# Cizzle Biotechnology Holdings PLC

## Annual Report for the year ended 31 December 2022

**Company registered number: 06133765**

## Cizzle Biotechnology Holdings PLC

## Annual Report for the year ended 31 December 2022

## Contents

# Cizzle Biotechnology Holdings PLC

## Company Information

### Directors

| | |
|---|---|
| Allan Syms | Executive Chair |
| Nigel Lee | Finance Director |
| Prof. Dawn Coverley | Non-Executive |
| John Treacy | Non- Executive |

### Company Secretary
SGH Company Secretaries Limited

### Registered Number
06133765

### Registered Office
6th floor, 60 Gracechurch Street
London,EC3V 0HR

### Financial Public Relations
IFC Advisory Limited
Birchin Court, 20 Birchin Lane
London
EC3V 9DU

### Financial Adviser
Allenby Capital Limited
5 St. Helen's Place
London,
EC3A 6AB

### Broker
Novum Securities Limited
2nd floor, Lansdowne House
57 Berkeley Square
London
W1J 6ER

### Solicitors
Cooley (UK) LLP
22 Bishopsgate
London
EC2N 4BQ

Shakespeare Martineau
No 1 Colmore Square
Birmingham
B4 6AA

### Independent Auditor
PKF Littlejohn LLP
Statutory Auditor
15 Westferry Circus
London
E14 4HD

### Registrar
Neville Registrars Limited
Neville House
Steelpark Road
Halesowen
B62 8HD

### Bankers
National Westminster Bank PLC,
27, Market Place,
Romsey, SO51 8ZH

## Cizzle Biotechnology Holdings PLC

## Chair’s Statement

The Group has continued throughout 2022 in developing a blood test for the early detection of lung cancer. Its proof-of-concept prototype test is based on the ability to measure a stable blood plasma biomarker, a variant of CIZ1. CIZ1 is a naturally occurring cell nuclear protein involved in DNA replication, and the targeted CIZ1B variant is highly correlated with early-stage lung cancer.

Published research led by Professor Coverley previously demonstrated that CIZ1B can be measured with high sensitivity via an ELISA process, which should allow for testing in a high-throughput, hospital-friendly format. The Directors believe that this development overcomes an important barrier to further clinical development and the application of this blood test for the early detection of lung cancer, which is essential to improve a patient’s chance of survival.

In addition to implementing a strategy to develop a regulatory approved commercial, diagnostic laboratory immunoassay for early-stage lung cancer, the Group has broadened its interests to include the detection of a range of other early-stage cancers. It has also expanded its potential customer base to include the pharmaceutical industry through a contract to develop a diagnostic test that can help in the development of personalised medicines, so called “companion diagnostics”, and has secured royalty bearing rights to the sale of such medicines in the longer term.

The Board intends for the Group’s initial product to be a diagnostic immunoassay that can be readily performed by hospitals and reference laboratories, but a potential follow-on product could be a point of care test provided by a primary health care provider.

**Research and Development**
Throughout 2022, the Company continued to work with external expert partners and suppliers to develop and supply of proprietary key monoclonal antibodies and other detector proteins for its assay platform, and in July 2022 the Company provided an update on the progress of this work. A key milestone was the characterisation of a mouse monoclonal antibody that specifically detects CIZ1B. Assay conditions for its use are being optimised, as well as further work to broaden access to other antibodies that can be used in its proprietary early lung cancer tests, and potentially for a range of other early-stage cancers.

On 11 April 2022 a new 12 month research agreement was signed with the University of York, a member of the Russell Group of research-intensive universities and one of the world’s premier institutions for inspirational and life-changing research, for the development of potential applications in cancer diagnosis and therapy. The agreement, commenced on 25 June 2022 for a period of 12 months, following the successful previous programme announced on 17 September 2021 for the development and validation of molecular tools with potential application in cancer diagnosis or therapy, and their configuration into assays for Cizzle’s proprietary cancer biomarker variants. On 24 April 2023, the Company announced that this research programme had met some critical milestones, especially in optimising the platform and antibodies required to scale up and bring to market our diagnostic tests for early-stage cancer detection. As such a further new agreement has been signed with the University lasting until 25 September 2024. This programme will continue development of its CIZ 1B biomarker technology for early-stage cancer diagnosis and with potential applications in cancer therapy. This includes the evaluation of the biomarker for detecting a range of other cancers in addition to the existing assay for early lung cancer detection.

As in previous agreements, Cizzle Biotechnology will own all intellectual property rights arising from the work which strengthens the Company’s position in creating new solutions for early cancer diagnostics and therapeutic tools.

**Development of new future revenue stream**

On 14 February 2022 the Group announced a royalty acquisition agreement with Conduit and SGSC to acquire a 5% economic interest in the commercialisation of the AZD1656 asset or such other assets being developed by Conduit or SGSC to treat inflammatory pulmonary and cardiovascular disease, for a total consideration of £1.88m. The initial consideration of £1m was settled through the issue of 25,000,000 new ordinary shares at a price of 4.0p per share, with the remaining consideration of £0.88m settled in September 2022 through the issue of 22,000,000 new ordinary shares at 4.0p per share. Prior to this, in September 2021, the Group entered into a royalty sharing agreement with SGSC to grant the Group potential royalty payments from the commercialisation of SGSC’s therapeutic asset AZD1656 of up to £5m, plus potentially further payments from the use of a companion diagnostic.

## Chair's Statement (continued)

### Development of new future revenue stream (cont'd)

In December 2022 the Company announced that it had agreed a put option to sell: (i) its 5% economic interest in the commercialisation of the AZD 1656 asset to treat inflammatory pulmonary and cardiovascular disease (the "Economic Interest"); and (ii) its royalty sharing agreement with St George Street Capital ("SGSC"), the UK-based biomedical charity (the "Royalty Sharing Agreement') to Conduit Pharmaceuticals Limited, a pharmaceutical company established to fund the development of successful deprioritized clinical assets licensed from large pharmaceutical companies ("Conduit") for a total consideration of £3.25 million to be satisfied through the issuance of new shares in Conduit (the "Option").

On 9 November 2022, it was announced that Conduit entered into a definitive business combination agreement with Murphy Canyon Acquisition Corp. (NASDAQ:MURF) ("Murphy"), a blank-check special purpose acquisition company. The combined company's common stock is anticipated to be listed on NASDAQ under the ticker symbol "CDT". The combined company is anticipated to have an estimated pro forma enterprise valuation of approximately $700.49 million with cash proceeds from the transactions expected to be the balance of $136.04 million of cash held in Murphy's trust account less any redemptions by Murphy's public stockholders and the payment of certain expenses, and approximately $27.00 million attributable to a private investment anchored by new and existing investors of Conduit (the "PIPE Investment").

The Economic Interest and Royalty Sharing agreements are valued at cost, totalling £2,080,000, as at 31 December 2022. No profits or revenues were attributable to the assets subject to the Option. The Option is exercisable solely at the discretion of Cizzle and Cizzle has agreed to pay Conduit £120,000 in cash as the premium for the Option, which has a nine-month term.

### Reaching Global Markets

During 2022 the Company extended its global reach of the Group's technology to both China and the USA, where there is much need for the use of the early detection of lung cancer tests:

- **China**: On 1 February 2022 a full commercial agreement with International Co-Innovation Center for Advanced Medical Technology (iCCAMT) and Shenzen Intelliphecy Life Technologies Co. Ltd was executed to develop and market early lung cancer diagnostic tests in China. This agreement will generate future revenues for the Group via a 10% royalty on the sales of all products and services using its proprietary CIZ1B technology and from payment for monoclonal antibodies and reagents.
- **USA**: On 6 May 2022 the Group announced that it had signed a heads of terms to partner with CorePath Laboratories (CorePath), a full service cancer reference laboratory, to develop and offer its proprietary early-stage lung cancer test throughout the USA. The proposal is that the Group would receive a 15% royalty and royalty sharing arrangements on the direct offering of products and services using CIZ1B via CorePath in the USA. On 16 June 2022 a marketing agreement was signed with Behnke Group, USA, to promote, identify and facilitate partnerships for Cizzle with healthcare providers and businesses in the USA.

### Funding

In September 2022 the Company completed a fund raising providing gross proceeds of £500,000 by way of a subscription for its shares and secured a £500,000 facility to draw down on further funds for a term of 18 months, if required. The funds will be used to provide working capital for the Company and to continue development of a laboratory-developed test ("LDT") accredited service for the early detection of lung cancer and taking the Company's proprietary CIZ1B biomarker blood test through to UKCA, CE marking and/or FDA 510(k) clearance.

In December 2022 the Company raised net proceeds, before expenses, of £115,000 (gross proceeds: £118,000) to fund the purchase of an option (cost £120,000) to sell its AZD1656 assets as explained above.

## Chair's Statement (continued)

### Financial overview

The financial results for the year ended 31 December 2022 are summarized below:

- Corporate expenses, before share option charge and exceptional items: £823,000 (2021: £552,000);
- Share option charge: £140,000 (2021: £299,000)
- Exceptional corporate expenses relating to the acquisition: £Nil (2021: £3,107,000) which include transaction costs of £Nil (2021: £303,000) and a non-cash share-based expense of £Nil (2021: £2,804,000) (explained in Notes 3 and 5);
- Total comprehensive loss: £912,000 (2021 Loss £3,921,000); and
- Loss per share 0.3 p (2021: Loss 2.4 p).

**Allan Syms**
**Executive Chair**
**26 April 2023**

## Board of directors

**Dr Allan Syms (Executive Chair), appointed 21 May 2019**

Allan is an experienced international life sciences and technology senior executive, with over 30 years of experience at Board level often as founder or chief executive officer in creating, funding and building emerging technology businesses through to trade sale and IPO. After gaining a PhD in cancer biology at the Tenovus Institute of Cancer Research and postdoctoral fellowships at Baylor College of Medicine in Houston and Oxford University, he began his corporate career at GE Healthcare (formerly Amersham International PLC) to develop novel diagnostic detection systems. He then worked with a number of UK leading universities to spin out and develop technology businesses. Allan has extensive experience in M&A, licensing and managing strategic change, becoming corporate marketing director at Integra Biosciences AG a leading Swiss laboratory and diagnostics supplies company. He was previously a specialist adviser on China to the Department of International Trade.

Allan was appointed Non-Executive Chair on 21 May 2019 and was appointed Executive Chair with effect from 14 May 2021.

**John Treacy (Non-Executive Director), appointed 29 January 2019**

John is a London-based experienced financier who specialises in working with growing companies. He qualified as a solicitor in the London office of a major international law firm where he specialised in Capital Markets and Mergers & Acquisitions. From there he moved to practice corporate finance in the advisory teams of several prominent UK brokerages where he acted as an adviser to a number of AIM companies and advised on numerous IPOs, acquisitions, debt restructurings and placings.

John is also the Chair of the Audit and Risk Committee and the Chair of the Remuneration Committee.

