

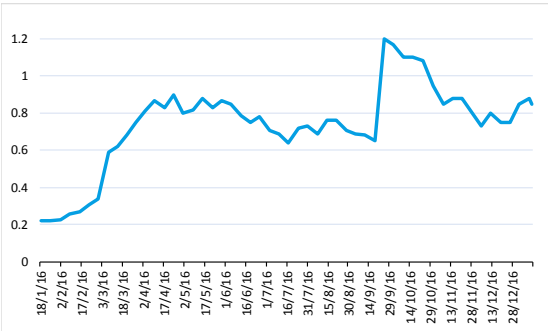
Success Milestone Payment from - Chk1 Licence Agreement

Key Statistics:

Code	SAR.L
Listing	AIM
Sector	Pharma & Biotech
Market Cap	£27.11m
Share in issue	2,645.22m
Current Price	0.9p
12 mnth High/Low	1.48p/0.21

Priced at 16:00 on 12/01/2017

Stock Performance



Source: Fidessa

Financials y/e Jun

£ 'm	FY 15A	FY 16A	FY17E
Net Profit	(1.3)	(1.0)	0.2
Cash	1.5	1.3	1.9

Source: Published results and Hybridan LLP Forecasts

Company Description

An AIM-listed drug discovery Company, Sareum Holdings Plc, focuses its research primarily on cancer and autoimmune diseases. The Company and its partners (Sareum 27.5%) have secured its first licensing agreement, on its Chk1 clinical programme for a headline value of \$328.5m. The Company leverages its proprietary technology platform, SKIL, to develop most of its research programmes, which are focused on novel small molecule drugs. Sareum has shown good preclinical results on all of its remaining programmes and has international partners collaborating on Aurora+FLT3 and TYK2 for Autoimmune and inflammatory disorders. Sareum has also benefitted from substantial grant funding to date.

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The specialist cancer drug discovery and development business this week announced the attainment of a US\$2m success milestone payment as part of the Chk1 licence agreement between its co-investment partner, the CRT Pioneer Fund, and Sierra Oncology, Inc. (NASDAQ: SRRA), formerly, until this week, ProNAi Therapeutics, Inc. The fee has become payable because of the successful transfer of the two ongoing Phase 1 clinical trials to Sierra Oncology. Under Sareum's agreements with Cancer Research Technology and the CRT Pioneer Fund, Sareum is entitled to 27.5% of all payments arising from the Chk1 licence agreement. Therefore, Sareum will receive \$550,000 as its financial share of this milestone event. Sareum will also be returned the unspent balance, now estimated at c£200,000, of the financial commitment to the trial funding of £797,500 made in December 2015.

This is the second payment Sareum has received under the licensing agreement signed in September 2016, following the upfront payment of £1.5m and serves to further strengthen the balance sheet. This reinforces our confidence in Sierra's commitment to the programme. The name change has also meant that the CHK1 candidate has been renamed from PNT737 to SRA737, which is now the Company's lead candidate.

Sierra's announcement of 9 January 2017 stated that its goal is to provide an update from the ongoing studies within twelve months. Sierra is looking to expand and optimise its development plan for the asset, thereby maximising the potential for clinical success and further milestone payments to Sareum.

As well as the monotherapy and chemotherapy combination currently in the clinic, Sierra intends to investigate SRA737 in combination with other agents that impact DNA Damage Repair (DDR), including its own pre-clinical Cdc7i programme and PARP inhibitors, a class of DDR inhibitor which has already spawned some licensed oncology therapies, notably AstraZeneca's Lynparza. This week's \$230m up-front payment by Merck to Vertex for cancer programs focussed on DDR highlights Big Pharma's interest in the space.

With Chk1 in good hands, Sareum is at liberty to focus on its other programmes towards the clinic. In 2017, we expect the completion of pre-clinical work on **Aurora+FLT3**, and progress on lead optimisation for TYK2, a novel programme in the JAK inhibitor family. On a risk basis, we still see the shares as significantly undervalued with the potential to double and on an un-risked basis see the potential to unlock value up to a share price of circa 4.5p, should its programmes progress up the development curve.

