

29 April 2022

**Hemogenyx Pharmaceuticals plc**  
("Hemogenyx Pharmaceuticals" or the "Company")

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION FOR THE PURPOSES OF ARTICLE 7 OF REGULATION 2014/596/EU AS IT FORMS PART OF LAW IN THE UNITED KINGDOM BY VIRTUE OF THE EUROPEAN UNION (WITHDRAWAL) ACT 2018. UPON THE PUBLICATION OF THIS ANNOUNCEMENT, THIS INSIDE INFORMATION IS NOW CONSIDERED TO BE IN THE PUBLIC DOMAIN.

**Final Results for the Year Ended 31 December 2021**

Hemogenyx Pharmaceuticals plc (LSE: HEMO), the biopharmaceutical group developing new therapies and treatments for deadly blood diseases, announces its results for the year ended 31 December 2021.

**Key Highlights**

- HEMO-CAR-T - strong progress in moving towards human trials
- CBR viral infection treatment - proof of concept achieved and provisional patent application filed
- CDX bi-specific antibody - patents granted and licensing agreement with Lilly
- Move to new facility to enable more cost-effective work & support of clinical trials post year end
- Operating loss of circa £2.7 million (2020: circa £2.2 million); year end cash over £6.8m
- Repayment and replacement of convertible loan facility

The full annual report and accounts for 2021 are published on the Company's web site at <https://hemogenyx.com> and will be available from Companies House and the National Storage Mechanism.

**Cautionary Note Regarding Forward-Looking Statements**

*Certain statements in this news release contain forward-looking information. These statements address future events and conditions and, as such, involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the statements. Such factors include without limitation the completion of planned expenditures, the ability to complete exploration programs on schedule and the success of exploration programs. Readers are cautioned not to place undue reliance on the forward-looking information, which speak only as of the date of this news release.*

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## **About Hemogenyx Pharmaceuticals plc**

Hemogenyx Pharmaceuticals is a publicly traded company (LSE: HEMO) headquartered in London, with its US operating subsidiaries, Hemogenyx Pharmaceuticals LLC and Immugenyx LLC, located in New York City at its state-of-the-art research facility.

The Company is a pre-clinical stage biopharmaceutical group developing new medicines and treatments to treat blood and autoimmune disease and to bring the curative power of bone marrow transplantation to a greater number of patients suffering from otherwise incurable life-threatening diseases. Hemogenyx Pharmaceuticals is developing several distinct and complementary product candidates, as well as platform technologies that it uses as engines for novel product development.

For more than 50 years, bone marrow transplantation has been used to save the lives of patients suffering from blood diseases. The risks of toxicity and death that are associated with bone marrow transplantation, however, have meant that the procedure is restricted to use only as a last resort. The Company's technology has the potential to enable many more patients suffering from devastating blood diseases such as leukemia and lymphoma, as well as severe autoimmune diseases such as multiple sclerosis, aplastic anemia and systemic lupus erythematosus (Lupus), to benefit from bone marrow transplantation.

## **Chairman's Statement**

We achieved significant progress in our lead projects in 2021, having decided to focus on those developments which we felt promised progression to human trials or other milestones most quickly. Key to this was the work we have done on our CAR-T cell therapy for blood cancers, while we have also taken our CDX antibody project forward following completion of the work carried out by Eli Lilly and Company ("Lilly") and the signing of a licensing agreement with Lilly for intellectual property developed by it. Building on lines of research we had been developing previously, we have also filed a provisional patent application for our Chimeric Bait Receptor ("CBR") platform technology, a novel approach which potentially has the capacity to cure most viral infections, both known and yet to appear, and certain cancers.

As a result of this programme of activity and outstanding scientific work the Company now has a strong roster of assets, and is firmly on the path to taking them to market.

Financially, as the accounts show, our operating loss rose to approximately £2.7 million over the period, up from approximately £2.2 million in 2020. Operating costs remained very low for a biotechnology company developing such cutting-edge assets as ours, but we have made strong progress largely thanks to the quality and effectiveness of our scientific team and the expertise of our consultants.

Overall, however, the Group made a loss of £5,108,310 (2020: £2,095,023 loss) during the period under review. Approximately half this figure arose in connection with the convertible loan facility through which we raised £12 million during the period, which consisted in part of introductory, legal and exchange listing fees, and in part of the discount on the market value of the shares issued upon conversion of the debt to shares; this latter component is a non-cash loss arising for accounting reasons and contributed to the increased reported loss for the year.

The convertible loan facility did not operate as we expected. Consequently, we decided to terminate the facility through a partial repayment and replacement of the facility balance with conventional equity, thanks to the efforts of our brokers. While this has proved to be expensive and our share price has fallen back substantially, conventional sources of finance on this scale were not available at the time and these arrangements have crucially enabled us to raise sufficient funds to take our key projects significantly forward and to bring our lead CAR-T product candidate close to being ready, subject to the work now being carried out, for human trials in the coming months.

I review progress and developments on our lead projects below. I shall refer to our other projects more briefly, with the reasons for the priorities that we have selected.

### **CAR-T cell therapy**

Our chimeric antigen receptor T-cells are developed to be a treatment for relapsed/refractory ("R/R") Acute Myeloid Leukaemia ("AML"), the most common form of leukaemia and one for which there are currently no fully effective treatments. AML has a five-year survival rate of less than 30% in adults and is currently treated using chemotherapy, rather than the potentially more effective form of therapy being developed by Hemogenyx Pharmaceuticals.

Our CAR-T therapy is expected to be a novel form of immunotherapy that programmes a patient's own T-cells to recognise an antigen expressed by cancerous cells and hence destroy these cells. The product we are developing, which we refer to as HEMO-CAR-T, was constructed using our proprietary humanised monoclonal antibody against a target, the FLT3 protein, that is over-expressed in AML cells and can be found on their surface. Testing has demonstrated that HEMO-CAR-T is able to effectively programme human T-cells to identify and destroy human AML-derived cells both *in vitro* (in non-animal studies) and *in vivo* (in animal studies).

We have made strong progress over the past two years in the development of HEMO-CAR-T. The programme has seen very encouraging results to date and promises to represent a major breakthrough in the treatment of AML. The Company is now focusing its greatest efforts on this asset, which remains proprietary and wholly owned by the Company.

In January 2021, we announced that we had entered into a Master Translational Research Services Agreement with the University of Pennsylvania ("Penn") to advance HEMO-CAR-T toward and through clinical trials. The collaboration with Penn, the world's leading experts in CAR-T therapies,

is of vital importance and demonstrates the potential value of our development. The intended outcome of the relationship is clinical proof of concept for HEMO-CAR-T.

In preparation for human trials, the Company engaged Quality Systems LLC ("Quality Systems") to oversee chemistry, manufacturing and controls processes and to assist with the compilation of regulatory filings. Quality Systems is an expert in this field and has taken more than 30 cell and gene-based therapies to Phase I/II of clinical trials.

In December 2021, we engaged leading contract manufacturing organisation WuXi Advanced Therapies ATU ("WuXi ATU") for product development and manufacturing of the DNA plasmids and viral vectors required to manufacture HEMO-CAR-T cells to support Phase I clinical trials. This partnership is key in accelerating the timeline to deliver this innovative therapy to patients in need of a more effective treatment for AML. Work on these precursors for the creation of HEMO-CAR-T is now well advanced.

We are now at an advanced stage of completing our application for Investigational New Drug ("IND") status. Work on manufacturability, quality, safety and other key parts of the development of HEMO-CAR-T has continued and we expect to be in a position scientifically to commence trials once the IND designation has been granted.

### **CDX antibody**

CDX is a bispecific antibody targeting a majority of forms of relapsed/refractory AML, a subset of ALL, and myelodysplastic syndrome; it may also be used in conditioning patients for bone marrow transplants in a more benign way compared to traditional chemotherapy and/or radiotherapy protocols. CDX was the subject of our development collaboration with Lilly which concluded in 2021. The partnership resulted in the selection of a clone of the antibody that is ready for IND-enabling studies, the final step before applying for a licence to conduct clinical trials.

Effective and non-toxic conditioning may extend the use of bone marrow transplantation to older and more frail patients and potentially target additional indications including autoimmune diseases, such as lupus and multiple sclerosis, for which the risk of conventional bone marrow transplantation has been a major road-block.

The potential applications of the CDX antibody have far wider potential than initially anticipated, and we now believe that CDX may be used not only for conditioning for bone marrow transplants but also as a direct treatment, or when used in combination with other existing treatments, for AML and other blood cancers.

In October 2021 we secured an exclusive worldwide licence for all applications to intellectual property developed by Lilly related to the final form of the CDX bispecific antibody. With patent protection now secured (as described below), and following the valuable contributions made by Lilly, we believe that CDX should attract significant interest from financial or strategic partners in taking the asset forward to animal toxicology studies and ultimately clinical trials.

Following the year end, in January, the Company announced a partnership with Selexis SA ("Selexis") to leverage Selexis's SUREtechnology Platform™ of protein expression technologies and modular workflows to advance the Company's CDX bispecific antibody toward human trials. The service agreement will help the Company to reduce the time, effort, and costs associated with developing the cell line for the antibody for the treatment of AML.

## **CBR**

CBR is a novel platform technology that constitutes a new paradigm for treating viral infections and some forms of cancer. The Company has been working on CBR since before the start of the COVID-19 pandemic, leveraging prior discoveries by the Company, and we have made considerable progress over the course of 2021.

The essence of the CBR-based approach is to programme immune cells to destroy pathogens using a novel type of modifiable synthetic receptor. We have ascertained that this approach can also potentially be used to destroy malignant cells causing certain types of cancer, making it a broadly applicable and exciting new class of therapy. Detailed work has been undertaken by our scientists to prove the efficacy and widen the scope of the platform. We have achieved laboratory proof of concept for a CBR construct that eliminates the SARS-CoV-2 virus responsible for COVID-19. The Company is planning to conduct *in vivo* tests of the anti-SARS-CoV-2 CBR construct. Work also continues on a CBR construct for cancer.

Although work to date has been focussed on specific viruses, in particular SARS-CoV-2, the CBR approach is applicable in principle to almost any form of virus. We believe it is likely to be of particular value in combatting emerging or rare forms of viral infection, treating sufferers where effective vaccines or anti-viral drugs have not yet been developed or have failed to be effective. These may include future mutations of the SARS-CoV-2 virus and also new viruses that may cause new pandemics, referred to as "Disease X", which scientists have warned to be highly likely in the coming years.

