments	64,784	162,059	61,013	180
Cash and cash equivalents	1,876,655	87,223	1,748,337	1,045,736
	1,941,439	249,282	1,809,350	1,045,916
Liabilities				
Trade and other payables	(263,685)	(16,688)	(263,600)	(143,695)
Loan Notes & interest	-	(301,835)	-	-
	(263,685)	(318,523)	(263,600)	(143,695)

Group	1 January 2017	Cash flows	Non-cash changes			31 December 2017
			Share repayment	Foreign exchange movements	Interest charge	
Long-term borrowings	275,500	(154,422)	(140,297)	7,746	11,473	
Short-term borrowings	26,335	(26,335)	-	-	-	-
Total	301,835	(180,757)	(140,297)	7,746	11,473	-



NOTES TO THE FINANCIAL STATEMENT

23. Financial instruments (Continued)

a) Credit risk

The Group had receivables of £nil owing from customers (31 December 2016: £1,680). All bank deposits are held with Financial Institutions with a minimum credit rating of AAA.

b) Liquidity and funding risk

The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations. The Group takes liquidity risk into consideration when deciding its sources of funds. The principle liquidity risk facing the business is the risk of going concern which has been discussed in Note 2.

c) Market risk

Interest rate risk

The Company has floating rate financial assets in the form of deposit accounts with major banking institutions; however, it is not currently subjected to any other interest rate risk.

Based on cash balances as above as at the statement of financial position date, a rise in interest rates of 1% would not have a material impact on the profit and loss of the Company and such is not disclosed.

In relation to sensitivity analysis, there was no material difference to disclosures made on financial assets and liabilities.

Foreign currency risk

The Group operates internationally and has monetary assets and liabilities in currencies other than the functional currency of the operating company involved.

The Group seeks to manage its exposure to this risk by ensuring that where possible, the majority of expenditure and cash of individual subsidiaries within the Group are denominated in the same currency as the functional currency of that subsidiary.

The Group has not entered into any derivative instruments to manage foreign exchange fluctuations.

The following table shows a currency of net monetary assets and liabilities by functional currency of the underlying companies:

Currency of net monetary assets/(liabilities)	Functional Currency		Total
	Pound Sterling	US Dollars	
Pound Sterling	£ 1,489,737	-	£ 1,489,737
US Dollars	-	£ 132,003	£ 132,003
Total	£ 1,489,737	£ 132,003	£ 1,621,740

NOTES TO THE FINANCIAL STATEMENT

23. Financial instruments (Continued)

Capital risk management

The Group defines capital as the total equity of the Company. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Fair value of financial assets and liabilities

There are no material differences between the fair value of the Group's financial assets and liabilities and their carrying values in the financial statements.

24. Commitments

Operating lease

The Group has office leasing commitments.

The total of future minimum lease payments under non-cancellable operating leases for each of the following periods:

	Group	
	2017	2016
	£	£
not later than 1 year	8,671	4,286
later than 1 year and not later than 5 years	-	-
not later than 5 years	-	-
Total Operating lease commitments	8,671	4,286

License

Milestone and royalty payments that may become due under the license agreement are dependent on, among other factors, clinical trials, regulatory approvals and ultimately the successful development of a new drug, the outcome and timing of which are uncertain.

The Group's future payments contingent upon meeting certain development, regulatory and commercialisation milestones total to £1,434,000. Upon commencement of commercial production, the Group will pay a royalty between 2 to 5% on all net sales. In addition the Group pays an annual license maintenance fee of up to £55,000 until the commercial sales are achieved.

NOTES TO THE FINANCIAL STATEMENT

25. Ultimate Controlling Party

The Directors have determined that there is no controlling party as no individual shareholder holds a controlling interest in the Company.

26. Subsequent events

On 26 February, 2018 the Company announced:

- The first set of data results showing that developed by Hemogenyx CDX bi-specific antibodies are capable of attacking and eliminating cultured cells of the blood cancer, Acute Myelogenous Leukemia (AML), tested in vitro. This is a significant development in the process needed to develop CDX antibodies to become a universally available conditioning product for patients undergoing bone marrow transplants as a treatment for serious blood diseases.

- Confirmed the filing of a provisional patent application relating to the development of a new type of humanised mice with a chimeric mouse-human blood system. This can be used to advance product development, as well as to model several other diseases and drug discovery applications.

Using these new humanised mice should allow the Company to demonstrate that CDX bi-specific antibodies are effective in the treatment of AML, this time in vivo. Of particular significance is that this new type of humanised mice allows Hemogenyx to extend its work to other disease models and the evaluation of specific drug candidates, which is of interest to large biopharmaceutical companies.

On 13 March, 2018 the Company announced a collaboration with a major US biotechnology company in a deal worth up to approximately \$250,000. The collaboration was facilitated by the filing of the provisional patent application under which the humanized mice can be used for disease modelling and drug development.

On 8 May, 2018 the Company announced a collaboration with The Rockefeller University (“Rockerfeller”) which calls for scientists at Rockerfeller to use Hemogenyx’s new type of humanized mice for autoimmune disease modelling in an effort to develop new treatments for autoimmune diseases, specifically Lupus.

On 14 May, 2018 the Company announced the signing of a development agreement with a leading global pharmaceutical company engaged in the research, development, manufacture and marketing of pharmaceutical products.

Under the Development Agreement (the “Agreement”), Hemogenyx will receive on a cost-free basis technical support, access to advanced methods of discovering, developing and engineering antibodies, and certain intellectual property which is expected to assist the successful preclinical development of the Hemogenyx’s lead candidate bi-specific CDX antibodies which will complement the Company’s own development work currently being undertaken. The Company believes that the Agreement will increase the probability of its success in bringing CDX antibodies to clinical trials and beyond.

27. Copies of the Annual Report

Copies of the annual report will be available on the Company’s website at www.hemogenyx.com and from the Company’s registered office, 5 Fleet Place London EC4M 7RD.



www.hemogenyx.com