**Press Release** **27 June 2016**

**SalvaRx Group plc**

("SalvaRx" or the "Company" or the "Group")

**Final Results**

SalvaRx (AIM:SALV), a biotechnology company focused on immunotherapy for cancer, today announces its Final Results for the year ended 31 December 2015.

On 22 March 2016, SalvaRx began trading on AIM following completion of the reverse takeover of 3Legs Resources plc and concurrent name change to SalvaRx Group plc.

**3Legs Resources Period Highlights**

- Return of capital of approximately £1.1 million to Qualifying Shareholders following an Extraordinary General Meeting in February 2015
- Investment of £500,000 received from Jim Mellon and Greg Bailey in June 2015, at which point both joined the Board as Non-Executive Directors
- Change in investing policy to investing in life sciences, as ratified at the Annual General Meeting in July 2015
- Successful identification and investment for 11.1% of SalvaRx Limited in September 2015, an immuno-oncology company which owns 60.5% of iOx, a University of Oxford spin out company using iNKT cells to target various cancers with a sponsored Phase I/II trial

**SalvaRx Post Period Highlights**

- iOx part of an international multi-disciplinary consortium awarded a €8.3 million Horizon 2020 Grant for Phase I funding of another iOx compound IMM65 and a tumour vaccine developed by the Ludwig Institute for Cancer Research
- Investment of $2 million for 9.2% stake in Intensity Therapeutics Inc. as part of a successful Series A fundraising, with proceeds being used for a Phase I trial to drive the development of Intensity's pioneering approach to treat solid tumours

**Ian Walters, CEO of SalvaRx, commented:** *"2015 was a transformative year for the Group, which saw a repositioning of the investment policy to focus on Life Sciences, the investment in SalvaRx, and a clear path towards an RTO. In 2016, SalvaRx's subsidiary, iOx Therapeutics has made significant strides, doubling the number of planned clinical trials it is involved in and investing in a second technology platform in Intensity Therapeutics, which has shown significant potential in preclinical models and plans to treat its first cancer patient later this year. I am particularly pleased with how SalvaRx is positioned to achieve its initial targets at a fraction of the cost traditionally associated with this industry.*

*"As we continue to progress, I want to thank our new and existing shareholders who remained during the process of change seen within the business, and I look forward to continuing on the path towards a value inflection point for the Company. We hope to help the millions of people suffering with advanced cancers in a humane and more effective way in the future."*

**Availability of financial statements and AGM Notice**

The Annual Report and Accounts for the year ended 31 December 2015 together with the Notice of Annual General Meeting will be posted to shareholders shortly and will be available on the Company's website www.salvarx.io.

The Annual General Meeting will be held at the Claremont Hotel, 18-22 Loch Promenade, Douglas IM1 2LX at 13:00 on Thursday, 4 August 2016.

**-Ends-**

**SalvaRx Group plc**

Ian Walters (Chief Executive) Tel: +1 203 441 5451

**Northland Capital Partners Limited** Tel: +44 (0) 20 3861 6625

Nominated Adviser and Broker

Matthew Johnson / Edward Hutton (Corporate Finance)

John Howes / Abigail Wayne (Corporate Broking)

**Peterhouse Corporate Finance Limited** Tel: +44 (0) 20 7469 0932

Joint Broker

Lucy Williams / Duncan Vasey

**Media enquiries:**

**Abchurch Communications Limited**

Alex Shaw / Abbie Warner/ Julian Bosdet Tel: +44 (0) 20 7398 7712

salvaRx@abchurch-group.com www.abchurch-group.com

**Notes to Editors**

**SalvaRx**

SalvaRx was founded in 2014 to develop therapies within the rapidly growing immuno-oncology market, which uses treatments designed to boost the body's natural defences to fight the cancer.

Immuno-oncology therapy is a fast growing and new therapeutic area, a market expected to grow to $80 billion worldwide by 2020 (Global & USA Cancer Immunotherapy Market Analysis 2020).

SalvaRx's strategy is to invest in a portfolio of companies involved in novel cancer immunotherapies and develop them up to clinical proof of concept. SalvaRx provides portfolio companies with operational support in addition to capital, either by managing its portfolio companies directly or augmenting an existing team.

Though its investment in iOx, SalvaRx is developing, under licence from the Ludwig Institute, a series of small molecules for cancer immunotherapy. iOx has a clinical trial sponsorship agreement with the University of Oxford to fund the first in human Phase I/II clinical trial for its lead compound.

SalvaRx made the investment in Intensity Therapeutics with the intention to drive the development of Intensity's technology into the clinic and help fulfil SalvaRx's mission of promoting long term cancer survival using the body's own defence system. Intensity has a collaborative research agreement with the National Cancer Institute ("NCI") to explore new drugs and help determine their mechanism of action.

SalvaRx's management team have a proven track record of discovering and commercialising drugs in the area of cancer immunotherapy with Bristol-Myers Squibb and Johnson & Johnson. The team is supported by an extended network of senior academic and industry executives to promote commercial and scientific outcomes, including licensing and partnering discussions.

**For more information please visit: www.salvarx.io**

**CHAIRMAN'S STATEMENT**

I am pleased to present the audited final results for SalvaRx Group plc ("SalvaRx", "the Company" or "the Group"), formerly 3Legs Resources plc ("3Legs") for the year ended 31 December 2015. These results cover the period prior to the reverse takeover by SalvaRx Limited which was completed on 22 March 2016. In addition, we also present in appendix A the unaudited results for SalvaRx Limited for the period from incorporation on 6 May 2015 to 31 December 2015.

In June 2015 Dr. Gregory Bailey and I invested both, directly and indirectly, to acquire, in aggregate 29.9% of the enlarged share capital of 3Legs, at which point we both joined the Board as Non-Executive Directors.

In July 2015, the decision was taken at 3Legs' Annual General Meeting to approve a change to the investment policy of the Company away from the resources and technology sectors to invest in life sciences, which the Board and I believed would be a better long term value proposition for our shareholders.

Following this decision, the Board worked to identify a suitable investment, which SalvaRx Limited proved to be. In March 2016, SalvaRx Limited became a wholly owned subsidiary of 3Legs via a reverse takeover ("RTO"), as part of our plan to create a multi-product drug development portfolio company focused on cancer immunotherapy. 3Legs also changed its name to SalvaRx Group plc ("SalvaRx") and was re-admitted to trading on the Alternative Investment Market ("AIM") of the London Stock Exchange (AIM:SALV), on 22 March 2016. During this period of activity, the Group maintained a tight focus on the development of its therapeutic products, which had begun prior to the RTO with an initial investment in iOx Therapeutics at which point I became Non-Executive Chairman.