Major advantages of our CBRs for combatting viral infections are: (1) the use of a bait makes CBRs insensitive to mutations of the targeted virus, preventing the development of resistance; (2) CBRs are made from naturally occurring receptors that are responsible for the function of immune cells and endow the host's own immune system with the ability to destroy invading pathogens; and (3) CBRs are modular synthetic receptors that can be rapidly reconfigured to attack almost any virus, bacteria, or malignant cells.

The Company has said relatively little about its work on CBR to date as it is a potentially broadly applicable and highly valuable new method of creating immunotherapy treatments that is not comparable to any other developments taking place, as far as we are aware. Now that we have achieved proof of concept and a provisional patent application has been filed in relation to CBR we can consider business development options. We believe that the technology should attract interest from a range of potential partners with whom we can now hold more substantive conversations.

## **Other assets**

The Company's portfolio also includes its licence to the Hu-PHEC cell therapy approach that was the subject of CEO and Co-founder Dr Vladislav Sandler's original discovery while working at Cornell University, and its Advanced Hematopoietic Chimera ("AHC") humanised mice that uniquely do not suffer from graft-versus-host disease. These remain potentially valuable assets. Some work continues in the background, including collaborations using our AHC as platforms for disease modelling. Shareholders will be aware that we entered into joint ventures in 2018 to take these projects forward but these were ultimately without result and the convertible loans to

subsidiaries associated with them were repaid during 2021. However, our pragmatic focus has been on our lead assets and on becoming a clinical trial-stage business.

## **Patents**

The Company continued to strengthen the legal protection of its pipeline assets through 2021.

In June 2021, the Company received US patent approval in relation to CDX, covering its method of use for conditioning patients for bone marrow/hematopoietic stem cell transplantation. It also covers a subset of sequences of monoclonal antibodies against target proteins existing on the surface of hematopoietic stem cells/hematopoietic progenitors and/or a number of leukaemias. This patent solidifies the Company's leading position in the development of ground-breaking cancer-related therapies and protects the Company's intellectual property in this key asset.

In August 2021, the Company received US patent approval covering sequences of monoclonal antibodies to the human FLT3/FLK2 receptor protein that is found on the surface of AML cells, hematopoietic (blood forming) stem cells and progenitors, and dendritic cells. These monoclonal antibodies have allowed the Company to develop both the bispecific CDX antibody and HEMO-CAR-T as treatments for AML as well as potential treatments for other types of blood cancers, and CDX as a product for bone marrow transplant conditioning.

The Company has made further patent applications in relation both to HEMO-CAR-T and to the CDX bi-specific antibodies, the latter being a joint application with Lilly.

Following the period covered by these accounts, in March 2022, the Company filed a seminal provisional patent application protecting its intellectual property rights in its CBR platform, as mentioned above.

## **Scientific and business advisers**

The scientific advisory board, which I chair, continues to provide valuable guidance to the Company and its scientists. During 2021 and into 2022 it has been particularly useful in shaping the Company's intended protocol for clinical trials of its CAR-T therapy, leveraging our advisers' extensive experience. The Company has now also bolstered its commercial expertise through the appointment in July 2021 of Dr Alan E. Walts as a business adviser and board observer on an initial 12-month term. Dr Walts is a highly qualified life sciences industry veteran, having served as a senior manager at Genzyme in a career there lasting over 25 years. He is now a Venture Partner with Advent Life Sciences, a position he has held since January 2014, and has positions with several other public, private and charitable life sciences organisations. Dr Walts's input has been instrumental in shaping the Company's strategy for developing its pipeline of assets, and in introducing the Company to several potential partners.

## **New laboratory premises**

The Company recently occupied new premises in the Manhattanville Factory District of New York. The premises, custom built to our requirements, are significantly larger than our original laboratory and include two clean rooms, enabling us to carry out some procedures which we have until now had to outsource to third parties. These will commence with the manufacturing of HEMO-CAR-T cells for clinical trials in-house, a process that alone can save the Company over US\$2 million compared with outsourcing this work. They also open up the possibility of manufacturing cells for other organisations as a potential source of revenue. The new laboratory will enable us

to grow as we proceed to clinical trials and commercialisation of our pipeline products, and has other advantages including proximity to Columbia University and other life sciences institutions. It is gratifying that the Company's highly talented and dedicated scientific team now has the space and quality of facilities that it needs to further its crucial work.

## **Conclusion**

Overall, 2021 was an important year for Hemogenyx Pharmaceuticals in terms of product development and strategic focus, and the present year has continued this positive progress. It remains for me to thank our expert and committed team of scientists and our informed and influential group of scientific and business advisers. We particularly look forward to taking our key CAR-T project toward human trials and to seeking partnerships and other financing arrangements to further the development of our CDX and CBR assets over the rest of 2022.

**Prof Sir Marc Feldmann AC, FRS**

**MB BS, PhD, FRCP, FRCPATH, FAA, F Med Sci**

***Chairman***

29 April 2022

## **Directors' Report for the year ended 31 December 2021**

The Directors present their report with the audited financial statements of the Group for the year ended 31 December 2021.

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 is the discovery, development and commercialisation of a suite of products to address current problems associated with the treatment of blood disorders such as cancers and autoimmune diseases, with viral infections, and with bone marrow, or hematopoietic stem cell, transplants. 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 Pharmaceuticals' distinct and complementary products include immunotherapy product candidates for the treatment of AML and other blood malignancies and patient conditioning - the CDX bi-specific antibody and CAR-T therapy, and a cell therapy product for BM/HSC transplantation - the Hu-PHEC. Each of these products holds the potential to revolutionise the way BM/HSC transplants are being performed or diseases of the blood are treated, offering solutions that mitigate the dangers and limitations associated with the current

standard of care. Additionally, the Group is developing CBR, a novel platform technology potentially capable of programming immune cells to attract and destroy a wide range of viruses and malignant (cancer-causing) cells.

The Group has three companies that are located outside of the UK. The principal laboratory of the Group is located in Manhattan, New York, USA. The Group also had a subsidiary in Liège, Belgium that was dissolved on 30 March 2022.

## Results and Dividends

The Consolidated Statement of Comprehensive Income shows a loss for the year amounting to £5,108,310 (2020: loss of £2,095,023). The Directors do not propose a dividend in respect of the year ended 31 December 2021 (31 December 2020: nil).

## Directors and Directors' Interests

The Directors who held office during the year and up to the date of this report were as follows:

	Date Appointed	Date Resigned
Professor Sir Marc Feldmann	9 April 2018	-
Dr Vladislav Sandler	4 October 2017	-
Alexis Sandler	4 October 2017	-
Peter Redmond	29 July 2015	-

The Directors of the Company who held office at 31 December 2021 had the following beneficial interests in the Ordinary shares of the Company at 31 December 2021 according to the register of directors' interests:

Director	At 31 December 2021	At 31 December 2020
Professor Sir Marc Feldmann	-	-
Peter Redmond*	5,596,270	5,596,270
Dr Vladislav Sandler	41,544,677	41,544,677
Alexis Sandler	75,090,685	75,090,685

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

At the date of this report, there have been no further 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, save for the annual grant of 10,000 ownership units in Immugenyx LLC due to Dr Vladislav Sandler under the terms of his appointment as CEO and Chief



Scientific Officer of that company. Grants of options are as indicated below (see Note 20 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
Professor Sir Marc Feldmann				
9 Apr 2018	18,002,568	-	-	18,002,568
	18,002,568	-	-	18,002,568
Dr Vladislav Sandler				
20 August 2020	5,000,000	-	-	5,000,000
	5,000,000	-	-	5,000,000
Peter Redmond				
13 July 2020	2,200,000	-	-	2,200,000
	2,200,000	-	-	2,200,000

### 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 2021, the total number of issued Ordinary Shares with voting rights in the Company was 979,749,321 (now: 979,749,321). 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 Shares	% of Share Capital
Alexis Sandler	75,090,685	7.66
Vladislav Sandler	41,544,677	4.24

## 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(s).

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 was to ensure that the Company was capable at all times of carrying on its business independently of the Controlling Parties.

The Relationship Agreement provided 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 action which was intended to, or appeared 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 believed that the terms of the Relationship Agreement enabled 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 were 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.

According to the terms of the Relationship Agreement, 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. During the course of 2021, the shareholding of the Controlling Parties fell below 20% and accordingly the Relationship Agreement has now terminated.

## 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 18 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 25 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 Directors' Report.

### **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 Directors' Strategic Report. In addition, Note 25 to the financial statements discloses the Company's capital risk management policy and Note 2 details further considerations made by the Directors in respect of going concern.

The Directors, having made due and careful enquiry, are of the opinion that the Company has access to sufficient funding in order 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 (2020: £nil).

### **Charitable Donations**

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

### **Greenhouse Gas Emissions**

Greenhouse gas emissions, energy consumption and energy efficiency disclosures have not been provided because the Company has consumed less than 40,000 kWh of energy during the period, based on consumption figures derived from utility bills for the Company's premises.

## **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 Group and Company financial statements in accordance with UK-adopted international accounting standards.

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 Group and Company and of the profit or loss of the Group 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 UK-adopted international accounting standards 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 Group and 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.