**Professor Dawn Coverley (Non-Executive Director), appointed 14 May 2021**

Dawn is a cell biologist with over 20 years' experience in cancer-related research. After a first degree in Genetics (Leicester), and a PhD in biochemistry (Cancer Research UK), she completed postdoctoral training at the University of Cambridge, then moved to the University of York to establish an independent research group in 2002, supported by the Lister Institute of Preventive Medicine. Her research exploits experimental systems that reconstitute fundamental processes associated with genome and epigenome stability, and their contribution to the earliest stages of human cancers. She founded Cizzle Biotechnology Limited and raised early-stage funding in 2006 to begin development of her research findings into clinically useful products, focused on CIZ1B and the early detection of lung cancer. She is currently principal investigator of an academic research laboratory at the University of York and Scientific Director of Cizzle Biotechnology.

Dawn is also a member of the Audit and Risk Committee and Remuneration Committee.

**Nigel Lee (Finance Director), appointed 14 May 2021**

Nigel has been a director of CFO Solutions Limited since 2003 which has provided financial advisory services to the Group since 2010, as well as company secretarial services since 2012. CFO Solutions Limited ceased providing these services to the Group on 14 May 2021. He is also a part-time Finance Director of Kent Surrey Sussex AHSN Limited. He was financial director/controller in two IT services and software companies between 1999 to 2003 and prior to that had 11 years of audit and business advisory experience at PricewaterhouseCoopers, including six years as a senior manager. Nigel qualified as a Chartered Accountant in 1988.

## Strategic Report for the year ended 31 December 2022

The directors present their strategic report for the year ended 31 December 2022.

### Business review

The review of the Company is detailed in the Chair's Statement on pages 2 to 4.

**Principal risks and uncertainties**

The principal risks and uncertainties of the Group are as follows:

Pre-revenue business
The Group is still at an early stage of its development, has not generated revenues from its operations to date and has a history of operating losses. The generation of revenues is difficult to predict and there is no guarantee that the Group will generate significant or any revenues in the foreseeable future.

There are a number of operational, strategic and financial risks associated with early-stage companies. The Group will face risks frequently encountered by pre-revenue companies looking to bring new medical devices to the market. For the foreseeable future, the Group will have significant reliance upon the success of the CIZ1B biomarker in the detection of lung cancer. There is no guarantee that the Group's intellectual property will ultimately result in a commercially viable test for the detection of lung cancer. It is also possible that technical and/or regulatory hurdles could lengthen the time required for the delivery of such a testing product.

The Group's prospects, inter alia, rest initially upon the rate of consumer penetration for its test for the early detection of lung cancer, once fully developed. The Group's future growth and prospects will also depend on its ability to secure commercialisation partnerships on appropriate terms, to manage growth and to expand and improve operational, financial and management information, quality control systems and its commercialisation function on a timely basis, whilst at the same time maintaining effective cost controls. Any failure to expand and improve operational, financial and management information and quality control systems in line with the Group's growth could have a material adverse effect on the Group's business, financial condition and results of operations.

Regulatory environment and the process for obtaining a CE marking or a 510(k) clearance
The Group's prospective future products will be subject to various laws, regulations and standards in each of the jurisdictions in which products are to be manufactured and distributed.

While the Board intends to develop the CIZ1B biomarker test to a point at which UKCA, CE Marking, LDT or FDA 510(k) clearance will be sought, there can be no guarantee that the Group's future products will ultimately obtain UKCA, CE marking, LDT or FDA 510(k) clearance. There can also be no guarantee that future UKCA, CE marking, LDT or FDA 510(k) clearance can be obtained within the timescales or the budgets anticipated by the Directors. The Group intends to pursue UKCA, CE marking approval, LDT accreditation or FDA 510(k) clearance via the use of retrospective testing data. However, if retrospective testing data is not sufficient to obtain UKCA, CE marking approval, LDT accreditation and/or FDA 510(k) clearance, then the Group may need to complete a prospective study, which it is anticipated would be more expensive and would take longer.

Any other potential delays in obtaining the UKCA CE marking approval, LDT accreditation or potentially FDA 510(k) clearance would adversely affect the timing of the Group's future product sales into the EU (or the USA in the case of a LDT or FDA 510(k) clearance). There is no guarantee that there will not be an extended period of requests for information or supporting data that could add to the timing for receiving the UKCA/CE mark (or potentially a LDT or FDA 510(k) clearance).

There are significant uncertainties associated with the exit by the UK from its membership of the European Union. Since 1 January 2021, there have been a number of changes, introduced through secondary legislation, to how medical devices are placed on the market in Great Britain (England, Wales and Scotland). These are:

- CE marking will continue to be recognised in Great Britain until 30 June 2023;
- certificates issued by EU-recognised Notified Bodies will continue to be valid for the Great Britain market until 30 June 2023;
- the EU no longer recognises UK Notified Bodies;

**Principal risks and uncertainties (continued)**

• UK Notified Bodies are not able to issue CE certificates (other than for the purposes of the "CE UKNI" marking, which is valid in Northern Ireland) – and have become UK Approved Bodies.
• a new route to market and product marking is available for manufacturers wishing to place a device on the Great Britain market;
• since 1 January 2021, all medical devices, including in vitro diagnostic medical devices (IVDs), placed on the Great Britain market need to be registered with the MHRA. There is a grace period for registering:
- Class IIIs and Class IIb implantables, and all active implantable medical devices and IVD List A products must be registered from 1 May 2021;
- other Class IIb and all Class IIa devices and IVD List B products and Self-Test IVDs must be registered from 1 September 2021;
- Class I devices, custom-made devices and general IVDs (that do not currently need to be registered) must be registered from 1 January 2022; and

• manufacturers of Class I devices, custom-made devices and general IVDs that, prior to 1 January 2021, were required to register their devices with the MHRA (i.e. UK-based manufacturers or third country manufacturers with Northern Ireland-based Authorised Representatives) must continue to register their devices from 1 January 2021 on the same basis as they do now rather than in line with the above dates.

The Group's lung cancer blood test will likely be classed as an IVD List B product.

It is anticipated that the MHRA wishes to strengthen regulation to protect patients post-Brexit. Changes to regulation could lead to potential delays in obtaining the UKCA CE marking approval, LDT accreditation or potentially FDA 510(k) clearance and there can be no guarantee that the Group's future products will ultimately obtain UKCA, CE marking, LDT or FDA 510(k) clearance or that future UKCA, CE marking, LDT or FDA 510(k) clearance can be obtained within the timescales or the budgets anticipated by the Directors. The Group will closely monitor changes to regulation brought about by the MHRA and work with the MHRA to try to ensure that the Group's products meet any changes in the standards.

On 21 October 2022, the MHRA announced a 12 month extension of the standstill period on the future Medical Device regime which is a substantial reform of the current framework. This is to ensure that the future regime is robust and reflects the detail required to avoid disruption to supplies, support innovation and enable safe access to Medical Devices for UK patients. It is anticipated that the new regulations will come into force in July 2024. This will provide additional time to develop the legislation and support system readiness.

There are possible further uncertainties as to the current and future fiscal, monetary and regulatory landscape in the UK. There is also uncertainty as to how, when and to what extent the continuing impact of Brexit, the COVID-19 pandemic, the ongoing armed conflict in Ukraine and potential low levels of economic growth, will have an impact more generally on the economy of the UK and the growth of various industries, consumer confidence, levels of investor activity and confidence in market performance.

The UK's exit from the EU may yet lead to a more complicated and uncertain process for obtaining regulatory clearance to market the Group's future products in the UK and the EU. In the event of such complications or delays in obtaining regulatory clearance for marketing in the UK or the EU, the Group will consider giving higher priority to compliance with the LDT and FDA 510(k) clearance process.

Following Brexit, the Group will need to comply with the Medical Devices (Amendment etc.) (EU Exit) Regulations 2019 if it is to market its future products in the UK.

Failure to comply with additional requirements as a result of regulatory change and/or failure to receive regulatory clearance may adversely impact the Company's ability to develop and market its products which in turn may have an adverse impact on the business of the Group.

Complex research and development processes

Certain elements of the reagents and other components which are planned to be used in the Group's test for lung cancer are complex and bespoke in their nature and may be difficult to reproduce in an optimised manner. Any unexpected delays or issues with this process may have an impact on the Group's anticipated development and commercialisation strategy and its timeline.

### Principal risks and uncertainties (continued)

Competition and the pace of development in the healthcare industry
The Directors are aware of a number of competitor companies which are seeking to develop, commercialise or market alternative types of tests for the detection of cancer, including lung cancer. Certain competitors already have UKCA, CE of FDA 510K marking for lung cancer detection products. Existing or new competitors may have larger resources, greater market presence, economies of scale or a lower cost base than the Group. Diagnosis of lung cancer needs to be made at a much earlier stage through the availability of an accurate in vitro diagnostic test. This is being addressed by a number of different technologies to the Group, for example autoantibody technology and tests on circulating DNA including those based on single nucleotide polymorphisms (SNPs) and gene panels. It is therefore possible that the market may evolve and other tests and companies may provide alternative solutions. Few tests are aimed at early detection (cancer stages 1 and 2) or on reducing significantly the number of false positives achieved via CXT and chest CT scans. While many blood tests to detect tumour markers are available or under development, many are hampered as markers may also be produced by normal cells. In contrast, the Group's test is based on tumour-specific technology.

The Group operates within the biotechnology sector, a complex area of the healthcare industry. Rapid scientific and technological change within the biotechnology sector could lead to other market participants creating approaches, products and services equivalent or superior to the diagnostic testing products and services than those to be offered by the Group, which could adversely affect the Group's performance and success. Better resourced competitors may be able to devote more time and capital towards the research and development process, which, in turn, could lead to scientific and/or technological breakthroughs that may materially alter the outlook or focus for markets in which the Group will operate.

If the Group is unable to keep pace with the changes in the biotechnology sector and in the wider healthcare industry, the demand for its prospective future testing platforms and associated products and services could fall, which may have a material adverse effect on the Group's business, financial condition, capital resources, results and/or future operations. In addition, certain of the Group's competitors may have significantly greater financial and human resource capacity and, as such, better manufacturing capability or sales and marketing expertise. New companies with alternative technologies and products may also emerge. Any of these events may have a material adverse effect on the Group's business, financial condition, capital resources, results and/or future operations.

Attraction and retention of key management and employees
The successful operation of the Group will depend partly upon the performance and expertise of its current and future management and employees. The loss of the services of certain of these members of the Company's key management, particularly Professor Dawn Coverley and Dr Allan Syms or the inability to identify, attract and retain a sufficient number of suitably skilled and qualified employees may have a material adverse effect on the Group.

Complex research and development processes
Certain elements of the reagents and other components which are planned to be used in the Group's test for lung cancer are complex and bespoke in their nature and may be difficult to reproduce in an optimised manner. Any unexpected delays or issues with this process may have an impact on the Group's anticipated development and commercialisation strategy and its timeline.