## Financial Statements

### Profit & Loss

#### Profit & Loss Account

Year-end June (£m)	2015A	2016A	2017E
Revenue	0.0	0.00	1.90
Expenditures	(0.8)	(1.00)	(1.45)
Total expenditures	(0.8)	(1.00)	(1.45)
Share of loss of associates	(0.5)	(0.33)	(0.30)
Other Income	0.0	0.12	0.00
Operating Profit/ Loss	(1.3)	(1.20)	0.15
Finance income	0.0	0.00	0.00
Finance Costs	(0.1)	0.00	0.00
Pre-tax Profit	(1.4)	(1.20)	0.15
Taxation	0.2	0.19	0.00
Profit after tax	(1.3)	(1.01)	0.15
Attributable Profit/ (Loss)	(1.3)	(1.01)	0.15
<b>EPS - (p)</b>	<b>(0.06)</b>	<b>(0.04)</b>	<b>0.01</b>

*Source: Published accounts and Hybridan LLP Forecasts*

## Cash Flow Statement

### Cash Flow Statement

Year-end June (£m)	2015A	2016A	2017E
Profit before Tax	(1.4)	(1.2)	0.2
Dep and Amort	0.0	0.0	0.0
Dec (Inc) trade/ other receivables	0.0	(0.0)	0.0
Inc (Dec) in trade/ other payables	0.0	0.0	0.0
Deferred income payment	0.0	0.0	0.0
Loss from associate	0.5	0.3	0.3
Share Based Charges	0.0	0.0	0.0
Taxation	0.0	0.2	0.0
Finance Costs	0.1	0.0	0.0
Finance Income	(0.0)	(0.0)	0.0
Other	0.0	0.0	0.0
<b>Cashflow from operating activities</b>	<b>(0.7)</b>	<b>(0.7)</b>	<b>0.5</b>
Purchase of tangible fixed assets	0.0	(0.6)	0.0
Purchase of intangible fixed assets	0.0	0.0	0.0
Purchase of fixed asset investments	0.0	0.0	0.0
Equity Swap Arrangement	0.1	0.0	0.0
Interest received	0.0	0.0	0.0
<b>Cashflow from investing activities</b>	<b>0.1</b>	<b>(0.6)</b>	<b>0.0</b>
Financing Activities			
Issue of Ordinary Share Capital	1.4	0.0	0.0
Repayment of investment	0.0	0.0	0.2
Share premium on issue of shares	0.0	1.0	0.0
Repayment of borrowings	0.0	0.0	0.0
Borrowings	0.0	0.0	0.0
<b>Cashflow from Financing Activities</b>	<b>1.4</b>	<b>1.0</b>	<b>0.2</b>
<b>Net increase (dec) in cash/ cash eq</b>	<b>0.7</b>	<b>(0.2)</b>	<b>0.7</b>
Cash and Cash equivalents	1.5	1.3	1.9

*Source: Published accounts and Hybridan LLP Forecasts*

## Balance Sheet

### Balance Sheet

Year-end 30 June (£m)	2015A	2016A	2017E
<b>Non-current assets</b>			
Intangible Assets	0.0	0.0	0.0
Investments	0.2	0.5	(0.0)
Property, plant and equipment	0.0	0.0	0.0
	0.2	0.5	(0.0)
<b>Current assets</b>			
Trade and other receivables	0.1	0.1	0.1
Cash and equivalents	1.5	1.3	1.9
Investments	0.0	0.0	0.0
Tax receivable	0.2	0.2	0.2
Assets for disposal classed held for sale	0.0	0.0	0.0
	1.7	1.5	2.1
<b>Total Assets</b>	<b>1.9</b>	<b>2.0</b>	<b>2.1</b>
<b>Non-current Liabilities</b>			
Borrowings	0.0	0.0	0.0
Deferred Income	0.0	0.0	0.0
Financial liabilities	0.0	0.0	0.0
Provisions	0.0	0.0	0.0
Deferred tax	0.0	0.0	0.0
Liabilities for disposal	0.0	0.0	0.0
	0.0	0.0	0.0
<b>Current</b>			
Trade and other payables	0.1	0.1	0.1
Deferred income	0.0	0.0	0.0
Provisions	0.0	0.0	0.0
Borrowings	0.0	0.0	0.0
Financial liabilities	0.0	0.0	0.0
Other liabilities	0.0	0.0	0.0
	0.1	0.1	0.1
<b>Total Liabilities</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>
<b>Net Assets</b>	<b>1.9</b>	<b>1.9</b>	<b>2.0</b>
<b>Shareholders' Equity</b>			
Called up share capital	0.6	0.7	0.7
Share premium	10.8	11.8	11.8
Other reserves	0.0	0.0	0.0
Retained profit/ loss	(10)	(11)	(11)
Translation reserve	0.0	0.0	0.0
Convertible loan note reserve		0.0	0.0
Share based payment reserve	0.1	0.1	0.1
<b>Total Equity</b>	<b>1.8</b>	<b>1.9</b>	<b>2.0</b>

Source: Published accounts and Hybridan LLP Forecasts

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