## Directors' Responsibility Statement Pursuant to Disclosure and Transparency Rules

Each of the Directors confirms that, to the best of their knowledge and belief:

- the group and company financial statements have been prepared in accordance with UK-adopted international accounting standards, and give a true and fair view of the assets, liabilities, financial position and loss of the Group; 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 29 April 2022

**Dr Vladislav Sandler**

**CEO**

## Consolidated Statement of Comprehensive Income

Group - Continuing Operations	Note	Year Ended 31 December 2021	Year Ended 31 December 2020
		£	£
<b>Revenue</b>		-	-
Administrative Expenses	6	(2,576,414)	(2,043,633)
Depreciation Expense	12	(126,340)	(106,753)
<b>Operating Loss</b>		<b>(2,702,754)</b>	(2,150,386)
Other Income	7	171,875	85,237
Finance Income		17,958	3,365
Finance Costs	23	(2,595,389)	(33,239)
<b>Loss before Taxation</b>		<b>(5,108,310)</b>	(2,095,023)

<b>Income tax</b>	10	-	-
<b>Loss for the year</b>		<b>(5,108,310)</b>	<b>(2,095,023)</b>
Loss attributable to:			
- Owners of Hemogenyx Pharmaceuticals plc		<b>(5,099,228)</b>	(2,082,220)
- Non-controlling interests		<b>(9,082)</b>	(12,803)
		<b>(5,108,310)</b>	<b>(2,095,023)</b>
Items that may be reclassified subsequently to profit or loss:			
Translation of foreign operations		<b>(18,025)</b>	(61,119)
Other comprehensive income for the year		<b>(18,025)</b>	(61,119)
<b>Total comprehensive income for the year</b>		<b>(5,126,335)</b>	<b>(2,156,142)</b>
Attributable to:			
Owners of Hemogenyx Pharmaceuticals plc		<b>(5,117,253)</b>	(2,143,339)
Non-controlling interests		<b>(9,082)</b>	(12,803)
<b>Total comprehensive income for the year</b>		<b>(5,126,335)</b>	<b>(2,156,142)</b>
<b>Basic and diluted earnings per share attributable to the equity owners of the Company</b>	11	<b>(0.007)</b>	(0.005)

*The Notes to the Financial Statements form an integral part of these Financial Statements.*

## Consolidated Statement of Financial Position

### Group

	Note	31 December 2021	31 December 2020
<u>Assets</u>		£	£
Non-current assets			
Property and equipment	12	<b>787,887</b>	222,858
Right of use asset	13	<b>9,242</b>	45,885
Security deposits	26	<b>142,599</b>	-
Deferred financing costs	23	-	223,615
Intangible asset	14	<b>441,493</b>	254,955
Total non-current assets		<b>1,381,221</b>	747,313
Current assets			
Trade and other receivables	17	<b>298,220</b>	104,972
Cash and cash equivalents		<b>6,840,969</b>	1,812,299

Total current assets		<b>7,139,189</b>	1,917,271
<b>Total assets</b>		<b>8,520,410</b>	2,664,584
<u>Equity and Liabilities</u>			
Equity attributable to shareholders			
Paid-in Capital			
Called up share capital	18	<b>9,797,493</b>	4,336,363
Share premium	19	<b>16,808,647</b>	9,990,965
Other reserves	20	<b>904,226</b>	764,815
Reverse asset acquisition reserve	4	<b>(6,157,894)</b>	(6,157,894)
Foreign currency translation reserve		<b>(25,921)</b>	(7,896)
Retained Earnings		<b>(13,134,742)</b>	(8,035,514)
Equity attributable to owners of the Company		<b>8,191,809</b>	890,839
Non-controlling interests		<b>(24,240)</b>	(15,158)
Total Equity		<b>8,167,569</b>	875,681
<u>Liabilities</u>			
Non-current liabilities			
Lease liabilities	13	-	10,028
Total non-current liabilities			10,028
Current liabilities			
Trade and other payables	22	<b>342,689</b>	160,771
Borrowings	23	-	1,579,378
Lease liabilities	13	<b>10,152</b>	38,726
Total Current Liabilities		<b>352,841</b>	1,778,875
Total Liabilities		<b>352,841</b>	1,788,903
<b>Total equity and liabilities</b>		<b>8,520,410</b>	2,664,584

*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 29 April 2022 and signed on its behalf by Dr Vladislav Sandler, CEO.

## Company Statement of Financial Position

## Company

	Note	31 December 2021	31 December 2020
		£	£
<u>Assets</u>			
Non-current assets			
Loan to subsidiaries	15	<b>13,214,507</b>	2,766,051
Deferred financing costs	23	-	213,472
Investment in subsidiary	16	<b>8,000,000</b>	8,000,000
Total non-current assets		<b>21,214,507</b>	10,979,523
Current assets			
Trade and other receivables	17	<b>15,478</b>	61,448
Cash and cash equivalents		<b>111,245</b>	1,036,214
Total current assets		<b>126,723</b>	1,097,662
<b>Total assets</b>		<b>21,341,230</b>	12,077,185
<u>Equity and Liabilities</u>			
Equity attributable to shareholders			
Paid-in Capital			
Called up share capital	18	<b>9,797,493</b>	4,336,363
Share premium	19	<b>16,808,647</b>	9,990,965
Other reserves	20	<b>903,122</b>	749,767
Retained Earnings		<b>(6,302,461)</b>	(3,136,290)
Total Equity		<b>21,206,801</b>	11,940,805
<u>Liabilities</u>			
Current liabilities			
Trade and other payables	22	<b>134,429</b>	136,380
Total Current Liabilities		<b>134,429</b>	136,380
Total Liabilities		<b>134,429</b>	136,380
<b>Total equity and liabilities</b>		<b>21,341,230</b>	12,077,185

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 2021 was £3,166,171 (2020: £930,475).

*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 29 April 2022 and signed on its behalf by Dr Vladislav Sandler, CEO.

## Consolidated Statement of Changes in Equity

### Group

	Called up Share Capital	Share Premium	Other reserves	Reverse acquisition reserve	Foreign currency translation reserve	Retained earnings	Non- Controlling interests	Total Equity
	£	£	£	£	£	£	£	£
As at 31 December 2019	3,612,429	7,699,789	399,229	(6,157,894)	53,223	(5,953,294)	(2,517)	(349,035)
Loss in year	-	-	-	-	-	(2,082,220)	(12,803)	(2,095,023)
Other Comprehensive Income	-	-	-	-	(61,119)	-	-	(61,119)
Total comprehensive income for the year	-	-	-	-	(61,119)	(2,082,220)	(12,803)	(2,156,142)
Issue of shares, net	717,254	2,262,786	-	-	-	-	-	2,980,040
Exercise of warrants	6,680	28,390	-	-	-	-	-	35,070
Embedded derivative on convertible note	-	-	2,482	-	-	-	-	2,482
Issue of options	-	-	363,104	-	-	-	-	363,104
Purchase of subsidiary shares	-	-	-	-	-	-	162	162
As at 31 December 2020	4,336,363	9,990,965	764,815	(6,157,894)	(7,896)	(8,035,514)	(15,158)	875,681
Loss in year	-	-	-	-	-	(5,099,228)	(9,082)	(5,108,310)
Other Comprehensive Income	-	-	-	-	(18,025)	-	-	(18,025)

Total comprehensive income for the year	-	-	-	-	(18,025)	(5,099,228)	(9,082)	(5,126,335)
Conversion of debt to equity	5,373,710	5,026,290	-	-	-	-	-	10,400,000
Shares issued to arrangers of debt facility	77,420	522,580	-	-	-	-	-	600,000
Shares issued to consultant	10,000	56,337	-	-	-	-	-	66,337
Charge recognised upon conversion of debt	-	1,212,475	-	-	-	-	-	1,212,475
Issue of options	-	-	153,355	-	-	-	-	153,355
Adjustment to Embedded derivative on convertible note	-	-	(13,944)	-	-	-	-	(13,944)
As at 31 December 2021	9,797,493	16,808,647	904,226	(6,157,894)	(25,921)	(13,134,742)	(24,240)	8,167,569

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

## Company Statement of Changes in Equity

### Company

	Called up Share Capital £	Share Premium £	Other reserves £	Retained earnings £	Total Equity £
As at 31 December 2019	3,612,429	7,699,789	386,663	(2,205,815)	9,493,066
Loss in year	-	-	-	(930,475)	(930,475)
Other Comprehensive Income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(930,475)	(930,475)
Issue of shares	717,254	2,262,786	-	-	2,980,040
Exercise of warrants	6,680	28,390	-	-	35,070
Issue of options	-	-	363,104	-	363,104

<b>As at 31 December 2020</b>	<b>4,336,363</b>	<b>9,990,965</b>	<b>749,767</b>	<b>(3,136,290)</b>	<b>11,940,805</b>
<b>Loss in year</b>	-	-	-	<b>(3,166,171)</b>	<b>(3,166,171)</b>
<b>Other Comprehensive Income</b>	-	-	-	-	-
<b>Total comprehensive income for the year</b>	-	-	-	<b>(3,166,171)</b>	<b>(3,166,171)</b>
<b>Conversion of debt to equity</b>	<b>5,373,710</b>	<b>5,026,290</b>	-	-	<b>10,400,000</b>
<b>Shares issued to arrangers of debt facility</b>	<b>77,420</b>	<b>522,580</b>	-	-	<b>600,000</b>
<b>Shares issued to consultant</b>	<b>10,000</b>	<b>56,337</b>	-	-	<b>66,337</b>
<b>Charge recognised upon conversion of debt</b>	-	<b>1,212,475</b>	-	-	<b>1,212,475</b>
<b>Issue of options</b>	-	-	<b>153,355</b>	-	<b>153,355</b>
<b>As at 31 December 2021</b>	<b>9,797,493</b>	<b>16,808,647</b>	<b>903,122</b>	<b>(6,302,461)</b>	<b>21,206,801</b>

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

## Consolidated Statement of Cash Flows

<b>Group</b>	<b>Note</b>	<b>Year Ended 31 December 2021</b>	<b>Year Ended 31 December 2020</b>
		<b>£</b>	<b>£</b>
<u>Cash flows generated from operating activities</u>			
Loss before income tax		<b>(5,108,310)</b>	(2,095,023)
Depreciation	12,13	<b>126,340</b>	106,753
Other non-cash items		<b>77</b>	172
Interest income		<b>(17,958)</b>	(3,365)
Interest expense		<b>923,361</b>	33,239
Beneficial conversion charge related to convertible debt	23	<b>1,212,475</b>	-
Share based payments	20	<b>153,355</b>	363,104
Foreign exchange gain		<b>(18,025)</b>	(146,772)
Increase/(decrease) in trade and other payables		<b>298,070</b>	(35,738)
Increase in trade and other receivables		<b>(196,683)</b>	(21,397)
Prepaid and deposits		-	623