Cancer immunotherapy is a rapidly growing therapeutic area, which is expected to grow to $80 billion by 2020. The proven efficacy of immuno-oncology is widely known, and indeed was described as 'the beginning of the end of cancer' in 2013, with the long term response seen in patients setting it apart from its competitor treatments. Since then, further strides have been made in this field, and the Board was particularly delighted when the SalvaRx opportunity arose, due to the scientific knowhow of its directors Dr Ian Walters and Dr Robert Kramer, Chief Executive and Chief Scientific Officer respectively. During their combined time at Bristol-Myers Squibb, the two worked together on eight oncology compounds including Yervoy and Opdivo, which either alone or in combination are two of the leading drugs in their field.

Following the RTO, SalvaRx has gone from strength to strength, delivering on its strategy as stated at the time of Admission, to acquire a portfolio of investments in the immunotherapy sector, owning a majority of the equity when possible and continuing to identify potential assets to add to the portfolio, with iOx to date doubling the number of compounds destined for the clinic and an investment in Intensity Therapeutics being made post the period end.

The results for the year ended 31 December 2015 reflect the fact that this was a period of transition for the Company. Losses of £144,000 from discontinued businesses comprise of the final costs of exiting from the former oil and gas exploration activities, while the relatively modest loss from continuing operations is indicative of the desire to keep a tight control of operating costs as the new focus for the Company was established, which has now been achieved.

I am encouraged by the progress that has been made in a relatively short period of time and am confident that further progress will be made in the current financial year. We are hopeful of entering clinical trials for one of our compounds by the end of calendar 2016, with others following in 2017. As with all biotech businesses, clinical trial validation should serve as the greatest inflection point, setting the stage for a potentially significant return to shareholders. In addition, with proof of efficacy, comes the ability to help cure cancers.

Jim Mellon
Non-Executive Chairman

**Chief Executive Officer's Statement**

Following the progress which has been made within the Company, both during the period and post period end, I believe that SalvaRx is now well positioned for further growth. We have been screening new and exciting complementary opportunities, have begun discussions with large pharmaceutical companies regarding our products, and are becoming recognised by our peers for our novel model of early-clinical drug development.

**iOx Therapeutics**

We began collaborating with the founders of iOx in 2014, which was subsequently incorporated and received its first funding in July 2015. The Group has been pleased with the remarkable pace at which this subsidiary company is progressing. SalvaRx's Chief Scientific Officer, Rob Kramer, and I continue to work with iOx's academic founders to manage the day to day operations of the company, and we have attracted a senior board of directors with strong experience in drug development, including Declan Doogan, MD (former R&D head for Pfizer), Annalisa Jenkins, MBBS (former global head of R&D for Merck Serono), Jonathan Skipper PhD, (an experienced Technology Licensing Officer who works with the Ludwig Institute for Cancer Research), as well as iOx's academic founder, Professor Vincenzo Cerrundolo MD, PhD. In addition, we have recruited a strong Scientific Advisory Board ("SAB") with academic pioneers in this area, including Jedd Wolchok MD, PhD (Memorial Sloan Kettering Cancer Centre), George Coukos MD, PhD (Ludwig Cancer Centre in Lausanne Switzerland), and Madhav Dhodapkar, MD (Yale Cancer Centre). The SAB has reviewed iOx's most recent data and clinical protocol, has encouraged our group and has provided important feedback to strengthen our clinical strategy.

We have been able to de-risk the development of iOx's assets by securing collaborative research agreements and grants that provide the finance for the development of two lead products, which we estimate would otherwise have required over £20 million of funding from our own resources. We have entered into a collaborative research agreement for the development of our lead product IMM60 with the University of Oxford; Oxford will fund and conduct a 60 patient Phase I/II trial that will provide both efficacy and safety data for IMM60. We expect the study to evaluate three treatment groups: a control arm using the standard of care (an anti-PD-1 therapy), a trial arm using iOx's drug (IMM60), and a third arm that will test the combination of IMM60 and an anti-PD1 therapy. We have also recently announced that iOx was part of a consortium of academic and commercial partners that received a Horizon 2020 grant from the European Union in order to develop novel cancer immunotherapies. The grant funding covers preclinical, toxicology, manufacturing, and two clinical trials for a second compound (IMM65) in multiple solid tumour types.

iOx has made substantial progress in the manufacture of its products, the design of its toxicology program and in preparations for the first-in-man clinical trial. In the second half of 2016, we will continue these efforts in order to enable a start of the human trial of our lead program in 2017.

**Intensity Therapeutics**

In April 2016, SalvaRx invested US$2 million for a 9.2% interest in Intensity Therapeutics Inc. ("Intensity"), a US company founded by Lewis Bender, formerly of the Massachusetts Institute of Technology, and in which I am also the Chief Medical Officer. Intensity's technology enhances the penetration of cancer drugs into cancer cells while avoiding normal cells, allowing for local delivery into the tumour, potentially sparing cancer patients the debilitating side-effects of systemically administered treatments. Intensity's therapies have demonstrated activity in multiple animal models of cancer, and show an unexpected and exciting ability to stimulate the immune system to destroy cancerous cells far from the site of injection. Intensity is progressing its lead program towards the clinic and is planning to treat its first patient late in 2016. Intensity is partnered with the National Cancer Institute (a division of the National Institutes of Health) to better understand the mechanism of action of its products.

In 2016, Intensity announced the grant of a patent covering its lead compound, the formation of a Scientific Advisory Board including leaders in oncology, and multiple presentations at international meetings and congresses such as the American Association of Cancer Research. Intensity is looking forward to treating its first patient soon and will generate both safety and efficacy data in humans in 2016/2017.

**Outlook**

We expect that our subsidiary and investments will continue their manufacturing and preclinical testing during the rest of the year. We are anticipating the start of one new clinical trial later this year, with others potentially commencing in 2017, with clinical trial data from human studies having the potential to provide the biggest enhancement in value for our shareholders. At the SalvaRx corporate level, we continue to identify potential investments or acquisitions. We expect to grow the Company by acquisition, investment or licencing arrangements as we identify novel cancer immunotherapies.

I would like to thank our Board and our shareholders for giving us the opportunity to seek out exciting technologies that could impact the lives of many cancer patients. The field of cancer immunotherapy is expanding exponentially as more and more tumour types are shown to benefit from this new approach. However, there is still much more work to be done to ensure that patients have hope for controlling their disease while not sacrificing quality of life from toxic treatments.