Ownership and protection of intellectual property rights
The Group's ability to compete will depend in part upon the successful protection of its intellectual property, in particular its patents and know-how. The Group seeks to protect its intellectual property through the filing of patent applications, as well as robust confidentiality obligations on its employees. Filing, prosecuting and defending patents in all countries throughout the world would be prohibitively expensive. It is possible that competitors will use the technologies in jurisdictions where the Group has not yet obtained patent protection in order to develop its own products which will then directly compete against the Group's product.

### Principal risks and uncertainties (continued)

Future product liability risks
The Group's future business may expose it to potential product liability and indemnity risks. There can be no assurance that the necessary insurance cover will be available to the Group at a commercially acceptable cost or that, in the event of any claim, the level or extent of insurance carried by the Group now or in the future will be adequate, or that a product liability or other claim would not materially and adversely affect the business of the Group.

Lack of manufacturing process
The Group currently has no manufacturing process. Future manufacturing process will be outsourced to a partner specialising in manufacture. These arrangements usually provide for an adequate volume of manufacturing capability. No assurance can be given that a future manufacturing partner (i) can be found to provide a product on commercially acceptable terms and (ii) will achieve and sustain the production yields required to meet the Group's future customers' demand for the Group's products; in either case this could have a material and adverse effect on the Group's business.

Future funding requirements
It was noted in the Prospectus announced in September 2022 to raise £0.5m of funds and a £0.5m equity facility that the Group will have sufficient financial recourses to conduct its planned activities and cover its general operating costs and overheads for at least 18 months from the date of this Prospectus. Thereafter, the Company will need to raise additional funding should it wish to undertake development of additional future products beyond the core offering currently being contemplated and to further fund the corporate and operational overhead of the business, which is likely to remain pre-revenue at this point. The Company has budgeted for all near and short-term activities and plans, however in the longer term the potential for further research, development and production plans and additional initiatives may arise, which are beyond the scope of the Group's current planned activity and which may require additional financing which may not be available to the Group when needed, on acceptable terms, or at all. If the Company is unable to raise additional capital when needed or on suitable terms, the Group could be forced to delay, reduce or eliminate future plans or aspirations should the current activity deliver potentially commercially viable results in the future. Any additional equity fundraising to finance opportunities arising may be dilutive for Shareholders. Any debt-based funding, should it be achievable, may bind the Group to restrictive covenants and curb its operating activities and ability to pay potential future dividends even when profitable. Finally, changes in interest rates could have an adverse impact on the Group's business by increasing the cost of capital and may negatively impact the Group's ability to secure financing on favourable terms.

Timely completion of project milestones to commercialise the Group's technology
The Company must meet project milestones in order to commercialise its technology in line with market expectations and to ensure that its first product reaches the market at the most appropriate time to maximise the market opportunity. The Directors continually review project milestones and action to be undertaken at monthly operational and board meetings but no guarantee can be given that such milestones shall be achieved on time or at all. Material delays to project delivery may, among other things, damage relationships with key suppliers and other business partners and may risk other market entrants building market share which may have an adverse effect of the Group's business. Delays in meeting project milestones may also delay the Company from generating potential revenue from licensing and current royalty deals.

Economic uncertainty
There are significant uncertainties as to the current and future fiscal, monetary and regulatory landscape in the UK. Economic and global political uncertainty, including the continuing impact of Brexit, the COVID-19 pandemic, the ongoing armed conflict in Ukraine and potential low levels of economic growth, are likely to put cost pressures on services which the Group requires for both research, development and professional advisory. The Company will continue to negotiate fixed price contracts with its professional advisors, however such contracts will need to be renewed and renegotiated periodically. In addition new adviser contracts may need to be entered into from time to time, most likely on a project to project basis. In each case, fixed prices may be higher than those prices paid by the Company in the past.

## Strategic Report for the year ended 31 December 2022 (continued)

### Key performance indicators (KPI's)

The directors have identified the following KPI's that they feel are the most vital measurements for the Group to monitor given its current stage of development. These KPI's are considered at each board and monthly operational meeting.

Cash management
The directors consider the cash flows for the previous month and the updated rolling cash flow forecast for the Group. At 31 December 2022 the Group had cash balances amounting to £478,000 (2021: £875,000) and no borrowings.

Intellectual Property
Each month the directors review the Group's Intellectual Property Portfolio and the applications and renewals required to maintain this portfolio.

The Group's patent portfolio currently includes:

- CIZ1 Replication Protein
- Methods and Compounds for diagnosis and treatment of cancer; and
- Use of a Fibrinogen Capture Agent to detect a CIZ1B variant.

### Diversity

The Group is committed to workplace diversity which includes but is not limited to gender, age, ethnicity and cultural background. The Group's only employees are the directors, which consists of three men and one woman.

### Corporate Responsibility

The Group consists of four directors who all work from their homes and one director also works at the University of York. As we undertake our research and development activities and manage the affairs of the business and develop our plans for the future our business practices focus on the following areas:

- Health and Safety, and ensuring that all of our employees operate in a safe environment;
- Environment, managing our environmental impact in areas of waste, energy and water;
- Employee support, to ensure that all employees flourish;
- Ethical Standards, operating at the highest level in all business dealings.

Whist our current levels of engagement do not enable much engagement with the local community, we wish, as our business grows, to have positive interaction with the communities in which we operate.

### Climate-Related matters

There is limited scope for the Group to have a major impact on environmental manners but we do attempt to minimise the amount of travel that we undertake and take actions to undertake recycling and energy conservation in our daily activities.

Most of the Group's current activity is that of research and development that is carried out at the University of York of with subcontractors that are undertaking specific tasks for the Company. Accordingly, the governance of climate related matters is considered at board meetings if any matters were to arise. No climate risks have currently been identified other than the minimisation of travel as already noted.

The Company will consider in the future whether a separate committee will be required to consider environmental matters once the Company has a product that it can sell. When the Company reaches this stage there will be risks to deal with in terms of :

- Sustainable packaging;
- Creating an environmentally friendly distribution network; and
- Considering whether the product could be recyclable.

The Company is unable to develop any environmental metrics and targets until a product has been created.

## Strategic Report for the year ended 31 December 2022 (continued)

### Promotion of the Company for the benefit of the Members as a whole

S172 of the Companies Act 2006 requires the Board to promote the Company for the benefit of the members as a whole. In particular, the requirements of s172 are for the Directors to:

- Consider the likely consequences of any decision in the long term;
- Act fairly between the members of the Company;
- Maintain a reputation for high standards of business conduct;
- Consider the interests of the Company's employees;
- Foster the Company's relationships with suppliers, customers and others; and
- Consider the impact of the Company's operations on the community and the environment.

The directors have strived to ensure that these considerations are embedded within its decision-making process.

### Decision-making

The day to day operation decisions of the Group have been made by the executive directors. All key decisions of the Group have been made at board meetings involving all directors.

The Directors believe that during the year they have acted in the way most likely to promote the success of the Company for the benefit of its members as a whole and have adhered to the requirements set out above that are applicable to the Company given its scope of operations. For example, the Company, does not have any employees other than the directors, so considering employee interests is not currently relevant.

The principal decisions taken by the Group during the year ended 31 December 2022 and since the year end have been summarised in the Chair's Statement on pages 2 to 4 and are summarised as follows:

| **Decision: to raise new monies for the Company to ensure a sound financial base**. |
|---|
| <u>Context</u><br>In September 2022 the Company completed a fund raising providing gross proceeds of £500,000 by way of a subscription for its shares and secured a £500,000 facility to draw down on further funds for a term of 18 months, if required.<br><br>In December 2022 the Company raised net proceeds, before expenses, of £115,000 (gross proceeds: £118,000) to fund the purchase of an option (cost £120,000) to sell its AZD1656 assets as explained below.<br><br><u>Stakeholder considerations (Shareholders)</u><br>The raising of new finance ensures that the Company has a sound financial platform from which to develop the Group's activities. |

## Strategic Report for the year ended 31 December 2022 (continued)

### Promotion of the Company for the benefit of the Members as a whole (continued)

| **Decision: to build a portfolio of early cancer detection tests, companion diagnostics and royalty bearing stakes in significant drug assets whilst also creating an option to realise these investments in the short-term.** |
|---|
| <u>Context</u><br>The Group currently does not have any trading revenues and wishes to a build a portfolio of income streams from a variety of early cancer detection tests.<br>- On 14 February 2022 the Group announced a royalty acquisition agreement with Conduit and SGSC to acquire a 5% economic interest in the commercialisation of the AZD1656 asset or such other assets being developed by Conduit or SGSC to treat inflammatory pulmonary and cardiovascular disease, for total consideration of £1.88m.<br>- In December 2022 the Company announced that it had agreed a put option to sell: (i) its 5% economic interest in the commercialisation of the AZD 1656 asset to treat inflammatory pulmonary and cardiovascular disease (the “Economic Interest”); and (ii) its royalty sharing agreement with St George Street Capital (“SGSC”), the UK-based biomedical charity (the “Royalty Sharing Agreement’) to Conduit Pharmaceuticals Limited (“Conduit”) for a total consideration of £3.25 million to be satisfied through the issuance of new shares in Conduit (the “Option”).<br><br><u>Stakeholder considerations (Shareholders)</u><br>The investment in SGSC’s therapeutic asset AZD 1656 provides an opportunity for the Group to earn additional revenues, from an additional source of income, other than its proposed test for the early detection of lung cancer. The purchase of a put option also creates the possibility of realising this investment at a profit. |

| **Decision: to enhance its research and development capabilities** |
|---|
| <u>Context</u><br>The Group is developing a blood test for the early detection of lung cancer. Its proof of concept prototype test is based on the ability to detect a stable plasma biomarker, a variant of CIZ1 known as CIZ1B. CIZ1 is a naturally occurring cell nuclear protein involved in DNA replication, and the targeted CIZ1B variant is highly correlated with early-stage lung cancer. Currently the laboratory test developed by Professor Dawn Coverley at The University of York, has been used to validate the use of CIZ1B to detect lung cancer, and a proof of concept prototype test developed, which is compatible with potential use within a hospital laboratory setting.<br><br>- On 11 April 2022 a new 12 month research agreement was signed with the University of York, a member of the Russell Group of research-intensive universities and one of the world’s premier institutions for inspirational and life-changing research, for the development of potential applications in cancer diagnosis and therapy. This new agreement, commencing for a period of 12 months from 25 June 2022, follows the successful programme announced on 17 September 2021 for the development and validation of molecular tools with potential application in cancer diagnosis or therapy, and their configuration into assays for Cizzle’s proprietary cancer biomarker variants. Cizzle will own all intellectual property rights arising from the work which strengthens the Company’s position in creating new solutions for early cancer diagnostics and therapeutic tools.<br><br><u>Stakeholder considerations (Shareholders)</u><br>The decisions taken have enhanced the Group’s research and development capabilities. |

## Strategic Report for the year ended 31 December 2022 (continued)

### Promotion of the Company for the benefit of the Members as a whole (continued)

**Decision: to spread the global reach of the Group's technology to Global markets where there is much need for the use of the early detection of lung cancer tests.**

<u>Context</u>

One of the target markets identified for the Group is in China where we are aware there are serious challenges in being able to detect cancer early, and there is a great need for screening and diagnosing cancers among the Chinese population. Targeted testing can improve timely access to cancer care and save lives.