<b>Net cash outflow used in operating activities</b>		<b>(2,627,298)</b>	(1,798,404)
		<hr/>	
<u>Cash flows generated from financing activities</u>			
Proceeds from issuance of debt and equity securities	23	<b>12,000,000</b>	3,148,200
Proceeds from exercise of warrants		-	35,070
Proceeds from borrowings	23	-	461,776
Share issue costs		-	(168,160)
Repayment of loans and borrowings	23	<b>(3,183,281)</b>	-
Deferred financing costs	23	-	(223,615)
Payment of lease liabilities	13	<b>(39,079)</b>	(41,249)
		<hr/>	
<b>Net cash flow generated from financing activities</b>		<b>8,777,640</b>	3,212,022
		<hr/>	
<u>Cash flows generated from investing activities</u>			
Interest income		<b>17,958</b>	3,365
Payment of security deposit for lease		<b>(138,913)</b>	-
Payment for intangible assets	14	<b>(181,743)</b>	-
Purchase of property & equipment	12	<b>(636,255)</b>	(173,047)
		<hr/>	
<b>Net cash flow generated from investing activities</b>		<b>(938,953)</b>	(169,682)
		<hr/>	
Net increase in cash and cash equivalents		<b>5,211,389</b>	1,243,936
Effect of exchange rates on cash		<b>(182,719)</b>	69,684
Cash and cash equivalents at the beginning of the period		<b>1,812,299</b>	498,679
Cash and cash equivalents at the end of the period		<b>6,840,969</b>	1,812,299
		<hr/>	

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

## Company Statement of Cash Flows

Company	Note	Year Ended 31	Year Ended 31
		December 2021	December
			2020
		£	£

Cash flows generated from operating activities

Loss before income tax		(3,166,171)	(930,475)
Foreign exchange (loss) gain		(184,759)	26,508
Interest expense		883,692	
Beneficial conversion charge related to convertible debt	23	1,212,475	
Share based payments	20	153,355	363,104
(Decrease) in trade and other payables		-	(13,153)
Decrease/(increase) in trade and other receivables		45,970	(4,194)
Adjustments to net loss for cash items		(5,821)	-
<b>Net cash outflow used in operating activities</b>		<b>(1,061,259)</b>	<b>(558,210)</b>
<u>Cash flows generated from financing activities</u>			
Proceeds from issuance of debt and equity securities	23	12,000,000	3,148,200
Proceeds from exercise of warrants		-	35,070
Share issue costs		-	(168,160)
Repayment of loans and borrowings	23	(1,600,000)	-
Deferred financing costs		-	(213,472)
<b>Net cash flow generated from financing activities</b>		<b>10,400,000</b>	<b>2,801,638</b>
<u>Cash flows generated from investing activities</u>			
Loan to related parties		(10,263,778)	(1,221,678)
<b>Net cash flow generated from investing activities</b>		<b>(10,263,778)</b>	<b>(1,221,678)</b>
Net (decrease)/increase in cash and cash equivalents		(925,037)	1,021,750
Effect of exchange rates on cash		68	(41)
Cash and cash equivalents at the beginning of the period		1,036,214	14,505
Cash and cash equivalents at the end of the period		111,245	1,036,214

*The Notes to the Financial Statements form an integral part of these Financial Statements.*

## **Notes to the Financial Statements**

### **1. General information**

The Group's business is preclinical-stage biotechnology focused on the discovery, development and commercialisation 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, autoimmune disease, and viral infections. 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 it 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 UK-adopted international accounting standards and with requirements of 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 Pharmaceuticals plc and its subsidiaries as at 31 December 2021. 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. Hemogenyx Pharmaceuticals plc owns the majority of the shareholdings and has operational control over all its subsidiaries. Please refer to note 4 for information on the consolidation of Hemogenyx Pharmaceuticals LLC.

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 2021 was £3,166,171 (2020: £930,475).

## 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.

### (ii) Clinical trial expenses

Clinical trial-related expenses are a component of the Company's research and development costs. These expenses include fees paid to contract research organisations, clinical sites, and other organisations who conduct development activities on the Company's behalf. The amount of clinical trial expenses recognised in the period related to clinical agreements is 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.

#### *Property and equipment*

All property and equipment are 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. Right of Use assets 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.

The following rates are used:



Computer equipment	33%	Straight-line
Leasehold improvements	12.5%	Straight-line
Property & equipment	20% - 50%	Straight-line

#### 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 given particular thought to the impact on the Group that may result from COVID-19 and any other potential pandemics that may arise. The Group's New York operations were classed as an essential business and were not subject to closure during lockdown periods, and so work continued with prudent hygiene and distancing measures in place including limited work in the laboratory on rota and work from home. The Group allowed for extended delivery times for some supplies, and for slower progress with collaboration partners. The Board and UK management continued to operate remotely, as usual. At the present time work has returned to normal, and the Group believes that there should be no material disruption to its work in the event of further pandemic-related restrictions. The Board continues to monitor these risks and the Group's business continuity plans.

The Company raised £12,000,000 before expenses through convertible debt placings during the period, all of which was converted to equity except for £1,600,000 which was repaid. The Group had cash and cash equivalents totalling £6,840,969 as at 31 December 2021.

The Directors, having made due and careful enquiry, are of the opinion that the Group and Company have or will have access to sufficient funding in order 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 Group and 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.

Notwithstanding the Group's cash balance, should the Group elect to raise additional capital within the next year, it cannot be certain that such additional funding will be available on acceptable terms, or at all. To the extent that the Company raises additional funds by issuing equity securities, the Company's stockholders may experience dilution. Any debt financing, if available, may involve restrictive covenants. If the Company is unable to raise additional capital when required or on acceptable terms, it may have to (i) significantly delay, scale back or discontinue the development and/or commercialisation of one or more product candidates; (ii) seek collaborators for product candidates at an earlier stage than otherwise would be desirable and on terms that are less favourable than might otherwise be available; or (iii) relinquish or otherwise dispose of rights to technologies, product candidates or products that it would otherwise seek to develop or commercialise on unfavourable terms.

#### Trade and other receivables and payables

Trade and other receivables are amounts due from customers for 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.

#### 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 financial statements of Hemogenyx Pharmaceuticals LLC, Immugenyx LLC and Hemogenyx-Cell SPRL have been translated in to Pounds 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 Pharmaceuticals LLC, Immugenyx LLC and Hemogenyx-Cell SPRL are recognised 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.

#### Share capital

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

#### Cash

Cash consists of cash bank deposit balances.

#### Deferred financing costs

Deferred financing costs at 31 December 2020 represent direct expenditures made by the Company for the financing transaction completed in January 2021. These costs were offset against the proceeds received in 2021 from the financing transactions.

## Share-based payments

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

The Group issues equity-settled share-based payments to the directors, senior management and employees ("Employee Share Options"), to corporate finance advisers for assistance in raising private equity, and to its Scientific Advisory Board members ("Non-employee Share Options"). In 2021, the Group adopted the "Hemogenyx Pharmaceuticals plc 2021 Equity Incentive Plan with Non-Employee Sub-Plan" (the "EIP") for the grant of options, restricted shares, and restricted share units to employees, directors and consultants of the Company and its subsidiaries over ordinary shares in the capital of the Company, to be put to the Company's shareholders for approval at the 2022 AGM. 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.

## Taxation

### *Current tax*

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 enforceable 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.

#### Financial Assets and Liabilities

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.

### Impairment of Financial Assets

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

### Interest Bearing Loans and Borrowings

Borrowings are initially recognised at the fair value of consideration received less directly attributable transaction costs. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest rate method. Where borrowings are provided by shareholders at an interest rate discounted to market rates, the difference on initial fair value is taken to equity as a capital contribution.

Where the Group has entered into a hybrid instrument whereby there is a debt instrument and an embedded derivative financial liability, the fair value of the debt instrument less the fair value of the derivative financial liability is equal to loan recognised on initial measurement.

### IFRS 15, Revenue from Contracts with Customers

The Company follows IFRS 15, which establishes principles for reporting useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard establishes a five-step principle-based approach for revenue recognition and is based on the concept of recognising an amount that reflects the consideration for performance obligations only when they are satisfied, and the control of goods or services is transferred.

The majority of the Group's revenue is derived from fees related to collaboration agreements.

Management reviewed contracts where the Group received consideration in order to determine whether or not they should be accounted for in accordance with IFRS 15. To date, Hemogenyx Pharmaceuticals has entered into few transactions that meet the scope of IFRS 15. Instead, most income has been generated through collaboration agreements and grants with counterparties that do not meet the definition of a customer, and therefore the contracts fall outside the scope of IFRS 15 and have been accounted for in accordance with IAS 20.

Income is recognised at either a point-in-time or over time, depending on the nature of the services and existence of acceptance clauses.

### IFRS 16, Leases

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 right-of-use asset and lease liability are both based on the present value of lease payments due over the term of the lease, with the asset being depreciated in accordance with IAS 16 *Property, Plant and Equipment* and the liability increased for the accretion of interest and reduced by lease payments.

#### Segmental reporting

The Group's operations are located in New York, USA and in Liège, Belgium (prior to the dissolution of Hemogenyx-Cell SPRL in 2022) with the head office located in the United Kingdom. The main assets of the Group, cash and cash equivalents, are held in the United Kingdom, Belgium and the United States. The Board ensures that adequate amounts are transferred internally to allow all companies to carry out their operations on a timely basis.

The Group currently has one reportable segment - a biotechnology company focused on the discovery, development and commercialisation of innovative treatments relating to blood and immune system disorders and viral infections.

#### New Accounting Standards and Interpretations issued and applied in the Financial Statements

Amendments to References to the Conceptual Framework in IFRS Standards: included are revised definitions of an asset and a liability as well as new guidance on measurement and derecognition, presentation and disclosure.

The Group has applied the following amendments for the first time for the annual reporting period commencing 1 January 2021:

Interest Rate Benchmark Reform - Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 became effective from January 1, 2021. These amendments address issues that might affect financial reporting when an existing interest rate benchmark (i.e. Interbank offered rate - IBOR) is replaced with an alternative benchmark interest rate. The effects of interest rate benchmark reform on the Group and Company's financial instruments and risk management strategies did not have a material impact on the Group's consolidated financial statements and are not expected to have a significant impact in future periods.

On March 31, 2021, the IASB issued *COVID-19-Related Rent Concessions beyond June 30, 2021*, an amendment to IFRS 16 effective from August 31, 2021 onwards. The amendment enables lessees, subject to certain conditions, to opt out of the requirement to determine whether a COVID-19-related rent concession is a lease modification. Application of this amendment had no material impact on the Group and Company.

Adoption of the above standards did not have a material impact on the consolidated financial statements.