Dr Ian Walters
Chief Executive Officer

## SALVARX GROUP PLC
## Consolidated Income Statement
## For the year ended 31 December 2015

| | Notes | 2015 £'000 | 2014 £'000 |
|---|---|---|---|
| **Continuing operations** | | | |
| Administrative expenses | | (126) | - |
| Share based payment | 22 | (68) | - |
| **Operating loss** | | (194) | - |
| Investment income | 7 | 2 | |
| **Loss before tax from continuing operations** | | (192) | - |
| Tax | | - | - |
| **Discontinued operations** | | | |
| Loss for the year from discontinued operations | 6 | (144) | (35,024) |
| **Loss before tax from discontinued operations** | | (144) | (35,024) |
| Tax | | - | - |
| **Loss for the year** | | (336) | (35,024) |
| Attributable to: | | | |
| Equity holders of the parent | | (336) | (35,024) |
| **Loss per ordinary share** | | | |
| **From continuing operations** | | | |
| Basic and diluted, pence per share | 12 | (0.04p) | - |
| **From discontinued operations** | | | |
| Basic and diluted, pence per share | 12 | (0.03p) | (41.1p) |
| **From continuing and discontinued operations** | | | |
| Basic and diluted, pence per share | 12 | (0.07p) | (41.1p) |

## SALVARX GROUP PLC
## Consolidated Statement of Comprehensive Income
## For the year ended 31 December 2015

| | 2015 | 2014 |
|---|---|---|
| | £'000 | £'000 |
| **Loss for the year** | | |
| From continuing operations | (192) | - |
| From discontinued operations | (144) | (35,024) |
| **Other comprehensive income** | | |
| Exchange differences arising on translation of foreign operations | - | 329 |
| **Total comprehensive income for the year attributable to owners of the parent company** | (336) | (34,695) |

**SALVARX GROUP PLC**
**Consolidated Balance Sheet**
**As at 31 December 2015**

| | Notes | 2015 £'000 | 2014 £'000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Investment accounted for at cost | 13 | 215 | - |
| | | 215 | - |
| **Current assets** | | | |
| Trade and other receivables | 15 | 95 | 95 |
| Cash and cash equivalents | 16 | 908 | 1,341 |
| | | 1,003 | 1,436 |
| **Total assets** | | 1,218 | 1,436 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 17 | (122) | (144) |
| | | (122) | (144) |
| **Total liabilities** | | (122) | (144) |
| **Net assets** | | 1,096 | 1,292 |
| **Equity** | | | |
| Share capital | 19 | 155 | 22 |
| Share premium account | 20 | 52,533 | 52,594 |
| Share-based payment reserves | 21 | 68 | - |
| Accumulated deficit | | (51,660) | (51,324) |
| **Total equity** | | 1,096 | 1,292 |

The financial statements of SalvaRx Group plc were approved by the Board of Directors and authorised for issue on 24 June 2016. They were signed on its behalf by:

Kam Shah

Chief Financial Officer

24 June 2016

Notes 1 to 27 form part of these financial statements.

**SALVARX GROUP PLC**
**Consolidated Cash Flow Statement**
**For the year ended 31 December 2015**

| | Notes | 2015 £'000 | 2014 £'000 |
|---|---|---|---|
| **Net cash outflow from operating activities** | 23 | (296) | (1,486) |
| **Investing activities** | | | |
| Interest received | | 5 | 58 |
| Investment in SalvaRx Limited | | (215) | - |
| Investment in joint venture | | - | (8,235) |
| **Net cash used in investing activities** | | (210) | (8,177) |
| **Financing activities** | | | |
| Proceeds from the issue of share capital | | 1,305 | 180 |
| Transaction costs of the issue of share capital | | (88) | - |
| Return of cash to shareholders | | (1,145) | (15,933) |
| **Net cash inflow/(outflow) from financing activities** | | 72 | (15,753) |
| **Net decrease in cash and cash equivalents** | | (434) | (25,416) |
| Effect of foreign exchange rate changes on cash and cash equivalents | | 1 | (35) |
| **Cash and cash equivalents at beginning of year** | | 1,341 | 26,792 |
| **Cash and cash equivalents at end of year** | | 908 | 1,341 |

## SALVARX GROUP PLC
## Consolidated Statement of Changes in Equity
## For the year ended 31 December 2015

| | Share capital £'000 | Share premium account £'000 | Share-based payment reserves £'000 | Accumulated deficit £'000 | Cumulative translation reserves £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| **As at 1 January 2014** | **21** | **68,347** | **889** | **(16,362)** | **(331)** | **52,564** |
| Transactions with owners in their capacity as owners: | | | | | | |
| Issue of equity shares | 1 | 180 | - | - | - | 181 |
| Return of cash to shareholders | - | (15,933) | - | - | - | (15,933) |
| **Total transactions with owners in their capacity as owners** | 1 | (15,753) | - | - | - | (15,752) |
| Loss for the year | - | - | - | (35,024) | - | (35,024) |
| Other comprehensive income: | | | | | | |
| Currency translation differences | - | - | - | (2) | 331 | 329 |
| **Total comprehensive income for the year** | - | - | - | (35,026) | 331 | (34,695) |
| Share-based payments | - | - | (825) | - | - | (825) |
| Transfer to retained earnings in respect of exercised share options | - | - | (64) | 64 | - | - |
| **As at 1 January 2015** | **22** | **52,594** | **-** | **(51,324)** | **-** | **1,292** |
| Transactions with owners in their capacity as owners: | | | | | | |
| Issue of equity shares | 133 | 1,084 | - | - | - | 1,217 |
| Return of cash to shareholders | - | (1,145) | - | - | - | (1,145) |
| **Total transactions with owners in their capacity as owners** | 133 | (61) | - | - | - | 72 |
| Loss for the year | - | - | - | (336) | - | (336) |
| **Total comprehensive income for the year** | - | - | - | (336) | - | (336) |
| Share-based payments | - | - | 68 | - | - | 68 |
| **As at 31 December 2015** | **155** | **52,533** | **68** | **(51,660)** | **-** | **1,096** |

## 1 General information

SalvaRx Group plc (the 'Company' and, together with its subsidiary, the 'Group') is incorporated in the Isle of Man, British Isles under the Isle of Man Companies Act 2006. The address of the registered office is Commerce House, 1 Bowring Road, Ramsey, Isle of Man, British Isles, IM8 2LQ.
The principal activity of the Group during 2015 was that of an Investing Company. Prior to this the Group was engaged in exploration, evaluation and development of oil and gas targets. The Company is now a drug discovery and development company focused on immuno-oncology.
These financial statements are presented in pounds sterling. Foreign operations are included in accordance with the policies set out in note 3.

## 2 Adoption of new and revised Standards

*Standards affecting presentation and disclosure*

In the current year, the following new and revised Standards have been adopted but have not had any material impact on the amounts reported in these financial statements:

| | |
|---|---|
| Amendments to IAS 19 | *Defined benefit plan: employee contributions* |
| IFRIC 21 | *Levies* |
| Annual improvements to IFRSs 2010-2012 cycle | |
| Annual improvements to IFRSs 2011-2013 cycle | |

At the date of authorisation of the financial statements, the following Standards and Interpretations which have not been applied in the financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

| | |
|---|---|
| IFRS 9 | *Financial instruments* |
| IFRS 14 | *Regulatory deferral accounts* |
| IFRS 15 | *Revenue from contracts with customers* |
| IFRS 16 | *Leases* |
| Amendments to IFRS 10 and IAS 28 | *Sale of contribution of assets between an investor and its associates or joint venture* |
| Amendments to IFRS 10, IFRS 12 and IAS 28 | *Investment entities: applying the consolidation exception* |
| Amendments to IFRS 11 | *Accounting for acquisitions of interests in joint operations* |
| Amendments of IAS 1 | *Presentation of financial statements - disclosure initiative* |
| Amendments of IAS 7 | *Statement of cash flows - disclosure initiative* |
| Amendments of IAS 12 | *Recognition of deferred tax assets for unrealised losses* |
| Amendments to IAS 16 and IAS 38 | *Clarification of acceptable methods of depreciation and amortisation* |
| Amendments to IAS 27 | *Equity method in separate financial statements* |
| Annual improvements to IFRSs 2012-2014 cycle | |

The Directors do not expect that the adoption of these Standards or Interpretations in future periods will have a material impact on the financial statements of the Group.