Lung cancer is the leading cause of cancer death in the USA, making up almost 25% of all cancer deaths.

- **China.** On 1 February 2022 a full commercial agreement with International Co-Innovation Center for Advanced Medical Technology (iCCAMT) and Shenzen Intelliphecy Life Technologies Co. Ltd was executed to develop and market early lung cancer diagnostic tests in China. This agreement will generate future revenues for the Group via a 10% royalty on the sales of all products and services using its proprietary CIZ1B technology and from payment for monoclonal antibodies and reagents.
- **USA.** On 6 May 2022 the Group announced that it had signed a heads of terms to partner with CorePath Laboratories (CorePath), a full service cancer reference laboratory, to develop and offer its proprietary early-stage lung cancer test throughout the USA. The proposal is that the Group would receive a 15% royalty and royalty sharing arrangements on the direct offering of products and services using CIZ1B via CorePath in the USA. On 16 June 2022 a marketing agreement was signed with Behnke Group, USA, to promote, identify and facilitate partnerships for Cizzle with healthcare providers and businesses in the USA.

<u>Stakeholder considerations (Shareholders)</u>

The decisions taken so far enhance the Group's Global future revenue streams whilst minimising the amount of investment required to reach these potential markets.

This report was approved by the board on 26 April 2023 and was signed on its behalf by:

**Allan Syms**
**Director**

## Directors' Report for the year ended 31 December 2022

The directors present the annual report and audited financial statements for the year ended 31 December 2022.

**Principal activity, business review and future developments**

On 14 May 2021, the Company's ordinary shares were admitted to the Standard-Listing of the London Stock Exchange. Also on that date, the Company completed the reverse acquisition of CBL.

The Group's principal activity since 14 May 2021 has been the early detection of lung cancer via the development of an immunoassay test for the CIZ1B biomarker. For the period to 14 May 2021 the Company was a holding company that was an AIM Rule 15 cash shell seeking a new investment.

The Statement of Group Comprehensive Income is set out on page 37. A review of the Group's trading during the year, its position at the year-end, post balance sheet events, and its prospects for the future are set out in the Chair's Statement and the Strategic Report.

**Dividends**

No dividend is proposed in respect of the year (2021: £Nil).

**Financial risk management**

Information in respect of financial risk management objectives and policies, exposure to price, credit, liquidity and cash flow risks, and current trading and trading outlook for the Company are outlined in Note 4.

**Directors**

The directors of the Company who served during the year are listed below:

| **Directors** | **Function** |
|---|---|
| Allan Syms | Executive Chair |
| Nigel Lee | Finance Director |
| Dawn Coverley | Non-Executive Director |
| John Treacy | Non-Executive Director |

**Board Responsibility and Corporate Governance Statement**

The Board is responsible for approving the interim and annual financial statements, formulating and monitoring the Group's strategy, approving financial plans and reviewing performance, as well as complying with legal, regulatory and corporate governance matters. The Board is committed to maintaining appropriate standards of corporate governance and, as detailed below on page 18, has concluded that it will adopt the Quoted Companies Alliance's Corporate Governance Code.

**Employees**

At 31 December 2022 the total number of employees in the Company comprised of 4 employees (2021: 4), who were all directors.

The Group's employment policies are designed to attract, retain and motivate the very best staff for each role in the Group, recognising that this can only be achieved through equal opportunities regardless of gender, race, religion or disability. Regular meetings were held by the directors to discuss the performance of the Group as a whole. Financial and economic factors were dealt with in this context. Information concerning employees and their remuneration is given in Note 8.

### Capital structure

Details of the issued share capital are set out in Note 14. On recognition of the reverse takeover of CBL on 14 May 2021 the Group had 3 classes of share:

- New Ordinary Shares of 0.01p each.
- Deferred 'A' shares of 0.01p each.
- Deferred 'A' Shares of 0.99p each.

None of these shares have any rights to fixed income and only new ordinary shares carry the right to one vote per share at general meetings of the Company.

There are no specific restrictions on the size of a holding or on the transfer of New Ordinary Shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

Details of employee share option schemes are set out in Note 14. During the year ended 31 December 2022, 3,689,096 options were exercised.

No person has any special right of control over the Company's share capital and all issued shares are fully paid.

The appointment and replacement of directors of the Company is governed by its Articles of Association, the Companies Act 2006 and related legislation. The Articles themselves may be amended by special resolution of the shareholders. The current Articles have been in place for some years and are in the process of being reviewed and updated. It is anticipated that updated articles will be proposed for approval at the forthcoming Annual General Meeting.

### Donations

No charitable or political donations were made during the year (2021: £Nil).

### Share issues

Details of shares issued during the year are set out in Note 14.

### Going concern

The Directors have adopted the going concern basis in preparing the financial statements for the year to 31 December 2022 (see Note 2.2). In reaching this conclusion, the Directors have considered for the Company, current trading and the current and projected funding position for the period of just over 12 months from the date of approval of the financial statements through to 30 April 2024 . The Company, as anticipated in the Company's Prospectus announced on 22 September 2022, will need to raise additional funding should it wish to undertake development of additional future products beyond the core offering that is mentioned in this Prospectus and to further fund the corporate and operational overhead of the business. The forecasts have been prepared using two scenarios – a realistic one that assumes expected levels of income and a pessimistic one that assumes a reduced level of income and delays in accelerated research and development expenditure. Both forecasting scenarios show that the Group continues to be a going concern. The directors have concluded that the Group has sufficient funds and undrawn facilities (£500,000) in order to meet its committed liabilities as they fall due for the foreseeable future.

### Post balance sheet events

On 7 March 2023 the Company announced director salary increase waivers and the award of share options. In conducting a review of director remuneration, the Company’s remuneration committee was of the view that the Company’s directors’ salaries are currently below market comparables. However, even in a period of high inflation, the directors remain fully committed to maintaining low overheads and maximising the funds available to the Company for the development of its CIZ1B early lung cancer test. The directors have therefore agreed to waive any increase in basic salary for a period of two years from 3 March 2023. In compensation, and subject to shareholder approval at the next Annual General Meeting of the Company, the Company has conditionally granted share options over new ordinary shares in the Company (the “Options”) to the directors, with an exercise price equivalent to the volume weighted average price of the Company’s ordinary shares for the month of February 2023 at 2.19376p per share. 50% of the Options will vest and become exercisable after the 12-month anniversary of grant; the remaining 50% shall vest and become exercisable on the 24-month anniversary of grant. The Options will have a 10 year life from the date of grant and are subject to good and bad leaver provisions. The Options are unapproved for the purposes of the enterprise management incentive and have been granted outside of, and in addition to, grants made under the Company’s existing share option schemes.

On 5 January 2023 the Company issued 7,371,557 ordinary shares of 0.01p each for a price of 1.6p per share to fund the purchase of a Put Option to dispose of AZD1656 assets referred to in Note 11. At 31 December 2022 the Company had received £115,000 ( net of share issue costs) in relation to this share issue (gross proceeds: £118,000).

On 24 April 2023 the Group announced a further extension of its research and development contract with the University of York until 25 September 2024.

### Disclosure of information to auditor

The directors who held office at the date of approval of this Directors’ report confirm that, so far as they are aware, there is no relevant audit information of which the Company’s auditor is unaware; and each Director has taken all steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company’s auditor is aware of that information.

### Auditor

The existing auditors of the Company are PKF Littlejohn LLP and a resolution for their re-appointment will be put to the Annual General Meeting.

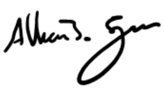
### Annual General Meeting

The Annual Report is made available to shareholders at least 21 clear days’ notice before the Annual General Meeting (“AGM”) along with the notice of the AGM. Shareholders are given the opportunity to vote on each separate resolution proposed at the AGM. The Company counts all proxy votes and will indicate the level of proxies lodged for each resolution, after it has first been dealt with by a show of hands.

### Website publication

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company’s website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company’s website is the responsibility of the Directors. The Directors’ responsibility also extends to the ongoing integrity of the financial statements contained therein.

Approved by the Board of Directors and signed by order of the Board



**Allan Syms**
**Director, 26 April 2023**

## Statement of Directors' Responsibilities

The directors are responsible for preparing the strategic report, the directors' 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 and Company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with UK-adopted international accounting standards, 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 Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and 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 Financial Statements, taken as a whole is fair, balanced and understandable and provides the information necessary for the shareholders to assess the Group and Company's position and performance, business model and strategy.

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

Each of the Directors, whose names and functions are listed on page 1, confirm that, to the best of their knowledge and belief:

- the financial statements prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and loss of the Group and Company; and
- The Annual Report and financial statements, including the Business review, includes a fair review of the development and performance of the business and the position of the Group and Parent Company, together with a description of the principal risks and uncertainties that they face.

## Corporate Governance Statement

The Directors recognise the importance of sound corporate governance. The directors continue to adopt the Quoted Companies Alliance's Corporate Governance Code ("the QCA Code"). In addition, the Directors have adopted a code of conduct for dealings in the shares of the Company by directors and employees and are committed to maintaining the highest standards of corporate governance. During 2022 Allan Syms has continued as Executive Chair of the Company.

The corporate governance arrangements that the Board has adopted are designed to ensure that the Company delivers long term value to its shareholders and that shareholders have the opportunity to express their views and expectations for the Company in a manner that encourages open dialogue with the Board. The Board recognises that their decisions regarding strategy and risk will impact the corporate culture of the Company as a whole and that this will impact the performance of the Company. The Board is very aware that the tone and culture set by the Board will greatly impact all aspects of the Company as a whole and the way that employees behave.

The Company's activities have been focussed on taking forward the research and development activities of the Group that have been developed over many years by Professor Dawn Coverley and her team at The University of York. The Company is committed to respectful dialogue with its suppliers, partners and potential customers. It is a crucial part of the Company to have sound ethical values and behaviours in its undertakings to successfully achieve its corporate objectives.

The Board places great importance on this aspect of corporate life and seeks to ensure that this flows through all that the Company does.

The Board currently consists of two executive and two non-executive directors and does not have a CEO. The Board continues to consider whether it would be appropriate to seek to appoint additional non-executive and/or executive directors but at this time believes that appropriate oversight of the Company is provided by the currently constituted Board. This view will continue to be reviewed by the Board.

**John Treacy**
**Non-Executive Director**

## Corporate Governance Statement (continued)

The QCA Code sets out 10 principles which should be applied. These are listed below together with a short explanation of how the Company applies each of the principles. Where the Company does not fully apply each principle an explanation as to why has also been provided:

***Principle One–- Business Model and Strategy***
The Board's strategy during 2022 has been able to continue with its research and development activity and in particular had adopted a strategy of developing CBL's prototype test into a commercial, CE marked and/or FDA 510(k) cleared diagnostic immunoassay that can be readily performed as a sufficiently reliable test in a hospital setting.