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

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 Group and Company intend to adopt these standards, if applicable, when they become effective. These are summarised below:

*Annual Improvements to IFRS Standards 2018-2020*: The pronouncement contains amendments to four International Financial Reporting Standards (IFRSs) as result of the IASB's annual improvements project:

- IFRS 1 *First-time Adoption of International Financial Reporting Standards*: subsidiary as a first-time adopter - The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.
- IFRS 9 *Financial Instruments* - fees in the '10 per cent' test for derecognition of financial liabilities - The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.
- IFRS 16 *Leases* - Lease incentives - the amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example. Issued 14 May 2020, applicable for annual periods beginning on or after 1 January 2022 with early application permitted in respect of IFRS 1, IFRS 9, and IAS 41. The amendment to IFRS 16 only regards an illustrative example, so



no effective date is stated. All subject to EU endorsement.

- IAS 41 - This amendment removes the requirement for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

On 12 February 2021 the IASB issued an amendment to IAS 1 concerning accounting policy disclosures, and an amendment to IAS 8 concerning the definition of accounting estimates. On 7 May 2021 the IASB issued an amendment to IAS 12 concerning deferred tax related to assets and liabilities arising from a single transaction. The Company does not expect any material impact from the application of these two amendments, which are effective for annual reporting periods beginning on or after 1 January 2023. The Company will not early adopt these amendments.

On 23 January 2020 the IASB issued *Classification of Liabilities as Current or Non-current*, an amendment to IAS 1. On 14 May 2020 the IASB issued *Reference to the Conceptual Framework*, an amendment to IFRS 3; *Proceeds before Intended Use*, an amendment to IAS 16; *Onerous Contracts - Cost of Fulfilling a Contract*, an amendment to IAS 37; and *Annual Improvements to IFRS standards 2018-2020*. The Company does not expect a material impact from those amendments, which are effective for annual reporting periods beginning on or after 1 January 2022.

The Group has not early adopted any of the above standards and the directors are assessing the impact on future financial statements. There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group or Company.

### **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:

Convertible debt

The accounting treatment of the shares issued to Arrangers and Introducers of the debt financing requires the Group to consider the purpose of the issuance of such shares, and whether they directly relate to the procurement of the debt facility. Shares issued to such Arrangers and Introducers were a condition of, and therefore judged to be directly related to, the procurement of the debt facility and were accordingly capitalised. Shares not issued in relation to the debt financing were not capitalised and were treated as an administrative expense. The fair value of the shares issued was based upon the quoted price of the Company's ordinary shares at the date of issuance. The fair value of the shares issued upon conversion of the debt to ordinary shares was based upon the quoted price of our ordinary shares at the date of conversion. The difference between such fair value and the amount of the debt converted plus related accrued interest is considered a debt discount and is recognised as a non-cash finance charge to the consolidated statement of comprehensive income. See Note 23 for details.

#### Fair value disclosure

The embedded derivative elements of the convertible notes were measured using a risk-based pricing model. The computed fair value was not significant in 2021 and 2020. No convertible notes remained outstanding at 31 December 2021.

#### 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, expected term and a calculation of the value of the option at the time of the grant. The assumptions are based upon current trends and market factors. Please see Note 20 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 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. Any changes in key assumptions could materially affect whether an impairment exists. See Note 14 for further details.

### **4. Reverse acquisition and LSE listing**

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

exchange. In substance, the shareholders of Hemogenyx Pharmaceuticals LLC acquired a controlling interest in the Company and the transaction has therefore been accounted for as a reverse acquisition. Following the completion of the transaction the Company changed its name to Hemogenyx Pharmaceuticals plc.

The reverse acquisition reserve that arose from the reverse takeover is £6,157,894 at 31 December 2021 and 2020 and is made up of the following:

	<b>Components</b>
	<b>£</b>
Pre-acquisition losses of Hemogenyx Pharmaceuticals plc <sup>1</sup>	(799,763)
Hemogenyx Pharmaceuticals LLC issued capital at acquisition <sup>2</sup>	1,010,849
Investment in Hemogenyx Pharmaceuticals LLC <sup>3</sup>	(8,000,000)
Reverse acquisition expense <sup>4</sup>	1,631,020
	<hr/>
<b>As at 31 December 2021 and 2020</b>	<b>(6,157,894)</b>

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 Pharmaceuticals 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 Pharmaceuticals LLC has been recorded in this reserve.
- (3) The Company issued 228,571,428 shares at £0.035 each, totalling £8,000,000 for the entire issued capital of Hemogenyx Pharmaceuticals LLC. The above entry is required to eliminate the balance sheet impact of this transaction.
- (4) The entry above represents the difference between the value of the equity issued by the Company, and the deemed consideration given by Hemogenyx Pharmaceuticals LLC to acquire the Company.

## 5. Segment Information

The Group has one reportable segment, the discovery, development and commercialisation of innovative treatments relating to blood and immune system disorders and viral infections, and administrative functions in the United Kingdom, and therefore the segmental information is the same as that presented in the primary statements.

The following tables present expenditure and certain asset information regarding the Group's geographical segments for the year ended 31 December 2021 and 2020:

	<b>Year Ended 31 December 2021</b>	<b>Year Ended 31 December 2020</b>
	<b>£</b>	<b>£</b>
<hr/>		
SEGMENT ASSETS		
United Kingdom		
- Non-current	-	213,472
- Current	<b>126,723</b>	1,097,662
United States		
- Non-current	<b>1,381,221</b>	533,841
- Current	<b>6,992,630</b>	798,515
Belgium		
- Non-current	-	-
- Current	<b>19,834</b>	21,094
Total		
- Non-current	<b>1,381,221</b>	747,313
- Current	<b>7,139,187</b>	1,917,271
 CAPITAL EXPENDITURE		
United Kingdom	-	-
United States	<b>636,255</b>	173,047
Belgium	-	-
	<b>636,255</b>	173,047
<hr/>		

Capital expenditure consists of the purchase of property and equipment.

## 6. Expenses by nature

<b>Group</b>	<b>Group</b>
<b>Year Ended 31 December 2021</b>	<b>Year Ended 31 December 2020</b>

	£	£
Laboratory expenses	37,583	83,662
Consumable equipment and supplies	283,647	267,057
Contractors & consultants	468,505	(1,459)
Travel	10,603	4,218
Staff Costs	1,023,783	1,130,764
Insurance	56,363	39,303
Other	285,844	80,187
Legal and professional fees	537,954	505,812
Foreign exchange loss/(gain)	(127,868)	(65,910)
Total Administrative Expenses	2,576,414	2,043,633

## 7. Other income

Other income during the period ended 31 December 2021 totals £171,875 (2020: £85,537) comprising £71,932 arising from the forgiveness of a US governmental loan programme (the Payroll Protection Program) in 2021 and £99,943 received from a third party under a research collaboration programme relating to humanised mice.

## 8. Employees

	Group Year Ended 31 December 2021	Group Year Ended 31 December 2020	Company Year Ended 31 December 2021	Company Year Ended 31 December 2020
	£	£	£	£
Wages and salaries	810,851	713,790	115,000	208,750
Social security	41,377	37,732	1,408	2,506
Share based Payments	153,356	363,104	137,390	363,104
Pension contributions	18,199	16,138	-	250
	1,023,783	1,130,764	253,798	574,610

Average number of people (including Executive Directors) employed:

	<b>Group</b>	<b>Group</b>	<b>Company</b>	<b>Company</b>
	<b>Year Ended 31 December 2021</b>	<b>Year Ended 31 December 2020</b>	<b>Year Ended 31 December 2021</b>	<b>Year Ended 31 December 2020</b>
Research & development	7	5	-	-
Administration	3	3	2	2
	10	8	2	2

## 9. Auditor's remuneration

	<b>Group Year Ended 31 December 2021</b>	<b>Group Year Ended 31 December 2020</b>
	<b>£</b>	<b>£</b>
Fees payable to the Company auditor:		
Audit of the financial statements of the Group and Company	45,000	45,090
Other services	3,500	-
	48,500	45,090

## 10. Income tax

	<b>Group Year Ended 31 December 2021</b>	<b>Group Year Ended 31 December 2020</b>
	<b>£</b>	<b>£</b>
Current Tax:		
Tax on loss on ordinary activities	-	-
<b>Loss on ordinary activities before tax</b>	<b>(5,108,310)</b>	<b>(2,095,023)</b>

**Analysis of charge in the year:**

Loss on ordinary activities multiplied by weighted average tax rate for the group of 22.40% (2020: 23.10%)	(1,145,371)	(483,950)
Disallowed items	81,735	116
US R&D credit and timing differences	(136,371)	68,990
Tax losses carried forward	(1,200,007)	(414,844)
Current tax credit	-	-

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 2021 are 19%, 28% and 28% in the UK, the USA and Belgium respectively.

The Group has accumulated tax losses arising in the UK of approximately £4,450,000 (2020: £1,447,000) 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 approximately US\$6,700,000 available under current rules until 2037. No deferred tax asset has been recognised against these losses.

Sections 382 and 383 of the US Internal Revenue Code, and similar state regulations, contain provisions that may limit the tax loss carried forward available to be used to offset income in any given year upon the occurrence of certain events, including changes in the ownership interests of significant stockholders. In the event of a cumulative change in ownership in excess of 50% over a three-year period, the amount of the NOL carry forwards that the Company may utilise in any one year may be limited.

## 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 attributable to equity owners of the Group of £(5,099,228) (2020: £(2,082,220)) by the weighted average number of ordinary shares in issue during the year of 773,952,166 (2020: 414,833,093).

Dilutive loss per Ordinary Share equals basic loss per Ordinary Share as, due to the losses incurred in 2021 and 2020, there is no dilutive effect from the subsisting share options. See Note 20 for details of stock options and warrants outstanding.