## 3 Significant accounting policies

### Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB") and as adopted by the European Union ("EU"), and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

The financial statements have been prepared on the historical cost convention basis. Historic cost is generally based on the fair value of the consideration given in exchange for the assets. The principal accounting policies adopted are set out below.

### Going concern

The Group's business activities, together with the factors likely to affect its future development and position, are set out in the Directors' Report.

The consolidated financial statements of the group have been prepared on a basis which assumes that the Group will continue as a going concern, which contemplates the realisation of assets and satisfaction of liabilities and commitments in the normal course of business.

At 31 December 2015, the Group had cash and cash equivalent of approximately £0.9 million. Subsequent to the balance sheet date, the Group went through a reverse takeover and re-listing on AIM and raised approximately £1.95 million in a private placement.

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

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

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

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring accounting policies used into line with those used by the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

### Investments

Investments are initially recorded at cost.

**Leasing**
Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease. Benefits received and receivable under operating leases are charged to Income on a straight-line basis over the lease term.

**Foreign currencies**

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency).
For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in pounds sterling, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.
In preparing the financial statements of the individual companies, transactions in currencies other than the functional currency of each Group company ("foreign currencies") are recorded in the functional currency at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated into the functional currency at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.
Foreign exchange differences are recognised in the income statement in the period in which they arise except for foreign exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in the income statement on disposal of the net investment.

**Operating loss**
Operating loss is stated before share of investment income and other gains and losses.

**Investment Income**
Investment income comprises bank interest income on funds invested. Interest income is recognised on an accrual basis.

**Taxation**

The tax expense represents the sum of the tax currently payable and deferred tax.
The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.
Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill, or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.
Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

**Financial instruments**

*Recognition of financial assets and financial liabilities*

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

*Derecognition of financial assets and financial liabilities*

The Group derecognises a financial asset only when the contractual rights to cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for the amount it may have to pay.

The Group derecognises financial liabilities when the Group's obligations are discharged, cancelled or expired.

*Trade and other receivables*

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost less any provision for impairment.

*Cash and cash equivalents*

Cash and cash equivalents comprise cash in hand and on-demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash with three months or less remaining to maturity and are subject to an insignificant risk of changes in value.

*Trade and other payables*

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

**Share-based payments**

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

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

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

A liability equal to the portion of the goods or services received is recognised at the current fair value determined at each balance sheet date for cash-settled share-based payments.

**Segmental reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments and making strategic decision, has been identified as the Board of Directors.

## 4 Critical accounting judgements and key sources of estimation and uncertainty

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of the assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both the current and future periods.

The following are the critical judgements and estimations that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

*Share-based payments*

The Group has an equity-settled share option scheme available to certain Directors and consultants. In accordance with IFRS 2 *Share-based payment,* in determining the fair value of options granted, the Group has applied the Black-Scholes model. As a result, the Group makes assumptions for expected volatility and expected life. The fair value of options granted in the years reported is shown in note 22.

## 5 Business and geographical segments

Throughout the year the Directors consider there to be only one business and operating segment from continuing operations, namely appraisal of investment targets meeting the company's investment policy.

## 6 Discontinued operations

The Group announced in September 2014 that it was to cease all of its then operations. The prior activities of exploration and development of oil and gas targets and related costs have been classified as discontinued operations in accordance with IFRS 5.

The results of the discontinued operations up until the year end, which have been disclosed separately in the consolidated income statement, are as follows:

**Results of discontinued operations**

| | **2015** **£'000** | **2014** **£'000** |
|---|---|---|
| Administrative expenses | (96) | (1,854) |
| Foreign exchange (losses)/gains | (26) | 54 |
| Share based payment | - | 825 |
| **Operating loss from discontinued operations** | **(122)** | **(975)** |
| Share of results of joint venture | - | (481) |
| Investment income | 3 | 58 |
| Loss on disposal of subsidiaries and joint venture | (25) | (33,626) |

| | | |
|---|---|---|
| **Loss before tax from discontinued operations** | **(144)** | **(35,024)** |
| Tax | - | - |
| **Loss for the year from discontinued operations** | **(144)** | **(35,024)** |

As all relating assets and liabilities and the final cash distribution were settled prior to the Balance Sheet date, the assets and liabilities of the prior operations are no longer included in the Balance Sheet.

## 7 Investment income

Investment income comprises interest earned on the Group's cash reserves.

| | **2015 £'000** | **2014 £'000** |
|---|---|---|
| **Interest on bank deposits** | | |
| From continuing operations | 2 | - |
| From discontinued operations | 3 | 58 |

## 8 Operating loss

The operating loss for the year has been arrived at after (crediting)/charging:

| | **2015 £'000** | **2014 £'000** |
|---|---|---|
| Property lease payments | - | 79 |
| Staff costs (note 10) | 69 | 121 |
| Share-based payments (note 22) | 68 | (825) |
| Audit fees | 25 | 20 |
| Net foreign exchange losses/(gains) | 26 | (54) |

## 9 Auditor's remuneration

Amounts payable to RSM UK Audit LLP and its associates in respect of both audit and non-audit services:

| | **2015 £'000** | **2014 £'000** |
|---|---|---|
| **Audit fees** | | |
| Fees payable to the Group's auditor for the statutory audit of the Group's annual accounts | 25 | 20 |

| | | |
|---|---|---|
| **Total audit fees** | 25 | 20 |

| | | |
|---|---|---|
| **Amounts payable to associates of RSM UK Audit LLP** | | |
| **Non-audit fees** | | |
| Tax services | 2 | 8 |
| Other assurance services, including interim review | - | 16 |
| **Total non-audit fees** | 2 | 24 |

## 10 Staff costs

The average monthly number of employees and senior management (including Executive Directors) was:

| | 2015 Number | 2014 Number |
|---|---|---|
| Non-executive Directors – continuing operations | 3 | - |
| Executive Directors of Group companies – discontinued operations | 1 | 2 |
| Other employees | - | 1 |
| | 4 | 3 |

Their aggregate remuneration comprised:

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| Wages and salaries | 17 | 547 |
| Social security costs | - | 88 |
| Benefits in kind | - | 57 |
| Share-based payments | 52 | (571) |
| | 69 | 121 |

Directors remuneration

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| J Mellon (from 9 June 2015) | 19 | - |
| G Bailey (from 9 June 2015) | 19 | - |
| R Armstrong (from 13 February 2015) | 14 | - |
| C Weinberg (from 13 February 2015) | 14 | - |
| T Eggar (to 13 Feb 2015) | 3 | 48 |
| K Parmar (to 13 Feb 2015) | - | 297 |
| A Fraser (to 29 April 2015) | - | 232 |

| | | |
|---|---|---|
| | 69 | 577 |

Details of shares and options held by the Directors are disclosed in the Directors' report.