***Principle Two–- Understanding Shareholder Needs and Expectations***
The Board is committed to maintaining good communication and having constructive dialogue with its shareholders. Institutional shareholders and analysts have the opportunity to discuss issues and provide feedback at meetings with the Company. In addition, all shareholders are encouraged to attend the Company's Annual General Meeting. Investors also have access to current information on the Company though its website, https://cizzlebiotechnology.com and via Allan Syms, Non-Executive Chair who is available to answer investor relations enquiries through IFC Advisory Limited (cizzle@investor-focus.co.uk).

***Principle Three–- Stakeholder Responsibilities***
The Board recognises that the long-term success of the Company is reliant upon the efforts of the employees of the Company and its contractors, suppliers and regulators. The Board has put in place a range of processes and systems to ensure that there is close Board oversight and contact with its key resources and relationships. Currently the directors of the Company are the Group's only employees but it has systems in place whereby the effectiveness of the board is reviewed and discussed.

***Principle Four–- Risk Management***
In addition to its other roles and responsibilities the Audit and Compliance Committee is responsible to the Board for ensuring that procedures are in place, and are being effectively implemented to identify, evaluate and manage the significant risks faced by the Company. The risk assessment matrix below sets out those risks, and identifies their ownership and the controls that are in place. This matrix is updated as changes arise in the nature of risks or the controls that are implemented to mitigate them. The Audit Committee reviews the risk matrix and the effectiveness of scenario testing on a regular basis. The following principal risks, and controls to mitigate them, have been identified during 2022:

| Activity | Risk | Impact | Control(s) |
|---|---|---|---|
| Financial | Pre-revenue business | Revenues are not generated to support the development and commercialisation of the Group's technology. | Regular appraisal of project milestones. |
| Healthcare Industry | Pace of development in the healthcare industry | The Group's technology may be superseded by other competitor technologies. | Continual monitoring of competitor products and alternative solutions. |
| Management and employees | Retention of key staff | The loss of key members of staff could have an adverse impact on the pace of development. | Ensuring that key employees have incentives to ensure that they do not wish to leave. |
| Research and Development | Complex processes . | Additional costs if development takes longer than anticipated. | Regular appraisal of project milestones and consideration of a variety of strategies. |
| Patents and other intellectual property rights (IPR) | Infringement of other patents, IPR | Additional costs of defending any IPR claims and/or delays/ additional costs in current programme of research and development. | Regular monitoring of third party patents/ IPR with patent advisers. |

## Corporate Governance Statement (continued)

***Principle Four–- Risk Management (continued)***

The Company has already established procedures, as represented by this and previous years' statements, for the purpose of providing a system of internal control. In addition, there were a range of Company policies that were reviewed at least annually by the Board and a programme of training and then confirmation of understanding that all employees of the Company were required to undertake each year. These Company policies covered matters such as share dealing, insider legislation and expenses. The directors consider that an internal audit function is not considered necessary or practical due to the size of the Company and the close day to day control exercised by the directors. The directors will continue to monitor the need for new systems of internal control and an internal audit function.

The annual review of internal control and financial reporting procedures did not highlight any issues warranting the introduction of an internal audit function.

***Principle Five–- A Well-Functioning Board of Directors***

During 2022 the composition of the board has been two executive directors and two non-executive directors. Allan Syms is Executive Chair and Nigel Lee is the Finance Director. The non-executive directors have continued to be John Treacy and Professor Dawn Coverley. The time commitment formally required by the Company is an overriding principal that each director will devote as much time as is required to carry out the roles and responsibilities that the director has agreed to take on. All directors of the Company are part-time. Biographical details of the current directors are set out on page 5.

Executive and non-executive directors are subject to re-election intervals as prescribed in the Company's Articles of Association. At each Annual General Meeting one-third of the Directors, who are subject to retirement by rotation shall retire from office. They can then offer themselves for re-election. The letters of appointment of all directors are available for inspection at the Company's registered office during normal business hours.

The Executive Chair and Finance Director both receive a salary for their services as a director which is approved by the Board, being mindful of the time commitment and responsibilities of their roles and of current market rates for comparable organisations and appointments. They are also reimbursed for travelling and other incidental expenses incurred on Group business.

The Non-Executive Directors receive payments under appointment letters which are terminable by three months' notice by either party.

The Board encourages the ownership of shares in the Company by Executive and Non-Executive Directors alike and in normal circumstances does not expect Directors to undertake dealings of a short-term nature. The Board considers ownership of Company shares by Non-Executive Directors as a positive alignment of their interest with shareholders. The Board will periodically review the shareholdings of the Non-Executive Directors and will seek guidance from its advisors if, at any time, it is concerned that the shareholding of any Non-Executive Director may, or could appear to, conflict with their duties as an independent Non-Executive Director of the Company or their independence itself. Directors' emoluments, including Directors' interest in share options over the Company's share capital, are set out in Note 14.

The Board has established that it will meet on at least 6 times throughout the year. It has established an Audit Committee and a Remuneration Committee, particulars of which appear hereafter. The Board agreed that appointments to the Board are made by the Board as a whole and so has not created a Nominations Committee.

### *Principle Five–- A Well-Functioning Board of Directors (continued)*

**Attendance at Board and Committee Meetings**
The Board retains full control of the Company with day-to-day operational control delegated to Executive Directors. The full Board meets at least every other month and on any other occasions it considers necessary. During 2022 there were sixteen Board meetings, one Remuneration Committee meeting and one Audit Committee meeting.

### *Principle Six–- Appropriate Skills and Experience of the Directors*

***Directors who served during 2022:***

Throughout 2022 the executive directors have been Allan Syms (Executive Chair) and Nigel Lee (Finance Director). The Non-Executive directors have been John Treacy (specialising in corporate governance, capital markets, legal matters) and Professor Dawn Coverley (cell biologist and expert in cancer related research).

The current directors of the Company are as follows are detailed on page 5.

### *Principle Seven–- Evaluation of Board Performance*

Internal evaluation of the Board, the Committee and individual directors is seen as an important next step in the development of the Board and one that will be addressed during 2023. The aim is that this will be undertaken on an annual basis in the form of peer appraisal, questionnaires and discussions to determine the effectiveness and performance in various areas as well as the directors' continued independence.

### *Principle Eight–- Corporate Culture*

During 2022, the Board recognised that their decisions regarding strategy and risk will impact the corporate culture of the Company as a whole and that this will impact the performance of the Company. The Board is very aware that the tone and culture set by the Board will greatly impact all aspects of the Company as a whole and the way that employees behave. A large part of the Company's activities was centred upon addressing customer and market needs. Therefore, the importance of sound ethical values and behaviours is crucial to the ability of the Company to successfully achieve its corporate objectives. The Board places great importance on this aspect of corporate life and seeks to ensure that this flows through all that the Company does. The Board assessment of the culture within the Company at the present time is one where there is respect for all individuals and there is open dialogue within the Company.

### *Principle Nine–- Maintenance of Governance Structures and Processes*

Ultimate authority for all aspects of the Company's activities rests with the Board. The Board has adopted a Financial Position and Prospects Board Memorandum which summarises financial reporting procedures and establishes procedures to ensure that it meets all regulatory requirements for accounting, financial reporting and related obligations. This includes matters which are reserved to the Board and the division of responsibilities between the executive and non-executive directors. The Chair is responsible for the effectiveness of the Board.

## Corporate Governance Statement (continued)

### *Audit Committee*

During 2022 the Audit Committee has consisted of John Treacy (Chair) and Professor Dawn Coverley. It meets as required and specifically to review the Interim Report and Annual Report, and to consider the suitability and monitor the effectiveness of internal control processes. There was one meeting of the Audit Committee during 2022. The Audit Committee also reviews the findings of the external auditor and reviews accounting policies, material accounting judgements and risk and control framework.

The independence and effectiveness of the external auditor is reviewed annually. The possibility of undertaking an audit tender process is considered on a regular basis. The Company's policy is to ensure that the Company's audit is put out to render at least once in every 10 years. The Current auditors were appointed in respect of the Company's audit for the year ended 31 December 2018. At each Annual General Meeting a resolution is proposed for the re-appointment of auditors. There are no contractual restrictions existing on the choice of auditors. The Audit Committee meets at least once a year with the auditor to discuss their independence and objectivity, the Annual Report, any audit issues arising, internal control processes, appointment and fee levels and any other appropriate matters. The fees in respect of audit services are set out in Note 7.

### *Remuneration Committee*

During 2022 the Remuneration Committee has consisted of John Treacy (Chair) and Professor Dawn Coverley. The purpose of the Remuneration Committee is to ensure that the Executive Directors and other employees are fairly rewarded for their individual contribution to the overall performance of the Company. The Committee considers and recommends to the Board the remuneration of the Executive Directors and is kept informed of the remuneration packages of senior staff and invited to comment on these. There was one Remuneration Committee meeting during 2022. The Board retains responsibility for overall remuneration policy. The Remuneration Committee recommends to the Board the remuneration packages by reference to individual performance and uses the knowledge and experience of the Committee members, published surveys relating to similar companies and market changes generally. The Remuneration Committee has responsibility for recommending any long-term incentive schemes.

The Board determines whether or not Executive Directors are permitted to serve in roles with other companies. Such permission would only be granted on a strictly limited basis, where there are no conflicts of interest or competing activities and providing there is not an adverse impact on the commitments required to the Company. Earnings from such roles would be required to be disclosed to the Chair.

During 2022 there were two main elements of the remuneration package for Executive and Non-Executive Directors and former employees:

1. Basic salaries: Basic salaries are recommended to the Board by the Remuneration Committee, taking into account the performance of the individual and the rates for similar positions in comparable companies. No benefits in kind are currently available to Executive Directors.
2. Share options: The Company operates unapproved share option schemes for Executive Directors and some non-executive directors to motivate those individuals through equity participation. Exercise of share options under the schemes is subject to specified exercise periods and compliance with the Scheme Rules and the rules of the London Stock Exchange. The schemes are overseen by the Remuneration Committee which recommends to the Board all grants of share options based on the Remuneration Committee's assessment of personal performance and specifying the terms under which eligible individuals may be invited to participate. It is intended that the performance related elements of remuneration form a significant proportion of the total remuneration package of Executive Directors and be designed to align their interests with those of shareholders. In this development phase of the Company the Remuneration Committee currently considers that the best alignment of these interests is through the continued use of incentives for performance through the award of share options.

## Corporate Governance Statement (continued)

***Non-executive Directors***

The Board has adopted guidelines for the appointment of non-executive directors which have been in place and which have been observed throughout the year. These provide for the orderly and constructive succession and rotation of the non-executive directors insofar as they will be appointed for an initial term of three years and may, at the Board's discretion believing it to be in the best interests of the Company, be appointed for subsequent terms. In accordance with the Companies Act 2006, the Board complies with: a duty to act within their powers; a duty to promote the success of the Company; a duty to exercise independent judgement; a duty to exercise reasonable care, skill and diligence; a duty to avoid conflicts of interest; a duty not to accept benefits from third parties and a duty to declare any interest in a proposed transaction or arrangement.