## 12. Property and equipment

Group	Property & equipment	Computer equipment	Leasehold Improvements	Total
	£	£	£	£
<b>Cost</b>				

<b>31 December 2019</b>	<b>270,114</b>	<b>5,379</b>	<b>-</b>	<b>275,493</b>
Additions	167,007	6,040	-	173,047
Foreign exchange movement	(12,013)	(462)	-	(12,475)
<b>31 December 2020</b>	<b>425,108</b>	<b>10,957</b>	<b>-</b>	<b>436,065</b>
Additions	-	8,508	627,747	636,255
Foreign exchange movement	5,063	263	16,408	21,734
<b>31 December 2021</b>	<b>430,171</b>	<b>19,728</b>	<b>644,155</b>	<b>1,094,054</b>

#### Accumulated depreciation and impairment losses

<b>31 December 2019</b>	<b>150,336</b>	<b>1,235</b>	<b>-</b>	<b>151,571</b>
Depreciation	67,499	2,360	-	69,859
Foreign exchange movement	(8,052)	(171)	-	(8,223)
<b>31 December 2020</b>	<b>209,783</b>	<b>3,424</b>	<b>-</b>	<b>213,207</b>
Depreciation	84,645	5,322	-	89,967
Foreign exchange movement	2,881	112	-	2,993
<b>31 December 2021</b>	<b>297,309</b>	<b>8,858</b>	<b>-</b>	<b>306,167</b>

#### Carrying amounts

<b>31 December 2019</b>	<b>119,778</b>	<b>4,144</b>	<b>-</b>	<b>123,922</b>
<b>31 December 2020</b>	<b>215,325</b>	<b>7,533</b>	<b>-</b>	<b>222,858</b>
<b>31 December 2021</b>	<b>132,862</b>	<b>10,870</b>	<b>644,155</b>	<b>787,887</b>

### 13. Leases

The Group follows IFRS 16 with respect to its leases, whereby the Group recognises right-of-use assets and lease liabilities for all leases on its balance sheet. Each of the two US subsidiaries has an agreement for the lease of laboratory facilities to which IFRS 16 has been applied.

The key impacts on the Statement of Comprehensive Income and the Statement of Financial Position are as follows:

#### Group & Company



	Right of use asset £	Lease liability £	Income statement £
<b>Carrying value at 31 December 2019</b>	<b>109,442</b>	<b>(113,088)</b>	<b>(44,808)</b>
Depreciation	(36,894)	-	(36,894)
Revaluation	(23,777)	32,031	-
Interest	-	(3,637)	(3,637)
Lease payments	-	39,431	-
Foreign exchange movements	(2,886)	(3,491)	-
<b>Carrying value at 31 December 2020</b>	<b>45,885</b>	<b>(48,754)</b>	<b>(40,531)</b>
Depreciation	(36,373)	-	(36,373)
Interest	-	(1,560)	(1,560)
Lease payments	-	39,079	-
Foreign exchange movements	(270)	1,083	-
<b>Carrying value at 31 December 2021</b>	<b>9,242</b>	<b>(10,152)</b>	<b>(37,932)</b>

#### 14. 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 USD \$347,500 for such licence rights.

In October 2021, the Company entered into a licence with Eli Lilly and Company to use a patented product relating to the CDX antibody for a term ending on the latest of (a) the twelfth (12th) anniversary of the date of First Commercial Sale of a particular Licensed Product in a particular country; (b) the first day on which there is not at least one Licensed Patent having a Valid Claim Covering the manufacture, use, or sale of such Licensed Product in such country; or (c) the expiration of the last-to-expire Data Exclusivity Period for such Licensed Product in such country. The Company paid £181,743 GBP or \$250,000 USD as an up-front payment and will make milestone payments of up to \$1 million through to

Phase II clinical trials. Lilly is also eligible to receive substantial additional milestone payments based on the achievement of prespecified milestones, as well as tiered single-digit royalties on sales and a percentage of any cash payments received in respect of any sublicense of the licensed intellectual property. Through 31 December 2021, the Company has not incurred any development or sales-based payment obligations to the licensor.

Cost	Intellectual Property £
<b>31 December 2019</b>	<b>262,050</b>
Exchange movements	(7,095)
<b>31 December 2020</b>	<b>254,955</b>
Additions	181,743
Exchange movements	4,795
<b>31 December 2021</b>	<b>441,493</b>

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 towards 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.

## 15. Loan to subsidiary

	Company 31 December 2021 £	Company 31 December 2020 £
Loan to Hemogenyx Pharmaceuticals LLC	13,213,951	2,765,500
Loan to Immugenyx LLC	556	551
	13,214,507	2,766,051

Hemogenyx Pharmaceuticals plc has made cumulative loans to Hemogenyx Pharmaceuticals LLC of US\$17,883,274 (£13,213,951) as at 31 December 2021 (Dec 2020: (US\$3,769,332 (£2,765,500))) and Immugenyx LLC of US\$17,883,274 (£13,213,951) as at 31 December 2021 (Dec 2020: (US\$752 (£551))). The loans are 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 2021 and has determined that that there was no impairment required. The interest rate and impairment assessment are reviewed on an annual basis.

## 16. Investment in subsidiary

Name	Address of the registered office	Nature of business	Proportion of ordinary shares held directly by parent (%)	Proportion of ordinary shares held ultimately by parent (%)
Hemogenyx UK Limited	5 Fleet Place, London, UK EC4M 7RD	Holding Company	100	-
Hemogenyx Pharmaceuticals LLC	9 East Lookerman Street, Suite 3A, Dover, Kent, Delaware, USA, 19901	Biomedical sciences	-	100
Immugenyx LLC	c/o Corporation Service Company 251 Little Falls Drive, Wilmington, Delaware, USA, 19808	Biomedical sciences	-	93.9
Hemogenyx-Cell SPRL (dissolved in 2022)	Avenue du Parc Industriel 89, 4041 Milmort, Belgique	Biomedical sciences	-	100

The remaining shares in Immugenyx LLC are held by Dr Vladislav Sandler and by a prior employee, Carina Sirochinsky, as part of their compensation under their respective roles as CEO and Director of Operations. Ms Sirochinsky's role as Director of Operations ended on the termination of her employment on 1 July 2021. Dr Sandler and Ms Sirochinsky receive(d) 10,000 and 1,000 shares respectively for each year of employment from January 2019. At 31 December 2021, Hemogenyx Pharmaceuticals LLC, Dr Sandler and Ms Sirochinsky each owns 500,000, 30,000 and 2,500 shares in Immugenyx LLC, respectively.

## 17. Trade and other receivables

Group	Group	Company	Company
-------	-------	---------	---------

	31 December 2021	31 December 2020	31 December 2021	31 December 2020
	£	£	£	£
VAT receivable	6,127	50,971	6,127	50,971
Trade and other receivables	1,386	5,297	-	-
Prepayments	290,707	48,704	9,351	10,477
Total trade and other receivables	298,220	104,972	15,478	61,448

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.

## 18. Called up share capital

Group & Company	Number of shares	£
<b>As at 31 December 2019</b>	<b>361,242,853</b>	<b>3,612,429</b>
Issue of shares - placement	71,725,402	717,254
Issue of shares - warrant exercise	668,000	6,680
<b>As at 31 December 2020</b>	<b>433,636,255</b>	<b>4,336,363</b>
Conversion of debt to issue of shares - placement 25 Feb 2021	13,131,313	131,313
Conversion of debt to issue of shares - placement 26 Mar 2021	14,285,714	142,857
Conversion of debt to issue of shares - placement 16 Apr 2021	24,547,803	245,478
Conversion of debt to issue of shares - placement 26 Apr 2021	29,850,746	298,508
Conversion of debt to issue of shares - placement 5 May 2021	22,222,222	222,222
Conversion of debt to issue of shares - placement 18 May 2021	433,333,333	4,333,333
Shares issued as arrangement fees for debt issuance	7,741,935	77,419
Shares issued to consultant	1,000,000	10,000
<b>As at 31 December 2021</b>	<b>979,749,321</b>	<b>9,797,493</b>

During 2020, the Company raised £648,200 before expenses through a placing and subscription of 36,011,116 ordinary shares at a price of 1.8p per share. The Company also raised £2,500,000 before expenses through a placing and subscription of 35,714,286 ordinary shares at a price of 7p per share. The Company received £35,070 from the exercise of 668,000 warrants at an exercise price of 5.25p per share.

During 2021, the Company issued 546,113,066 ordinary shares upon conversion of debt - See Note 20.

## 19. Share premium

Group & Company	£
<b>As at 31 December 2019</b>	<b>7,699,789</b>
Issue of shares - placement	2,430,946
Share issuance costs	(168,160)
Issue of share - warrant exercise	28,390
<b>As at 31 December 2020</b>	<b>9,990,965</b>

Issue of shares - placement	5,548,969
Issues of shares - consultant	66,337
Charge recognised upon conversion of debt	1,212,475
<b>As at 31 December 2021</b>	<b>16,808,647</b>

## 20. Other reserves

<b>Group:</b>	<b>Year Ended 31 December 2021</b>	<b>Year Ended 31 December 2020</b>
	<b>£</b>	<b>£</b>
As at start of year	<b>764,815</b>	399,229
Charge for the year - employees	<b>153,355</b>	363,104
Convertible Note embedded derivative	<b>(13,944)</b>	2,482
<b>As at end of year</b>	<b>904,226</b>	764,815

<b>Company:</b>	<b>Year Ended 31 December 2021</b>	<b>Year Ended 31 December 2020</b>
	<b>£</b>	<b>£</b>
As at start of year	<b>749,767</b>	386,663
Charge for the year - employees	<b>153,355</b>	363,104
<b>As at end of year</b>	<b>903,122</b>	749,767

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

<b>Group and Company:</b>	<b>Year Ended 31 December 2021</b>	<b>Year Ended 31 December 2020</b>
	<b>£</b>	<b>£</b>
Expense arising from equity-settled share-based payment transactions	<b>153,355</b>	363,104
Total expense arising from share-based payment transactions	<b>153,355</b>	363,104

### ***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. Options granted vest in tranches 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 most other option holders from 4 January 2018 onwards vest in equal tranches of 12.5% every three months from the date of grant, 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 between two and five years. There are no cash settlement alternatives.

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.

### ***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.

### ***2021 Equity Incentive Plan with Non-Employee Sub-Plan***

Under the 2021 Equity Incentive Plan with Non-Employee Sub-Plan (the "EIP") share options, restricted shares, and restricted share units may be granted to employees, directors and consultants of the Company and its subsidiaries at the discretion of the Company in an aggregate amount up to 30,000,000 shares. The fair value of awards made under this plan is determined in the same way as for the EMP and NEMP described above.