## 11 Tax

The tax assessed for the year is at the standard rate of corporation tax in the Isle of Man of 0% (2014: 0%) and is calculated as follows:

| | **2015** **£'000** | **2014** **£'000** |
|---|---|---|
| Loss on ordinary activities before tax | (297) | (35,024) |
| Loss on ordinary activities by the standard rate of tax | - | - |
| Foreign tax | - | - |
| Tax charge for the year | - | - |

## 12 Loss per Ordinary Share

Basic loss per Ordinary Share is calculated by dividing the net loss for the year attributable to Ordinary equity holders of the parent by the weighted average number of Ordinary Shares outstanding during the year. The calculation of the basic and diluted loss per Ordinary Share is based on the following data:

| | **2015** **£'000** | **2014** **£'000** |
|---|---|---|
| **Losses** | | |
| Loss for the purposes of basic loss per share being net loss attributable to equity holders of the parent | | |
| From continuing operations | (192) | - |
| From discontinued operations | (144) | (35,024) |

| **Number of shares** | **2015** **Number** | **2014** **Number** |
|---|---|---|
| Weighted average number of Ordinary Shares for the purposes of basic loss per share | 492,185,247 | 85,156,833 |

| | **2015** **£** | **2014** **£** |
|---|---|---|
| **Loss per Ordinary Share** | | |
| From continuing operations | | |
| Basic and diluted, pence per share | (0.04p) | - |
| From discontinued operations | | |
| Basic and diluted, pence per share | (0.03p) | (41.1p) |
| From continuing and discontinued operations | | |

| | | |
|---|---|---|
| Basic and diluted, pence per share | (0.07p) | (41.1p) |

Dilutive loss per Ordinary Share equals basic loss per Ordinary Share as, due to the losses incurred in 2014 and 2015, there is no dilutive effect from the subsisting share options.

**13 Investment accounted for at cost**

In September 2015 the Company subscribed £215,000 for new shares in SalvaRx Limited, a company owned by Jim Mellon and Dr Greg Bailey. After the investment the Company held 11.1% of the enlarged share capital of SalvaRx Limited.

SalvaRx Limited was incorporated in British Virgin Islands and the principal activities are that of a holding company for IOX Therapeutics, incorporated in England and Wales, which is a drug discovery and development company.

**14 Subsidiaries**

The Company had investments in the following subsidiary undertakings as at 31 December 2015 and 31 December 2014, which have been included in the consolidated financial statements:

| | Country of incorporation and operation | Percentage Interest 2015 % | 2014 % | Activity |
|---|---|---|---|---|
| **Directly held** | | | | |
| 3Legs Management Services US LLC | United States of America | 100 | 100 | Service company |

The subsidiary company was dissolved in February 2016.

**15 Trade and other receivables**

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| Other receivables | - | 27 |
| VAT recoverable | 13 | 20 |
| Prepayments and accrued income | 82 | 48 |
| | 95 | 95 |

The Directors consider that the carrying amount of the other receivables approximates their fair value. None of the other receivables are past due or impaired.

**16 Cash and cash equivalents**

Cash and cash equivalents as at 31 December 2015 of £0.9 million (2014: £1.3 million) comprise cash held by the Group. The Directors consider that the carrying amount of these assets approximates to their fair value.

## 17 Trade and other payables

| | 2015<br>£'000 | 2014<br>£'000 |
|---|---|---|
| Trade payables | 77 | 83 |
| Other taxes and social security | - | - |
| Accruals | 45 | 61 |
| | 122 | 144 |

Trade payables and accruals principally comprise amounts outstanding for trade purchases and on-going costs. The average credit period taken for trade purchases is 31 days (2014: 30 days). The Group has financial risk management policies to ensure that all payables are paid within the credit timeframe.

The Directors consider that the carrying amount of trade and other payables approximates to their fair value. No interest is generally charged on balances outstanding.

## 18 Deferred tax

Differences between IFRS and statutory tax rules (in the Isle of Man, the United Kingdom or elsewhere) give rise to temporary differences between the carrying values of certain assets and liabilities for financial reporting purposes and for income tax purposes.

Due to the disposals of subsidiaries with deferred tax assets during the prior year, as at 31 December 2015 the Group has no deferred tax assets (2014: £nil) in respect of tax losses.

## 19 Share capital

*Authorised and issued equity share capital*

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | Number<br>'000 | £'000 | Number<br>'000 | £'000 |
| **Authorised** | | | | |
| Ordinary Shares of £0.00025 each | 1,040,000 | 260 | 440,000 | 110 |
| **Issued and fully paid** | | | | |
| Ordinary Shares of £0.00025 each | 618,493 | 155 | 86,127 | 22 |

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

*Issued equity share capital*

| | Ordinary Shares<br>of £0.00025<br>Number |
|---|---|
| **At 1 January 2014** | 84,846,645 |
| Issue of Ordinary Shares | 1,280,084 |
| **At 1 January 2015** | 86,126,729 |
| Issue of Ordinary Shares | 532,366,218 |

| | |
|---|---|
| **At 31 December 2015** | 618,492,947 |

On 22 March 2016 the shares were consolidated on the basis of 1 New Ordinary Share for every 100 Ordinary Shares.

## 20 Share premium

| | **£'000** |
|---|---|
| **At 1 January 2014** | **68,347** |
| Issue of Ordinary Shares – Non-executive Directors' remuneration | 31 |
| Issue of Ordinary Shares – Share option exercise | 149 |
| Return of funds to shareholders (86,126,729 at 18.5 pence per share) | (15,933) |
| **At 1 January 2015** | **52,594** |
| Return of funds to shareholders (86,126,729 at 1.33 pence per share) | (1,145) |
| Issue of Ordinary Shares | 1,172 |
| Costs directly related to issue of Ordinary Shares | (88) |
| **At 31 December 2015** | **52,533** |

## 21 Share-based payment reserves

| | **Options £'000** |
|---|---|
| **At 1 January 2014** | 889 |
| Lapse of options | (825) |
| Exercise of options | (64) |
| **At 1 January 2015** | - |
| Share-based payments | 68 |
| **At 31 December 2015** | 68 |

## 22 Share-based payments

**Equity settled share option plans**

Prior to 13 February 2015, when Shareholders approved the adoption of an investing policy, the Company operated two share option plans (the '2007 Plan' and the '2009 Plan') and a long-term incentive plan (the '2011 LTIP'). All outstanding options and awards granted under these plans have now lapsed. From 13 February 2015, the Company did not operate a formal stock option scheme, however certain options to subscribe for the Company's shares have been granted to selected

Directors and consultants on an ad hoc basis pursuant to individual option agreements (the 'Non-Plan Options').