***Principle Ten–- Shareholder Communication***

The Board is committed to maintaining good communication and having constructive dialogue with its shareholders. Institutional shareholders and analysts have the opportunity to discuss issues and provide feedback at meetings with the Company. In addition, all shareholders are encouraged to attend the Company's Annual General Meeting. Investors also have access to current information on the Company though its website, https://cizzlebiotechnology.com and via Allan Syms, non-executive Chair who is available to answer investor relations enquiries through IFC Advisory Limited (cizzle@investor-focus.co.uk).

## Directors' Remuneration Report for the year ended 31 December 2022

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

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

**Statement of Cizzle Biotechnology Holdings PLC Policy on Directors' Remuneration by the Chair of the Remuneration Committee**

As Chair of the Remuneration Committee, I have pleasure in introducing our Directors' Remuneration Report. One of the Remuneration Committee's aims is to provide clear, transparent remuneration reporting for our shareholders which adheres to the best practice corporate governance principles that are required for listed companies.

A key focus of the Directors' Remuneration Policy is to align the interests of the Directors to the long-term interests of the shareholders and aims to support a high-performance culture with appropriate rewards for meeting the Group's objectives without unnecessary risk-taking. This is underpinned through the operation of incentive plans.

<u>Key activities of the Remuneration Committee</u>

The key activities of the Remuneration Committee are to:

- determine and agree with the board the framework or broad policy for the remuneration of the Company's Chair and the executive directors including pension rights and compensation payments. The remuneration of non-executive directors shall be a matter for the board or the shareholders (within the limits set in the articles of association). No director or senior manager shall be involved in any decisions as to their own remuneration;

- recommend and monitor the level and structure of remuneration for senior management taking into account all factors which it deems necessary including relevant legal and regulatory requirements and the provisions and recommendations of the UK Corporate Governance Code (insofar as it applies to the Company) and other relevant guidance. These will be subject to annual review. The objective of such policy shall be to attract, retain and motivate the executive management of the Company without paying more than necessary. The remuneration policy bears in mind the Company's appetite for risk and be aligned to the Company's long term strategic goals. A significant proportion of remuneration should be structured so as to link rewards to corporate and individual performance and be designed to promote the long term success of the Company;

- review and have regard to the pay and employment conditions across the Company or Group, especially when determining salary increases;

- review the ongoing appropriateness and relevance of the remuneration policy;

- approve the design of, and determine targets for, any performance related pay schemes operated by the Company and approve the total annual payments made under such schemes;

- review the Company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;

- review the design of all share incentive plans for approval by the board and shareholders. For any such plans, determine each year whether awards will be made, and if so, the overall amount of such awards, the individual awards to executive directors, Company Secretary and other senior executives and the performance targets to be used;

- determine the policy for, and scope of, pension arrangements for each executive director and other senior executives;

Key activities of the Remuneration Committee (cont'd)

- determine the total individual remuneration package of the Chair, each executive director, the Company Secretary and other senior executives including bonuses, incentive payments and share options or other share awards;
- ensure that contractual terms on termination and any payments made are fair to the individual and the Company; that failure is not rewarded and the duty to mitigate loss is fully recognised; oversee any major changes in employee benefits structures throughout the Company or Group; and agree the policy for authorising claims for expenses from the directors;
- be responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration of consultants who advise the Committee;
- obtain reliable, up-to-date information about remuneration in other companies of comparable scale. The Committee shall have full authority to appoint remuneration consultants and to commission or purchase any reports, surveys or information which it deems necessary to help it fulfil its obligations within any budgetary restraints imposed by the board;
- consider such other matters as may be requested by the board of directors; and
- work and liaise as necessary with all other board committees.

Members

The Remuneration Committee comprises the following independent Non-Executive Directors:

| **Name** | **Position** | **Date of appointment to Committee** |
|---|---|---|
| John Treacy | Chair | 14 May 2021 |
| Prof. Dawn Coverley | Member | 14 May 2021 |

Remuneration Components

The Company remunerates directors in line with best market practice in the industry in which it operates. As the Group is currently a pre-revenue business the components of Director's Remuneration consists of:

- Base salaries
- Pension benefits
- Share incentive arrangements

These remuneration components will be reviewed at least annually by the Committee.

It is anticipated that once the Group becomes a revenue generating business that the following components of Directors Remuneration are likely to be appropriate:

- Other benefits
- Annual bonus

### Recruitment policy

Base salaries take into account market data for the relevant role, internal relativities, their individual experience and their current base salary. Where an individual is recruited at below market rates of remuneration, they may be re-aligned over a period of time, subject to their performance in their role.

### Service Agreements and Letters of Appointment

The Executive Directors' service agreements are summarised below:

| Executive Director | Date of service agreement | Initial term | Notice period by Company (Months) | Notice period by Director (Months) |
|---|---|---|---|---|
| Allan Syms | 14 May 2021 | 6 months | 6 | 6 |
| Nigel Lee | 14 May 2021 | N/a | 6 | 6 |

The Non-Executive Directors' service agreements are summarised below:

| Non-Executive Director | Date of service agreement | Initial term | Notice period by Company (Months) | Notice period by Director (Months) |
|---|---|---|---|---|
| John Treacy | 14 May 2021 | 3 years | 3 | 3 |
| Dawn Coverley | 14 May 2021 | 3 years | 3 | 3 |

Non-Executive directors are typically expected to serve two three-year terms but may be invited by the Board to serve for an additional period. Any term renewal is subject to Board review and AGM re-election.

### Remuneration of Executive Directors (audited)

The remuneration of the Executive Directors for the year ended 31 December 2022 was as follows:

| | Year ended 31 December 2022 | | | Year ended 31 December 2021 | | |
|---|---|---|---|---|---|---|
| **Executive Director** | **Basic salary £'000** | **Pension £'000** | **Total £'000** | **Basic salary £'000** | **Pension £'000** | **Total £'000** |
| Allan Syms | 90 | 3 | 93 | 70 | 1 | 71 |
| Nigel Lee | 36 | 1 | 37 | 22 | 1 | 23 |
| **TOTAL** | **126** | **4** | **130** | **92** | **2** | **94** |

### Share scheme interests of executive directors (audited)

The interests of the executive directors in share schemes are shown in the table below:

| Executive Director | Type of scheme | Share options at 31 Dec 2021 | Granted during the year | Lapsed or cancelled | Share options at 31 Dec 2022 | Date from which exercisable | Expiry date |
|---|---|---|---|---|---|---|---|
| Allan Syms | CSOP 21 | 5,068,956 | - | - | 5,068,956 | ** | 2 Nov 2031 |
| Nigel Lee * | CSOP 21 | 2,000,000 | - | - | 2,000,000 | ** | 2 Nov 2031 |
| | CSOP 17 | 500 | - | - | 500 | 9 Nov 2018 *** | 8 Nov 2027 |
| | CSOP 16 | 800 | - | - | 800 | 27 Oct 2017 *** | 26 Oct 2026 |
| | CSOP 15 | 300 | - | - | 300 | 25 May 2016 **** | 25 Aug 2025 |
| **TOTAL** | | **7,070,556** | **-** | **-** | **7,070,556** | | |

* Includes brought forward 1,600 beneficial interests in share options as director of CFO Solutions Limited.

** subject to achievement of certain Group objectives.

*** One-third of the total options vest on first, second and third anniversary from date of grant.

**** One third of the options vest on 25 May 2016, 25 February 2017 and 25 August 2017.

### Remuneration of Non-Executive Directors (audited)

The remuneration of the Non-Executive Directors for the year ended 31 December 2022 was as follows:

| | **Year ended 31 December 2022** | | | | | Year ended 31 December 2021 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Non-Executive Director** | **Basic salary £’000** | **Bonus £’000** | **Fees £’000** | **Pension £’000** | **Total £’000** | Basic salary £’000 | Bonus £’000 | Fees £’000 | Pension £’000 | Total £’000 |
| John Treacy | 30 | - | - | - | 30 | 30 | - | - | - | 30 |
| Dawn Coverley * | 40 | 104 | - | 1 | 145 | 25 | - | - | 1 | 26 |
| Martin Lampshire | - | - | - | - | - | - | - | 7 | - | 7 |
| **TOTAL** | **70** | **104** | **-** | **1** | **175** | 55 | - | 7 | 1 | 63 |

* As mentioned in the Company’s prospectus that was published on 23 April 2021, Dawn Coverley was granted options over 3,689,096 options in lieu of options that existed in Cizzle Biotechnology Limited prior to the reverse takeover by the Company on 14 May 2021. In addition, in consideration of the waiver of outstanding salary so as to conserve cash for patent maintenance costs in Cizzle Biotechnology Ltd, it was agreed that Dawn Coverley would be entitled to a cash bonus from the Company equal to the exercise price of the share options (£56,588, together with any tax payable thereon). The £104,000 bonus noted above relates to the grossing up of the exercise price of £56,588 for income tax and national insurance so that the exercise could be accounted for and taxed through the Company’s payroll.

### Share scheme interests of non- executive directors (audited)

The interests of the Non-Executive directors in share schemes are shown in the table below:

| Non-executive Director | Type of scheme | Share options at 31 Dec 2021 | Granted during the year | Exercised in year | Share options at 31 Dec 2022 | Date from which exercisable | Expiry date |
|---|---|---|---|---|---|---|---|
| Dawn Coverley | CSOP 21 | 12,672,389 | - | | 12,672,389 | * | 2 Nov 2031 |
| | CSOP 21 | 3,689,096 | - | (3,689,096) | - | 14 May 2021 ** | 13 May 2031 |
| **TOTAL** | | **16,361,485** | **-** | **(3,689,096)** | **12,672,389** | | |

* subject to achievement of certain Group objectives.

** may only be exercised for a period of 30 days from the date on which the Company's audited annual accounts are published each year; or at the discretion of the board of directors.

### Relative importance of total remuneration

The table below illustrates total employee remuneration compared to distributions to shareholders and operational cash outflow, excluding proceeds from the issue of ordinary shares (before issue costs):

| | Distributions to shareholders | Total employee pay (£'000) | Operational cash outflow (£'000) |
|---|---|---|---|
| Year ended 31 December 2022 | - | 305 | 872 |

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

### Event since the year end Relative importance of total remuneration

On 7 March 2023 the Company announced director salary waivers and the award of share options. In conducting a review of director remuneration, the Company's remuneration committee was of the view that the Company's directors' salaries are currently below market comparables. However, even in a period of high inflation, the directors remain fully committed to maintaining low overheads and maximising the funds available to the Company for the development of its CIZ1B early lung cancer test. The directors have therefore agreed to waive any increase in basic salary for a period of two years from 3 March 2023. In compensation, and subject to shareholder approval at the next Annual General Meeting of the Company, the Company has conditionally granted share options over new ordinary shares in the Company (the "Options") to the directors, with an exercise price equivalent to the volume weighted average price of the Company's ordinary shares for the month of February 2023 at 2.19376p per share. 50% of the Options will vest and become exercisable after the 12-month anniversary of grant; the remaining 50% shall vest and become exercisable on the 24-month anniversary of grant. The Options will have a 10 year life from the date of grant and are subject to good and bad leaver provisions. The Options are unapproved for the purposes of the enterprise management incentive and have been granted outside of, and in addition to, grants made under the Company's existing share option schemes.