A schedule of options granted is below:

	Number options
<b>Employees, including directors*</b>	<b>30,844,314</b>
<b>Members of the Scientific Advisory Board</b>	<b>14,237,192</b>

<b>Total</b>	<b>45,081,506</b>
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\* Details of options held by individual directors are disclosed in the Directors' Report.

<b>Group &amp; Company:</b>	<b>2021 Number</b>	<b>2021 Weighted Average Exercise Price pence</b>	<b>2020 Number</b>	<b>2020 Weighted Average Exercise Price pence</b>
Outstanding at the beginning of the year	<b>42,465,787</b>	<b>4.6</b>	30,553,076	3.5
Granted during the year	<b>3,090,441</b>	<b>2.1</b>	11,912,711	7.4
Lapsed during the year	<b>(474,722)</b>	<b>9.0</b>	-	-
Cancelled during the year	-	-	-	-
<b>Outstanding at end of year</b>	<b>45,081,506</b>	<b>4.4</b>	42,465,787	4.6
<b>Exercisable at end of year</b>	<b>43,278,749</b>	<b>3.5</b>	36,812,610	4.5

The weighted average remaining contractual life for the share options outstanding as at 31 December 2021 is 2.08 years (2020: 2.52 years). The weighted average fair value of options granted during the year was 0.7 pence (2020: 4.2 pence).

The following table lists the inputs to the models used for the two plans for the years ended 31 December 2021 and 31 December 2020:

	<b>July 2021 (EMP)</b>	<b>July-Aug 2020 (EMP)</b>
Expected volatility %	<b>65</b>	64-75
Risk-free interest rate %	<b>0.17</b>	0.52-1.0
Expected life of options (years)	<b>3</b>	5
WAEP - pence	<b>2.1</b>	7.4
Expected dividend yield	-	-
Model used	<b>Black Scholes</b>	Black Scholes

## Warrants

In connection with the share placement that completed on 4 October 2017, warrants were also issued to the brokers who raised funds for that share placement. The warrants were equal in value to 2% of the total number of new shares issued for the funds raised by each broker, exercisable at £0.0525 per warrant for a term of three years from the date of the placing, as prescribed in the

Company's 2017 prospectus. Optiva exercised 668,000 warrants in May 2020. No warrants were issued in 2021 and no warrants remain outstanding as at 31 December 2021.

## 21. 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, warrants connected with share placements issued by the Company, and the value of the deemed embedded derivative connected with the Convertible Note liability.

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

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.

## 22. Trade and other payables

	Group 31 December 2021	Group 31 December 2020	Company 31 December 2021	Company 31 December 2020
	£	£	£	£
Trade and other payables	295,829	113,241	87,569	88,853
Accruals and deferred income	46,860	47,530	46,860	47,527
<b>Total</b>	<b>342,689</b>	<b>160,771</b>	<b>134,429</b>	<b>136,380</b>
Current liabilities	342,689	160,771	134,429	136,380

## 23. Borrowings

The borrowings are comprised of borrowings and convertible notes. The Group follows IFRS 9, and as a result, where the instruments contained liability classified embedded derivatives, an election was taken to fair value the entire financial instrument through profit or loss rather than split out the embedded derivative. At 31 December 2020, all borrowings were classified as current due to their maturity being less than 12 months from the balance sheet date. At 31 December 2021, there were no borrowings outstanding. Costs incurred in 2020 related to



procuring the Mint facility in 2021 were classified as deferred financing costs on the consolidated statement of financial position at 31 December 2020. The notes payable consist of the following:

<b>Group &amp; Company</b>	<b>Year Ended 31 December 2021</b>	<b>Year Ended 31 December 2020</b>
	<b>£</b>	<b>£</b>
<u>Borrowings</u>		
Balance at 1 January	753,717	571,628
Drawdowns	-	191,146
Paydowns	(791,641)	-
Interest expense	14,354	15,206
Value of embedded derivative transferred to Other Reserves	6,972	(1,033)
Foreign exchange movement	16,598	(23,230)
<b>Balance at 31 December</b>	<b>-</b>	<b>753,717</b>
<u>Convertible Notes</u>		
Balance at 1 January	753,065	572,539
Drawdowns	-	191,161
Paydowns	(791,641)	-
Interest expense	14,300	15,272
Value of embedded derivative transferred to Other Reserves	6,972	(941)
Foreign exchange movement	17,304	(24,966)
<b>Balance at 31 December</b>	<b>-</b>	<b>753,065</b>
<b>Balance at 1 January</b>	<b>72,596</b>	<b>-</b>
Payroll Protection Loan borrowing	-	79,469
Payroll Protection Loan forgiveness	(71,932)	-
Foreign exchange movement	(664)	(6,873)
<b>Balance at 31 December</b>	<b>-</b>	<b>72,596</b>
<b>Total Borrowings at 31 December</b>	<b>-</b>	<b>1,579,378</b>

A summary of the debt facilities is as follows:

#### Mint Transactions

In November 2020, Mint Capital Limited ("Mint") and the Company entered into a Financing Facility agreement ("Financing Facility") whereby Mint conditionally agreed to subscribe for up to £60 million in aggregate principal amount of Convertible Loan Notes pursuant to an agreement entered into with the Company (the "Subscription Agreement"). The shareholders

of the Company approved the facility in January 2021 and a prospectus was published on 29 January 2021.

The key terms of the Convertible Loan Notes included:

- A principal amount of up to £60,000,000, split into denominations of £50,000 per Convertible Loan Note. The Convertible Loan Notes were to be subscribed for at par.
- The Convertible Loan Notes were to be issued in up to nine tranches. A tranche of £12,000,000 in principal amount was issued on 3 February 2021. The subsequent eight tranches were to be issuable at the sole discretion of, and in the amounts determined by, the Company at respective intervals of 90 days after the Initial Issue Date. The aggregate maximum principal amount of the Convertible Loan Notes was limited to £60,000,000.
- No interest was payable on the Convertible Loan Notes.
- The Convertible Loan Notes were unsecured.
- Each tranche of Convertible Loan Notes issued was to be redeemable at par on the date falling 36 months after the relevant Issue Date (the "Maturity Date").
- Each of the Convertible Loan Notes was convertible into ordinary shares of £0.01 (1 pence) each in the capital of the Company ("Ordinary Shares") at any time during the period commencing on the fifth business day following the relevant Issue Date and ending at 5.00 p.m. London time on the business day immediately prior to the relevant Maturity Date (the "Conversion Period").
- The price used for the conversion (the "Conversion Price") was equal to a 10 per cent discount to the lesser of (i) 125 per cent. of the closing-bid price as reported by Bloomberg for one Ordinary Share one trading day before the relevant Issue Date (subject to adjustment to reflect any sub-division or consolidation of the Ordinary Shares) and (ii) the lowest closing bid-price as reported by Bloomberg for an Ordinary Share from the three consecutive trading days ending on the day prior to the date of service of the relevant conversion notice (or if such conversion notice was served after 4.35pm on any such date, then the three consecutive trading days ending on the day such conversion notice was served. In no event was the Conversion Price to be less than the nominal value of an Ordinary Share.
- A holder was not permitted to submit a conversion notice in respect of the Convertible Loan Notes if the total Ordinary Shares held by the holder following the execution of such conversion notice would exceed 29.9% of the Company's total Ordinary Shares.
- If the Company were to commit an "event of default" then the notes could be redeemed at 114-120% of the principal amount of the convertible loan at the option of the holder.

- The Company had the ability to redeem the convertible loan under certain circumstances at 114% of the principal amount of the convertible loan.
- Subject to limited exceptions, the Convertible Loan Notes were not transferable.
- Prior to conversion, the Convertible Loan Notes did not entitle the holder to any voting rights in the Company.

#### Arrangement fee

The Company agreed to pay a fee of 5% of the aggregate principal value of the Convertible Loan Notes issued to the arranger for the Facility (the "Arranger"). The company issued 7,741,935 shares in February 2021 as an arrangement fee to the arranger of the Financing Facility.

#### Draw Down

The Company received £12,000,000 from the first drawn down of the Financing Facility agreement in February 2021. The price of the conversion of the convertible loan notes issued under the Financing Facility agreement into common shares of the Company, as defined by the Financing Facility agreement, was the lesser of (i) 8.4375p and (ii) 90% of the lowest closing bid price as reported on Bloomberg from the three closing bid prices immediately preceding a conversion.

The Company received a conversion notice from Mint in respect of £650,000 in principal amount of Convertible Loan Notes and issued 13,131,313 shares to Mint in March 2021. Further conversion notices were received from Mint in respect of £900,000 and £950,000 in principal amount of Convertible Loan Notes. The Company issued a further 14,285,714 shares to Mint in March 2021, and 24,547,803 shares in April 2021; both of these allotments of shares were admitted to trading on the London Stock Exchange's main market in April 2021. Further conversion notices were received from Mint in respect of £900,000 and £500,000 in principal amount of Convertible Loan Notes. The Company issued a further 29,850,746 shares to Mint in April 2021, and 22,222,222 shares in May 2021; both of these allotments of shares were admitted to trading on the London Stock Exchange's main market in May 2021.

The Company located a new investor to purchase the remaining position of Mint and received a conversion notice from the new investor in respect of £6,500,000 in principal amount of Convertible Loan Notes and issued 433,333,333 shares to such investor in May 2021. The Company repaid the remaining £1,600,000 under the facility and the facility was terminated.

During the year ended 31 December, 2021, the Company recognised £3,883 of financing related costs related to the stated interest rate on the convertible debt through the date of conversion or repayment. During the year ended 31 December, 2021, the Company recognized £1,343,245 of financing related costs, including the fair value of the shares issued to arrangers to obtain the credit facility from Mint. During the year ended 31 December, 2021, the Company also recognised £1,208,592 of non-cash financing related costs representing the fair value of shares issued in excess of the outstanding principal and accrued interest at the date of the conversion.