Details of share options outstanding at the end of the year were as follows:

| | 2015 | |
|---|---|---|
| | **Number** | **Weighted average exercise price in pence** |
| Outstanding at 1 January | - | - |
| Granted during the year | 47,426,781 | 0.232 |
| Lapsed during the year | - | - |
| Exercised during the year | - | - |
| Outstanding at 31 December | 47,426,781 | 0.232 |
| | | |
| Exercisable at 31 December | 47,426,781 | 0.232 |

The fair value of the options has been calculated using the Black Scholes model. The significant inputs into the model for the IFRS 2 valuation were as follows:

| | Grants | | |
|---|---|---|---|
| | **Feb 2015** | **Apr 2015** | **Jul 2015** |
| Exercise price | 0.232p | 0.232p | 0.232p |
| Expected volatility (%) | 64.8 | 66 | 72.8 |
| Expected life (years) | 6 | 6 | 6 |
| Risk free rates (%) | 1 | 1 | 1 |
| Expected dividends | - | - | - |

**Valuation of share-based payments**

In the year ended 31 December 2015 the Company recognised a total expense of £0.1 million (2014: reversal of £0.8 million) related to equity-settled share-based payment transactions.

## 23 Notes to the cash flow statement

| | 2015 | 2014 |
|---|---|---|
| | £'000 | £'000 |
| **Operating activities** | | |
| Loss before tax from continuing operations | (192) | - |
| Loss before tax from discontinued operations | (144) | (35,024) |
| Loss before tax | (336) | (35,024) |
| Adjustments for: | | |
| Effect of foreign exchange rate changes | (1) | 366 |
| Investment income | (5) | (58) |
| Share-based payments | 68 | (825) |
| Share of results of joint venture | - | 481 |
| Disposal of subsidiaries and joint venture | - | 33,626 |
| Reversal of provision for decommissioning | - | (25) |
| **Operating cash flows before movements in working capital** | (274) | (1,459) |
| (Increase)/decrease in receivables | - | 228 |
| Decrease in payables | (22) | (255) |
| **Cash used in operations** | (296) | (1,486) |
| Taxation paid | - | - |
| **Net cash outflow from operating activities** | (296) | (1,486) |

Cash and cash equivalents (which are presented as a single class of assets on the balance sheet) comprise cash at bank and short term bank deposits with an original maturity of three months or less. The carrying value of these assets is approximately equal to their fair value.

## 24 Operating lease arrangements

At 31 December 2015, the Group had the following outstanding commitments for future lease payments.

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| Within one year | - | 1 |
| Within 2-5 years | - | - |
| | - | 1 |

## 25 Financial instruments

**Capital risk management**

The Group manages its capital resources so as to ensure that entities in the Group will be able to continue as a going concern, while maximising the return to shareholders. Until it achieves positive cash-flow, the Group expects to fund its operations through a combination of equity capital raised from the market and, where appropriate, debt finance.

The capital resources of the Group consist of cash and cash equivalents arising from equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the Consolidated Statement of Changes in Equity.

**Externally imposed capital requirement**

The Group is not subject to externally imposed capital requirements.

**Significant accounting policies**

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement, the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3.

**Categories of financial instruments**

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| **Financial assets** | | |
| Cash and cash equivalents | 908 | 1,341 |
| Trade receivables | - | - |
| Other receivables | 95 | 95 |
| | 1,003 | 1,436 |
| **Financial liabilities** | | |
| Trade and other payables | 122 | 144 |
| | 122 | 144 |

**Financial risk management objectives**

Management provides services to the business, co-ordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the Group. These risks include foreign currency risk, credit risk, liquidity risk and cash flow interest rate risk. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

As the Group has no committed borrowings, the Group is not exposed to any risks associated with fluctuations in interest rates on loans.

**Foreign exchange risk and foreign currency risk management**

The Group is exposed to an immaterial level of currency risk on a continuing basis. In principle, the Group aims to minimise exposure to foreign exchange risk by matching the currency of income and related expenditure flows where possible.

**Credit risk management**

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Group. The Group has minimal trade and other receivables at the year end.

The Group makes allowances for impairment of receivables where there is an identified event which, based on previous experience, is evidence of a reduction in the recoverability of cash flows.

The credit risk on liquid funds (cash) is considered to be limited because the counterparties are financial institutions with good credit ratings assigned by international credit-rating agencies in the Isle of Man. The carrying amount of financial assets recorded in the financial statements represents the Group's maximum exposure to credit risk.

**Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring forecast and actual cash flows.

All financial liabilities held by the Group are non-interest bearing. Further information relevant to liquidity risk management is included in note 3.

## 26 Related party transactions

Transactions between the Company and its subsidiary, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

**Investment transactions**

In September 2015 the Company subscribed £215,000 for new shares in SalvaRx Limited, a company owned by Jim Mellon and Dr Greg Bailey. After the investment the Company held 11.1% of the enlarged share capital of SalvaRx Limited.

**Trading transactions**

In the prior year, Group companies entered into the following transactions with related parties who are not members of the Group:

| | Recharge of costs and services | | Amounts owing | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | £'000 | £'000 | £'000 | £'000 |
| Lane Energy Poland Sp. z o.o. | - | 164 | - | - |

Lane Energy Poland Sp. z o.o. is a related party of the Group as up until 3 November 2014 it was a joint venture, in which the Group held 30% of the issued share capital.

| | Payment for services | | Amounts owing | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | £'000 | £'000 | £'000 | £'000 |
| David Bremner | - | 61 | - | 28 |

David Bremner was a Director of the Company until 31 December 2014 and thus a related party of the Group until this date.

**Remuneration of key management personnel**

The remuneration of the Non-Executive Directors, Executive Directors and senior management, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 *Related Party Disclosures*.

| | 2015 | 2014 |
|---|---|---|
| | £'000 | £'000 |
| Short-term employee benefits | 23 | 854 |
| Share based payments | 52 | (571) |
| | 75 | 283 |

## 27 Events after the balance sheet date

On 22 March 2016, the Company acquired the 88.9% of the share capital of SalvaRx Limited not already owned by it for a consideration of £8.8m satisfied by the issue of 24,788,732 New Ordinary Shares.

In conjunction with the above:

- the name of the Company was changed to SalvaRx Group PLC

- the shares were consolidated on the basis of 1 New Ordinary Share for every 100 Ordinary Shares.

- there was a placing of 5,492,958 New Ordinary Shares at a price of 35.5p per share to raise £1.95m before expenses.

Dr Ian Walters, Chief Executive Officer of SalvaRx Limited, was appointed CEO of the Company.

Kam Shah was appointed Chief Financial Officer of the Company.

On 22 April 2016, the Company invested $2m to acquire 9.2% of Intensity Therapeutics Inc. In conjunction with this investment, the Company raised $1m from Jim Mellon and Dr Greg Bailey in the form of zero coupon Convertible Loan Notes with a term of three years, convertible at a price of 35.5p per share.

## Appendix A. Consolidated Unaudited Financial Information SalvaRx Limited

For the period 6 May to 31 December 2015

(The information presented on the following pages is unaudited and is not covered by the audit report set out on pages 17 and 18 of the Annual Report and Accounts)

## SALVARX LIMITED
## Unaudited Consolidated Statements of income and comprehensive income

| | Notes | 6 May 2015 to 31 December 2015 £ |
|---|---|---|
| **Expenses** | | |
| Research and development | 7 | (260,004) |
| Consulting fees | 7 | (105,434) |
| Professional fees | | (16,658) |
| Other operating costs | 7 | (8,063) |
| **Operating loss** | | (390,159) |
| Bank charge | | (140) |
| **Loss before tax** | | (390,299) |
| Tax | 6 | - |
| **Loss and comprehensive loss for the period** | | (390,299) |
| **Loss and comprehensive loss attributable to:** | | |
| Owners of the Company | | (279,793) |
| Non – controlling interest | | (110,506) |
| | | (390,299) |

**SALVARX LIMITED**
**Unaudited Consolidated Balance Sheet**

| | Notes | 31 December 2015 £ |
|---|---|---|
| **Asset** | | |
| **Non-current Asset** | | |
| Goodwill | 2 | 1,209,974 |
| **Current** | | |
| Trade and other receivables | 3 | 236,263 |
| Cash | | 566,956 |
| | | 803,219 |
| | | 2,013,193 |
| **Total assets** | | |
| **Liabilities** | | |
| **Current liabilities** | | |
| Trade and other payable | | 243,715 |
| | | 243,715 |
| **Total liabilities** | | 243,715 |
| **Net assets** | | 1,769,478 |
| **Equity** | | |
| Share capital | 4 | 939,990 |
| Share based payment reserves | 5 | 25,067 |
| Accumulated deficit | | (279,793) |
| **Total Shareholders' equity** | | 685,264 |
| **Non-controlling interest** | | 1,084,214 |
| **Total equity** | | 1,769,478 |

**Notes 1 to 9 for part of the financial statements**

## SALVARX LIMITED
## Unaudited Consolidated Cash flow Statement

| | 6 May 2015 to 31 December 2015 £ |
|---|---|
| **Cash flows from operating activities** | |
| Net loss for period | (390,299) |
| **Adjustments for non-cash items** | |
| Value of iOx options expensed | 25,067 |
| Pre-acquisition loss fully attributed to iOx non-controlling interest | (5,280) |
| **Net change in working capital components** | |
| Increase in trade and other receivables | (236,263) |
| Increase in accounts payable and accrued liabilities | 243,715 |
| Net cashflows into operating activities | (363,060) |
| **Cashflows into investment activities** | |
| Net liability on acquisition of iOx | (9,974) |
| **Net cashflows into investment activities** | (9,974) |
| **Cashflows from financing activities** | |
| Proceeds from the issue of share capital (note 6(i) and (ii)) | 939,990 |
| **Net cashflows from financing activities** | 939,990 |
| **Net increase in cash during the period** | 566,956 |
| **Cash at beginning of period** | - |
| **Cash at end of period** | 566,956 |

**SALVARX LIMITED**
**Unaudited Consolidated Statement of Changes in Equity**
**For the period from 6 May 2015 to 31 December 2015**

| | Attributable to the owners of the company | | | | | |
|---|---|---|---|---|---|---|
| | Share capital | Share –based payment reserves | Accumulated deficit | Equity | Non – controlling interest | Total equity |
| | £ | £ | £ | £ | £ | £ |
| At 6 May 2015 | - | - | - | - | - | - |
| Transaction with owners in their capacity as owners: | | | | | | |
| Issue of equity shares | 939,990 | - | - | 939,990 | - | 939,990 |
| Acquisition of iOx | - | - | - | - | 1,200,000 | 1,200,000 |
| Options issued and vested by iOx during the period | - | 25,067 | - | 25,067 | - | 25,067 |
| Pre-acquisition loss | - | 939,990 | - | - | (5,280) | (5,280) |
| Net loss for the period | - | 939,990 | (279,793) | (279,793) | (110,506) | (390,299) |
| **At 31 December 2015** | **939,990** | **25,067** | **(279,793)** | **685,265** | **1,084,214** | **1,769,478** |

## 1. ACCOUNTING POLICIES

### a) Basis of presentation

The consolidated financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), and interpretations of the International Financial Reporting Interpretations Committee. The consolidated financial information has been prepared on a historical cost basis except for goodwill which is measured at fair value as detailed in Note 2 to this financial information.

### b) Consolidation

The consolidated financial information includes the accounts of SalvaRx Limited ("SalvaRx" or "the Company"), incorporated in the territory of the British Virgin Islands under the BVI Business Companies Act 2004 on 6 May 2015 and iOX Therapeutics Ltd ("iOX"). SalvaRx acquired 60.49% equity in iOX on 24 June 2015.

### C) Foreign currency translation

The functional and presentation currency of SalvaRx and its subsidiary, iOX, is the British Pound. Monetary assets and liabilities are translated at exchange rates in effect at the balance sheet date. Non-monetary assets are translated at exchange rates in effect when they were acquired. Expenses are translated at the approximate average rate of exchange for the period. Foreign currency differences arising on retranslation are recognised in profit or loss.

### d) Research and Development Expenses

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

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised 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 SalvaRx intends to and has sufficient resources to complete development and to use or sell the asset. No development costs have been capitalised to date.
Research and development expenses include all direct and indirect operating expenses supporting the products in development.
Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognised in profit or loss as incurred.