### Convertible Loan Facilities

During 2018 Orgenesis entered in to two debt facility agreements with the Group, one each with Hemogenyx Pharmaceuticals LLC and Immugenyx LLC:

1) On 7 November 2018 the Group entered into a loan agreement with Orgenesis Inc., an organisation with which the Group had a collaboration agreement. The loan amount was for not less than US\$1,000,000 with the proceeds of the loan to be used solely for the development of the cell therapy technology in accordance with the plan of the collaboration agreement. Drawdowns totalling US\$1,000,000 had been made with Hemogenyx Pharmaceuticals LLC receiving the funds. The loan carried an interest rate of 2% and had a term of three years. Orgenesis had the option to convert both principal and accrued interest into equity in Hemogenyx-Cell at any time prior to maturity. Hemogenyx-Cell SPRL ("Hemo-Cell") was a wholly owned Belgian entity (dissolved in 2022) and was incorporated in April 2019 at which point this loan facility was treated as a borrowing in accordance with the provisions of IAS39. The loan was repaid in full in November 2021.

2) On 7 November 2018 the Group entered into a loan agreement, through its wholly owned subsidiary Immugenyx LLC, with Orgenesis Inc., an organisation with which the Group had a collaboration agreement. The loan amount was for not less than US\$1,000,000 with the proceeds of the loan to be used solely for the development of the cell therapy technology in accordance with the plan of the collaboration agreement. Drawdowns totalling US\$1,000,000 had been made. The loan carried an interest rate of 2% and had a term of three years. Orgenesis had the option to convert both principal and accrued interest into equity in Immugenyx LLC at any time prior to maturity. This loan has been treated in accordance with the provisions of IAS39. The loan was repaid in full in November 2021.

In November 2021 the Company repaid a total of US\$2,110,761 (£1,583,281) in principal and interest to settle the convertible loan facilities from Orgenesis Inc.

### Paycheck Protection Program Loan

On 1 May 2020, the Company received loan proceeds in the amount of \$98,947 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act, as amended ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of such qualifying business. The loans and accrued interest are forgivable after certain time periods further defined in the CARES Act (the "Covered Period") as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the Covered Period.

The loan was forgiven in April 2021 by being converted into a grant at the election of the Company. The Company qualified for this conversion as at least 60% of the amount of the loan was applied to payroll expenditure and there was no reduction in employee headcount, and it was therefore included in other income.

## **24. Related party disclosures**

There were no related party disclosures other than Directors' remuneration as disclosed in the Remuneration Report section of the Directors' Report. There are no key management personnel other than the Directors and the Company Secretary.

## **25. 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

The following table sets out the amortised costs categories of financial instruments held by the Company as at the year ended 31 December 2021 and year ended 31 December 2020:

	Group 31 December 2021	Group 31 December 2020	Company 31 December 2021	Company 31 December 2020
	£	£	£	£
<u>Assets</u>				
Trade and other receivables, except prepayments and VAT	1,696	5,296	310	-
Cash and cash equivalents	6,840,969	1,812,299	111,245	1,036,214
	6,842,665	1,817,595	111,555	1,036,214
<u>Liabilities</u>				
Trade and other payables	(295,829)	(113,241)	(87,569)	(88,853)
Lease liabilities	(10,152)	(48,754)	-	-
Borrowings	-	(1,579,378)	-	-
	(305,981)	(1,707,741)	(87,569)	(88,853)

Group	1 January 2021	Cash flows	Non-cash changes				31 December 2021
			Adjustment to reserve	PPP Loan Forgiveness	Foreign exchange movements	Interest charge	
Short-term borrowings (1)	1,579,378	(1,583,281)	13,944	(71,932)	33,237	28,654	-
Long-term borrowings	-	-	-	-	-	-	-
Total	1,579,378	(1,583,281)	13,944	(71,932)	33,237	28,654	-

Group	1 January 2020	Cash flows	Non-cash changes				31 December 2020
			Reclassification to reserve	Foreign exchange movements	Interest charge		
Short-term borrowings (1)	1,144,167	461,776	(1,891)	(54,949)	30,275		1,579,378
Long-term borrowings	-	-	-	-	-		-
Total	1,144,167	461,776	(1,891)	(54,949)	30,275		1,579,378

(1) Borrowings reclassified to short term since all balance are due within twelve months of December 31, 2020. At December 31, 2021 the principal and interest on borrowings was paid in full.

a) Credit risk

The Group had receivables of £0 owing from customers (31 December 2020: £3,668). All bank deposits are held with Financial Institutions with a minimum credit rating of B+.

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

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets. The borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Company's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

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.

The interest rates on the Convertible Notes are fixed and hence a rise in interest rates of 1% would not have a material impact on the profit and loss of the Group and such is not disclosed.

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

At the reporting date the interest rate profile of interest-bearing financial instruments was:

	<b>Group</b>	<b>Group</b>	<b>Company</b>	<b>Company</b>
	<b>31 December</b>	<b>31 December</b>	<b>31 December</b>	<b>31 December</b>
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<hr/>				
<u>Financial Assets</u>				
Cash and cash equivalents	6,840,969	1,812,299	111,245	1,036,214
<hr/>				
<u>Financial Liabilities</u>				
Borrowings	-	(1, 579,378)	-	-
<hr/>				

#### 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 for the years ended 31 December 2021 and 31 December 2020:

31 December 2021 Functional Currency				
Currency of net monetary assets/(liabilities)	Pounds Sterling £	US Dollars £	Euro £	Total £
Pounds Sterling	99,050	-	-	99,050
US Dollars	12,197	6,709,888	-	6,722,085
Euros	-	-	19,834	19,834
<b>Total</b>	<b>111,245</b>	<b>6,709,888</b>	<b>19,834</b>	<b>6,840,969</b>

31 December 2020 Functional Currency				
Currency of net monetary assets/(liabilities)	Pounds Sterling £	US Dollars £	Euro £	Total £
Pounds Sterling	1,024,010	-	-	1,024,010
US Dollars	12,204	(70,670)	-	(58,466)
Euros	-	-	(753,623)	(753,623)
<b>Total</b>	<b>1,036,214</b>	<b>(70,670)</b>	<b>(732,623)</b>	<b>232,920</b>

#### 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.

## 26. Commitments

### Licences

Milestone and royalty payments that may become due under licence agreements are dependent on, among other factors, clinical trials, regulatory approvals and ultimately the successful development of new drugs, the outcomes and timings of which are uncertain.

For the licence from Cornell University to the patent of the Hu-PHEC technology, the Group's minimum future payments contingent upon meeting certain development, regulatory and commercialisation milestones total £764,762 (\$1,035,000) plus £369,450 (\$500,000) on receipt of marketing approval from each additional market excluding the United States of America and the European Union. 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 licence maintenance fee of up to £55,418 (\$75,000) until the commercial sales are achieved.

For the licence to Eli Lilly and Company's ("Lilly") contributions to the intellectual property in the CDX bispecific antibody, future payments will be contingent upon meeting certain similar development, regulatory and commercialisation milestones and so do not meet the definition of commitments pending further developments. This licence is subject to an up-front payment to Lilly of \$250,000 and milestone payments of up to \$1 million through to Phase II clinical trials. Lilly is also eligible to receive substantial additional milestone payments based on the achievement of prespecified milestones, as well as tiered single-digit royalties on sales. In addition, the Company will pay Lilly a percentage of any cash payments received in respect of any sublicense of the licensed intellectual property.

### Leases

In August 2021, Hemogenyx LLC entered into a lease for a 9,357 square foot purpose-built laboratory for eight years beginning on January 15, 2022. The lease contains escalating monthly payments ranging from approximately \$64,300 to \$76,500 per month over the lease term. The Group paid a security deposit of £138,913 (\$188,005) during the year ended 31 December 2021 for such facility lease.

### Service agreements

In December 2021, Hemogenyx Pharmaceuticals LLC entered into a service agreement to establish Research Cell Banks (RCBs) for production of the Company's proprietary recombinant protein(s) encoded by cDNAs. Under the terms of the agreement, Hemogenyx Pharmaceuticals LLC must pay (in Swiss Francs) CHF 590,000 in aggregate. After 31 December 2021 through 29 April 2022, which is the date the financial statements were available to be issued,

Hemogenyx Pharmaceuticals LLC has paid £91,046 (CHF 112,500) under this agreement.

In December 2021, Hemogenyx Pharmaceuticals LLC entered into service agreements to produce components of the Company's CAR-T product candidate. Under the terms of the agreement, Hemogenyx Pharmaceuticals LLC must pay an aggregate of £1,559,005 (\$2,109,957) in milestone payments during the term of production anticipated to be made by the end of 2022. After 31 December 2021 through to 29 April 2022, which is the date the financial statements were available to be issued, Hemogenyx Pharmaceuticals LLC has paid £628,927 (\$851,190) under these agreements.

#### Capital equipment

The Company has taken delivery for evaluation purposes of equipment to the value of £428,425 (\$579,830). This equipment primarily comprises a bioreactor, an automated cell processing system, and a cell manufacturing system. This would enable the Company to manufacture its cell therapy products in-house with full control over processes and timing, using the clean rooms in its new purpose-built laboratory. Based on service fee estimates provided to the Company, having this capability could save the Company at least \$2 million for the cells required for clinical trials of the CAR-T product candidate alone, when compared with outsourcing this work to third parties. It could additionally give the Company a source of revenue by providing cell manufacturing services to other biotechnology companies.

### **27. Ultimate controlling party**

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

### **28. Subsequent events**

In January 2022, the Company and Selexis SA signed a service agreement to develop the cell line for the Company's CDX bispecific antibody for the treatment of acute myeloid leukemia (AML). Under the agreement, the Company will leverage Selexis' proprietary SUREtechnology Platform™, a suite of cell line development tools and technologies that significantly reduces the time, effort, and costs associated with developing high-performance mammalian cell lines.

In February 2022, the Company received notification from the Food and Drugs Administration ("FDA") that the proposed pre-Investigational New Drug ("pre-IND") meeting relating to the Company's lead product candidate Chimeric Antigen Receptor ("CAR") T-cells ("HEMO-CAR-T") is to be deferred until May 2022 as a result of a general FDA policy prioritising work on COVID-19. The

deferment of the meeting is not causing any delay in the development of the product candidate.

In March 2022, the Company announced that it has achieved proof of concept ("POC") for its Chimeric Bait Receptor ("CBR") platform technology and filed a seminal provisional patent application protecting its rights to the intellectual property ("IP") covering CBR.

On 30 March 2022, the Company dissolved Hemogenyx-Cell SPRL. This dissolution will not have any effect on the financial statements.

## **29. Copies of the annual report**

Copies of the annual report will be available on the Company's web site at <https://hemogenyx.com> and from the Company's registered office, 5 Fleet Place London EC4M 7RD.