## 2. ACQUISITION

On 24 June 2015, SalvaRx acquired 15,313 new Seed Preferred Shares in iOX at a price of £120 per Seed Preferred Share, which represent 60.49% equity in iOX for £1,837,560, payable in cash as £510,000 upfront and the balance in four instalments over the next twelve months on the later of (i) the dates below or (ii) satisfaction of the relevant milestone by iOX:

| | **Payment in £** |
|---|---|
| 30 September 2015 * | 430,000 |
| 30 December 2015 ** | 515,000 |
| 30 March 2016 * | 305,000 |
| 30 June 2016 | 77,560 |
| Net cashflows into operating activities | 1,327,560 |

* Agreed milestone achieved and payment is due

** Agreed milestones not yet achieved

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

The non-controlling interests in iOX on the date of acquisition was valued at £1.2 million, based on their 39.51 percent equity being valued on the basis of the price SalvaRx paid for 60.49 percent equity in iOX. As at 24 June 2015, net assets acquired were determined as per *IFRS 3- business combinations*, as follows:

| | **£** | **£** |
|---|---|---|
| Goodwill | | 1,209,974 |
| Other net assets | | |
| Liabilities assumed | (10,074) | |
| Assets assumed | 1,837,660 | 1,827,586 |
| | | 3,037,560 |
| Allocated to: | | |
| Cash consideration paid for the Company's interest | | 1,837,560 |
| Non-controlling interest | | 1,200,000 |
| | | 3,037,560 |

## 3. Trade and other receivables

| | 31 December 2015 £ |
|---|---|
| Cash held in trust with lawyers (i) | 215,010 |
| iOx receivable required | 50 |
| Prepaid expenses | 15,000 |
| VAT receivable | 6,203 |
| | 236,236 |

(i) Cash is held in trust by a lawyer in the UK, pending opening of a bank account for the Company. There are no restrictions on use of cash.

## 4. SHARE CAPITAL

(a) Authorised**:** Unlimited number of ordinary shares without par value.

(a) Issued

| | 6 May 2015 to 31 December 2015 Ordinary shares Number | Amounts in £ |
|---|---|---|
| Balance at the beginning of period | - | - |
| Issued under private placement (i) | 64,333 | 939,990 |
| Balance at the end of period | 64,333 | 939,990 |

(i) On 30 June, 2015, The Company raised £510,000 through issuance of 50,000 ordinary shares at £10.20 per ordinary share. On 30 September, 2015, the Company raised further £429,990 through issuance of 14,333 ordinary shares at £30 per ordinary share.

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

## 5. SHARE -BASED PAYMENT RESERVES

On 14 December 2015, the Board of Directors of iOx granted 675 options to selected consultants and directors on an ad hoc basis pursuant to individual option agreements (the "non-Plan Options"), to acquire up to 2.60 percent equity in iOx for an exercise price of £ 120 per option. The options are valid for five years from the date of issue and will vest in four annual instalments.

The fair value of these options has been estimated using a Black-Scholes option pricing model with the following assumptions:

| | |
|---|---|
| Risk free interest rate | 1% |
| Expected dividend | Nil |
| Expected volatility | 91.60% |
| Expected life | 1847 days |
| Market price | £120 |

The fair value of the options as per the Black-Scholes option pricing model amounted to £56,854. Using the graded vesting method, value of options vested as at 31 December 2015 was £25,067 which was expensed as consulting fee and included in share-based payment reserve in equity.

## 6. TAXATION

There is no tax charge for the period due to losses arising. SalvaRx is exempt from all forms of taxation in the British Virgin Islands. iOx is subject to tax in the UK. The nil charge for the period is different from that arising from applying the standard rate of corporate tax in the UK (20 per cent), reconciled as follows:

| | SalvaRx 6 May 2015 to 31 December 2015 | iOx 24 June 2015 to 31 December 2015 | Total |
|---|---|---|---|
| | £ | £ | £ |
| Loss on ordinary activities | (110,608) | (279,691) | (390,299) |
| Current tax/(credit) | - | (55,938) | (55,938) |
| Tax losses not recognised | - | 55,938 | 55,938 |
| Provision for income tax | - | - | - |

## 7. RELATED PARTY TRANSACTIONS

Related party transactions and balances have been listed below, unless they have been disclosed elsewhere in the consolidated financial statements:

| | Dr. Ian Walters | Dr. Robert Framer | Galloway Limited |
|---|---|---|---|
| | £ | £ | £ |
| Expenses reimbursed | 4,887 | 458 | - |
| Research and development costs | 42,799 | 29,569 | - |
| Consulting fee | 42,798 | 29,568 | - |
| Payable at 31 December 2015 | 14,309 | - | 90,569 |

* During the period SalvaRx and iOx did not have bank accounts as cash was held with solicitors and therefore Galloway Limited, a related party, advanced funds to pay for consultants' fees and other operating expenses.

Dr. Ian Walters is a chief executive officer and a director of iOx.

Dr. Robert Kramer is a chief scientific officer.

Galloway Limited, is a private company controlled by Mr. James Mellon, one of the key shareholders and a director of SalvaRx

SalvaRx has consulting contracts with Dr. Ian Walters and Dr. Robert Kramer expiring in or around April 2017 and carrying a total monthly commitment of US$27,500. The consulting contract with Dr. Ian Walters will terminate on Admission without any compensation payable to him. Any early termination of the consulting contract prior to 1 May 2016 without cause would require a lump sum compensation of US$24,375 to be paid. Any termination after 1 May 2016 would require a lump sum compensation of payment of US$97,500 to be payable to Dr. Ian Walters. Dr. Ian Walters has agreed, pursuant to a deed of waiver dated 2 March 2016, to waive any compensation payments payable to him pursuant to his consulting contract. Further, both the consultants have been granted options to acquire up to 8 per cent, in aggregate of the equity in SalvaRx from Mr. James Mellon and Dr. Gregory Bailey. The option entitlements begin on 1 May 2016 and will vest over four years.

IOx has a consulting contract with its chief financial officer, Mr. Kam Shah expiring on 1 October, 2016. Mr. Shah shall be issued 0.25 per cent, fully diluted options which will vest at the one-year anniversary for the first year of his services in lieu of his fees. The option entitlement begins on 1 October 2016. Terms of the options are not yet agreed.
Directors of the Company received no remuneration.

## 8. SUBSIDIARY

| Name<br>Nature of business | Class of shares/<br>ownership class | Effective interest and<br>Voting rights | Country of<br>Incorporation |
|---|---|---|---|
| iOx Therapeutics Limited<br>Biotechnology | Seed Preferred shares | 60.49 per cent | United Kingdom |

The rights of the Seed Preferred Shareholders are governed by the Articles of Association of iOx. These rights are summarised below:

a. The surplus assets of iOx on a distribution on a liquidation or a return of capital (other than a conversion, redemption or purchase of shares), after paying its liabilities shall be applied first in paying to each of the holders of the Seed Preferred Shares.

b. Holders of the Seed Preferred Shares are entitled to require conversion of their shares into equal number of ordinary shares.

c. Seed Preferred Shares shall rank pari passu in all respects with the Ordinary Shares.

## 9. EVENTS AFTER THE BALANCE SHEET DATE

On 23 March 2016, SalvaRx Group plc, which currently holds approximately 11% equity in the Company acquired all the remaining shares of SalvaRx for an aggregate consideration of £ 8.8 million, settled by issuance of 24,788,732 New Ordinary shares of SalvaRx Group plc. The acquisition is of sufficient size to constitute a reverse take-over under the AIM Rules. Following approval of this transaction by the independent shareholders of SalvaRx Group plc, SalvaRx Group plc changed its name from 3 Legs Resources plc and re-listed on AIM. SalvaRx will continue as a wholly owned subsidiary of SalvaRx Group plc.