## Directors Remuneration Report for the year ended 31 December 2022 (cont'd)

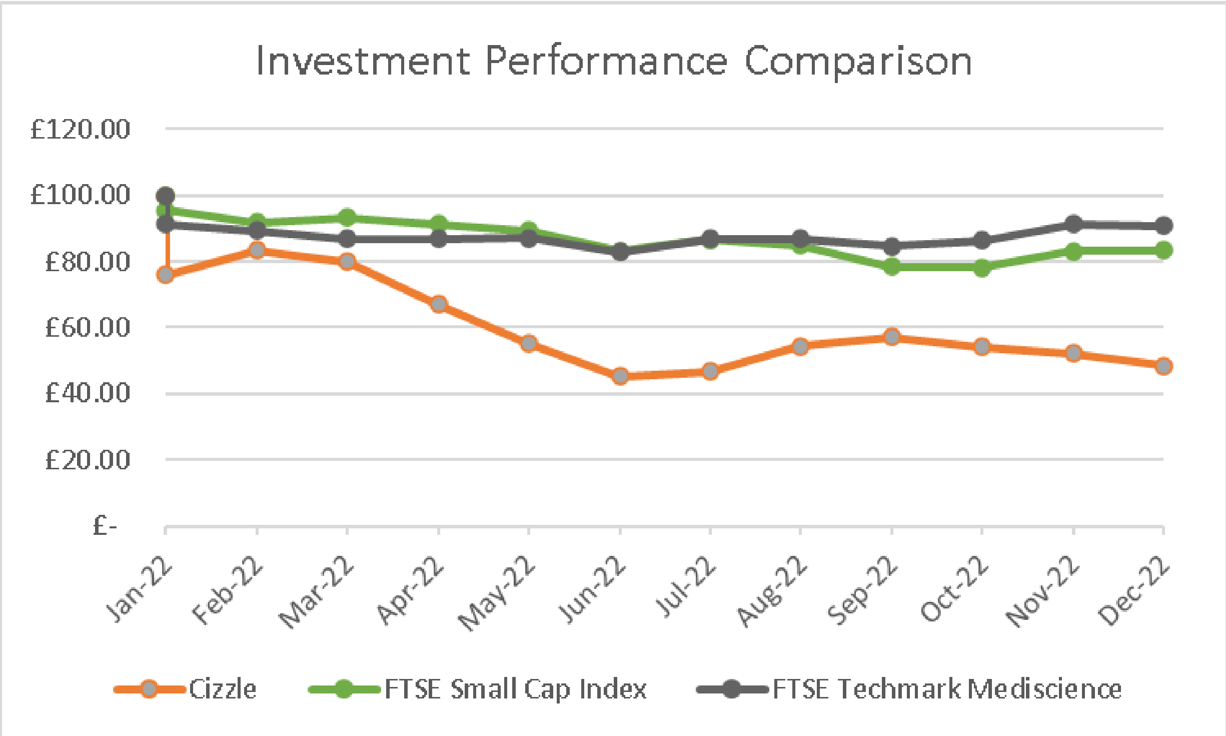
The table below sets out the options of each director at 31 December 2022 and new options granted:

| Director | Number of options granted in March 2023 | Options held at 31 December 2022 | Total options held at date of signing accounts |
|---|---|---|---|
| Allan Syms | 8,868,096 | 5,068,956 | 13,937,052 |
| Nigel Lee * | 6,224,233 | 2,000,000 | 8,224,233 |
| Dawn Coverley | 7,614,540 | 12,672,389 | 20,286,929 |
| John Treacy | 6,235,629 | - | 6,235,629 |

*In addition, Nigel Lee is interested in 1,600 options over the Company's ordinary shares issued to CFO Solutions Ltd, a company in which Nigel Lee is a director.

### Historical share price performance comparison

The table below compares the share price performance (based on notional investment of £100) of Cizzle Biotechnology Holdings PLC against the FTSE SmallCap and FTSE Techmark Mediscience based on prices/indices at close of business from 1 January 2022 to 31 December 2022. Note that month end prices are based on the last day of trading of each month. The FTSE SmallCap has been chosen to provide a wider market comparator and the FTSE Techmark Mediscience chosen due to sector relevance:



## Directors Remuneration Report for the year ended 31 December 2022 (cont'd)

Consideration of shareholder views

The Board considers shareholder feedback received and guidance from shareholder bodies. This feedback is considered as part of the Company's policy on remuneration.

Approved on behalf of the Board of Directors

**John Treacy**

**Director and Chair of the Remuneration Committee**

**26 April 2023**

## Independent Auditor's Report to the Members of Cizzle Biotechnology Holdings PLC

### Opinion

We have audited the financial statements of Cizzle Biotechnology Holdings PLC (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2022 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Cash Flows, the Consolidated and Company Statements of Changes in Equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2022 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with UK-adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

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

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included obtaining the directors' going concern assessment, including the cash forecast for the going concern period which covers a period up to 30 April 2024. We noted that the group modelled a base case and a plausible downside scenario in their cash forecast in order to incorporate unexpected changes to the performance and liquidity of the group. Our evaluation thereof involved:

- Testing the mathematical accuracy of the base case and a downside scenario forecasts;
- Evaluating and challenging the appropriateness of the forecasting method by using our understanding of the group and parent company and by considering past historical accuracy of the directors' forecasting and comparing the actual post year end results with the forecasts;
- Understanding the forecasts including the key inputs used and sources of these inputs through inquiries with the directors and management and, where possible, obtaining supporting documentation for such key inputs;
- Testing the main assumptions and judgements used including the drawdown of the facility and receipt of research and development income;
- Reviewing the reasonableness of downside scenarios included in the pessimistic forecast; and
- Assessing the appropriateness and adequacy of the group's and parent company's going concern disclosures included in the financial statements.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report

### Our application of materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole. Based on our professional judgement, we determined the materiality thresholds for the financial statements as follows:

| | **Group Financial Statements** | **Parent company financial statements** |
|---|---|---|
| Material for the financial statements as a whole | £132,000 (2021: £27,000) | £127,000 (2021: £18,000) |
| Performance materiality | £92,400 (2021: £18,900) | £88,900 (2021: £12,600) |
| Basis for materiality for the financial statements as a whole | 5% of the group's net assets | 5% of the parent company's net assets excluding the investment and the intragroup debtor balance |
| Rationale | The group is still at an early stage of development and is not revenue generating. Its principal activity is driven by the development of an immunoassay test for the CIZ1B biomarker. As such, the performance and success of the group is measured by the existence, development and success of its net assets. The benchmark has changed from loss before tax less exceptional items the prior year given that the group has capitalised intangible assets in the year.<br><br>The parent company benchmark excluded the investment and intragroup balances as these are eliminated at consolidation and would have resulted, in our view, in the inappropriate exclusion of some account balances and transactions from our scope.<br><br>The percentage applied to the benchmark has been selected to bring into scope all significant classes of transactions, account balances and disclosures relevant for the members, and also to ensure that matters that would have a significant impact on the results were appropriately considered.<br><br>Performance materiality has been set at 70% of materiality for the financial statements as a whole, for both the group and parent company. The percentage applied was determined after considering the number and quantum of identified misstatements in the prior year audit, management's attitude to correcting misstatements identified and our cumulative knowledge of the group and parent company including the environment they operate in. | |

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. For each component of the group, we allocated a materiality that is less than our overall group materiality. The materiality applied to the audit of the subsidiary undertaking was £4,000. We agreed with the audit committee that we would report to them misstatements identified during our audit above £6,600 for the group audit and £6,350 for the parent company audit, as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

**Our approach to the audit**

In designing our audit approach, we determined materiality, as above, and assessed the risk of material misstatement in the financial statements. In particular, we looked at areas involving significant accounting estimates and judgement by the directors, being the valuation of intangible assets and share-based payment transactions. As part of our work on going concern we considered future events that are inherently uncertain such as future research and development expenditure and the drawdown of the facility. We also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by management that represented a risk of material misstatement due to fraud.

There are three components in the group being the parent company and two subsidiary undertakings, one of which is dormant. Of the trading components, both were considered material and significant and accordingly, a full scope audit was performed. Our audit was performed from our London office with regular contact with management and the directors throughout the audit. This, in conjunction with additional procedures performed, gave us sufficient and appropriate evidence for our opinion on the group and parent company financial statements.

**Key audit matters**

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

| **Key Audit Matter** | **How our scope addressed this matter** |
|---|---|
| **Valuation of intangible assets recognised in the year (Notes 2.5, 5 and 11)**<br><br>In the current year, the group entered into:<br><br>1. An agreement with St George Street Capital ('SGSC') and Conduit Pharmaceuticals Limited ('Conduit') to acquire a 5% economic Interest in the commercialisation of the AZD 1656 asset at a price of £1.88 million.<br><br>2. A put option agreement with Conduit to sell: a) its 5% economic interest in the AZD 1656 asset; and b) its royalty sharing agreement with SGCS which was entered into in the prior year at a premium price of £3.25 million.<br><br>The economic interest has been recognised as an intangible asset as at 31 December 2022. Given that the valuation of intangible assets is subjective, there is a risk that the value is materially overstated at year end. Consequently, we have determined the valuation of intangible assets to be a key audit matter. | Our work in this area included:<br><br>• Obtaining and reviewing the agreements and memorandum of understandings (MOUs) to understand the terms and conditions of the agreements;<br><br>• Evaluating managements accounting treatment of the 5% economic interest in accordance with IAS 38 Intangible Assets;<br><br>• Obtaining management's impairment assessment and reviewing the reasonableness and appropriateness of their conclusions relating to the indicators of impairment at year end;<br><br>• Challenging management's assessment of the impairment indicators outlined in IAS 36 Impairment of Assets;<br><br>• Reviewing board meeting minutes and regulatory news service ('RNS') announcements to assess whether there have been any subsequent changes to the terms and conditions stipulated in the agreements; and<br><br>• Ensuring that adequate disclosures have been appropriately included in line with IAS 38.<br><br>Based on the procedures performed, we found management's assessment of the valuation of intangible assets to be supported by the underlying assessment and the judgements and estimates applied to be reasonable. |

### Other information

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

We have nothing to report in this regard.

### Opinions on other matters prescribed by the Companies Act 2006

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

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

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

### Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### Responsibilities of directors

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

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

**Auditor’s responsibilities for the audit of the financial statements**

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the group and parent company and the sector in which they operate to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management, industry research, application of cumulative audit knowledge and experience of the biotechnology sector.

- We determined the principal laws and regulations relevant to the group and parent company in this regard to be those arising from the:

  - Listing and Disclosure and Transparency Rules;
  - UK-adopted international accounting standards;
  - Companies Act 2006;
  - Anti-bribery and anti-money laundering regulations; and
  - UK taxation law.

- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the group and parent company with those laws and regulations. These procedures included, but were not limited to:

  - Holding discussions with management and the directors and considering whether there were any known or suspected instances of non-compliance with laws and regulations or fraud;
  - Reviewing board meeting minutes;
  - Reviewing Regulatory News Service (RNS) announcements; and
  - Reviewing legal and regulatory correspondence and legal expenses.

- We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, that the potential for management bias was identified in relation to the valuation of intangible assets (detailed in the key audit matters section of our report) as well as the valuation of share-based payment transactions. We addressed this by challenging the assumptions and judgements made by management when auditing these accounting estimates and ensuring that there were adequate disclosures included in the respective notes.

- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

**Independent Auditor's Report to the Members of Cizzle Biotechnology Holdings PLC (continued)**

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

**Other matters which we are required to address**

We were appointed by the directors on 13 February 2019 to audit the financial statements for the period ending 31 December 2018 and subsequent financial periods. Our total uninterrupted period of engagement is 5 years, covering the periods ending 31 December 2018 to 31 December 2022.

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

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

**Use of our report**

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

David Thompson

**David Thompson (Senior Statutory Auditor)**
**For and on behalf of PKF Littlejohn LLP**
**Statutory Auditor**

**15 Westferry Circus**
**Canary Wharf**
**London E14 4HD**

**26 April 2023**

## Consolidated Statement of Comprehensive Income for the year ended 31 December 2022

| | Notes | **Group Year ended 31 December 2022 £'000** | Group Year ended 31 December 2021 £'000 |
|---|---|---|---|
| Revenue | | **-** | - |
| Cost of sales | | **-** | - |
| **Gross profit** | | **-** | - |
| Administrative expenses | | | |
| - on-going administrative costs | 6 | **(823)** | (552) |
| - share option charge | 6 | **(140)** | (299) |
| - transaction costs | 6 | **-** | (303) |
| - reverse acquisition expenses | 6 | **-** | (2,804) |
| Total administrative expenses | | **(963)** | (3,958) |
| **Operating loss and loss before income tax** | | **(963)** | (3,958) |
| Income tax | 9 | **51** | 37 |
| **Loss and total comprehensive income for the year attributable to the equity shareholders of the parent** | | **(912)** | (3,921) |
| **Earnings per ordinary share (pence) attributable to the equity shareholders:** | | | |
| Continued operations basic and diluted | 10 | **(0.3p)** | (2.4p) |
| **Earnings per ordinary share (pence) attributable to the equity shareholders of the parent** | 10 | **(0.3p)** | (2.4p) |

The Company has elected to take the exemption provided under section 408, Companies Act 2006 from presenting the Company statement of comprehensive income.

The notes on pages 44 to 59 are an integral part of these financial statements.

## Consolidated Statement of Financial Position
## As at 31 December 2022

| | Notes | Group 2022 £'000 | Group 2021 £'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible asset | 11 | **2,080** | 200 |
| | | **2,080** | 200 |
| **Current assets** | | | |
| Trade and other receivables | 12 | **227** | 80 |
| Cash and cash equivalents | 13 | **478** | 875 |
| | | **705** | 955 |
| **Total assets** | | **2,785** | 1,155 |
| **Equity** | | | |
| **Capital and reserves attributable to equity holders of the Company** | | | |
| Ordinary shares | 14 | **3,502** | 3,493 |
| Share premium | | **34,917** | 32,566 |
| Shares to be issued | | **115** | - |
| Reverse acquisition reserve | | **(40,021)** | (40,021) |
| Share capital reduction reserve | | **10,081** | 10,081 |
| Share option reserve | | **199** | 335 |
| Retained losses | | **(6,153)** | (5,517) |
| **Total equity** | | **2,640** | 937 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 15 | **145** | 218 |
| **Total liabilities** | | **145** | 218 |
| **Total equity and liabilities** | | **2,785** | 1,155 |

The notes on pages 44 to 59 are an integral part of these financial statements.

The financial statements were approved and authorised for issue by the board on 26 April 2023 and were signed on its behalf by:

**Nigel Lee**
**Director**

**Registered number: 06133765 (England and Wales)**

## Company Statement of Financial Position
## As at 31 December 2022

| | Notes | 2022 £'000 | 2021 £'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible asset | 11 | **2,080** | 200 |
| Investments | 11 | **21,803** | 21,803 |
| | | **23,883** | 22,003 |
| **Current assets** | | | |
| Trade and other receivables | 12 | **726** | 241 |
| Cash and cash equivalents | 13 | **464** | 848 |
| | | **1,190** | 1,089 |
| **Total assets** | | **25,073** | 23,092 |
| **Equity** | | | |
| **Capital and reserves attributable to equity holders of the company** | | | |
| Ordinary shares | 14 | **3,502** | 3,493 |
| Share premium | | **34,917** | 32,566 |
| Share capital to be issued | | **115** | - |
| Share capital reduction reserve | | **10,081** | 10,081 |
| Share option reserve | | **199** | 335 |
| Accumulated losses | | **(23,867)** | (23,516) |
| **Total equity** | | **24,947** | 22,959 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 15 | **126** | 133 |
| **Total liabilities** | | **126** | 133 |
| **Total equity and liabilities** | | **25,073** | 23,092 |

The notes on pages 44 to 59 are an integral part of these financial statements. The loss for the year of the Company was £627,000 (2021: loss of £1,145,000).

The financial statements were approved and authorised for issue by the board on 26 April 2023 and were signed on its behalf by:

**Nigel Lee**
**Director**

## Consolidated Statement of Cash Flows for the year ended 31 December 2022

| | Notes | Group 2022 £'000 | Group 2021 £'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **Operating (loss) before tax** | | **(963)** | (3,958) |
| Adjustment for: | | | |
| Reverse acquisition expense | 3,6 | **-** | 2,804 |
| Share option charge | | **140** | 299 |
| Transaction costs settled through share issue | | **-** | 32 |
| Share based adjustment/payment to former director | | **8** | 11 |
| Operating cash flow before working capital movements | | **(815)** | (812) |
| Decrease in trade and other receivables | 12 | **16** | 7 |
| Decrease in trade and other payables | 15 | **(73)** | (204) |
| **Net cash used in operating activities** | | **(872)** | (1,009) |
| **Cash flows from investing activities** | | | |
| Cash acquired on acquisition of subsidiary | | **-** | 46 |
| Purchase of investment in intangible assets | 11 | **-** | (200) |
| Purchase of a Put Option | 12 | **(120)** | - |
| **Net cash used in investing activities** | | **(120)** | (154) |
| **Cash flows from financing activities** | | | |
| Proceeds from the issue of ordinary shares (net of issue costs) | 14 | **480** | 2,041 |
| Proceeds from shares to be issued | | **115** | - |
| Borrowings repaid | | **-** | (10) |
| **Net cash generated from financing activities** | | **595** | 2,031 |
| Net increase / (decrease) in cash and cash equivalents | | **(397)** | 868 |
| **Cash and cash equivalents at the start of the year** | 13 | **875** | 7 |
| **Cash and cash equivalents at the end of the year** | 13 | **478** | 875 |

The notes on pages 44 to 59 are an integral part of these financial statements.

## Company Statement of Cash Flows for the year ended 31 December 2022

| | Notes | 2022<br>£'000 | 2021<br>£'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **Loss before tax** | | **(627)** | (1,145) |
| Share option charge | | **140** | 299 |
| Transaction costs settled through share issue | | **-** | 32 |
| Operating cash flow before working capital movements | | **(487)** | (814) |
| Change in trade and other receivables | 12 | **10** | (19) |
| Change in trade and other payables | 15 | **(8)** | 75 |
| **Net cash used in operating activities** | | **(485)** | (758) |
| **Cash flows from investing activities** | | | |
| Purchase of investment in intangible assets | 11 | **-** | (200) |
| Purchase of Put Option | 12 | **(120)** | - |
| Investment in subsidiary company | 11 | **-** | (103) |
| Change in intra group funding | | **(374)** | (216) |
| **Net cash used in investing activities** | | **(494)** | (519) |
| **Cash flows from financing activities** | | | |
| Proceeds from the issue of ordinary shares (net of issue costs) | 14 | **480** | 2,041 |
| Proceeds from shares to be issued | | **115** | - |
| **Net cash generated from financing activities** | | **595** | 2,041 |
| Net (decrease) /increase in cash and cash equivalents | | **(384)** | 764 |
| **Cash and cash equivalents at the start of the year** | 13 | **848** | 84 |
| **Cash and cash equivalents at the end of the year** | 13 | **464** | 848 |

The notes on pages 44 to 59 are an integral part of these financial statements.

## Group statement of Changes in Equity
## for the year ended 31 December 2022

| Group | Ordinary Share Capital | Share Premium | Shares to be issued | Capital Redemption Reserve | Share Option Reserve | Reverse Acquisition Reserve | Retained Losses | Total |
|---|---|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| At 1 January 2021 | 3 | 1,585 | - | - | - | - | (1,596) | (8) |
| Issue of shares | - | 11 | - | - | - | - | - | 11 |
| Transfer to reverse acquisition reserve | (3) | (1,596) | - | - | - | 1,599 | - | - |
| Recognition of plc equity at acquisition date | 3,470 | 8,852 | - | 10,081 | - | (22,621) | - | (218) |
| Issue of shares for acquisition of subsidiary | 21 | 21,679 | - | - | - | (21,803) | - | (103) |
| Reverse acquisition expense | - | - | - | - | - | 2,804 | - | 2,804 |
| Issue of shares for cash | 2 | 2,198 | - | - | - | - | - | 2,200 |
| Issue of shares in settlement of fees | - | 32 | - | - | - | - | - | 32 |
| Issue of warrants | - | (36) | - | - | 36 | - | - | - |
| Cost of share issue | - | (159) | - | - | - | - | - | (159) |
| Share option charge | - | - | - | - | 299 | - | - | 299 |
| | 3,493 | 32,566 | - | 10,081 | 335 | (40,021) | (1,596) | 4,858 |
| Comprehensive Loss for the year | - | - | - | - | - | - | (3,921) | (3,921) |
| **At 31 December 2021** | **3,493** | **32,566** | **-** | **10,081** | **335** | **(40,021)** | **(5,517)** | **937** |
| Issue of shares for acquisition of AZD 1656 intangible asset | 5 | 1,875 | - | - | - | - | - | 1,880 |
| Issue of shares for cash | 4 | 500 | - | - | - | - | - | 504 |
| Costs of share issue | - | (80) | - | - | - | - | - | (80) |
| Share options exercised | - | 56 | - | - | (276) | - | 276 | 56 |
| Shares to be issued | - | - | 115 | - | - | - | - | 115 |
| Share option charge | - | - | - | - | 140 | - | - | 140 |
| | 3,502 | 34,917 | 115 | 10,081 | 199 | (40,021) | (5,241) | 3,552 |
| Comprehensive Loss for the year | - | - | - | - | - | - | (912) | (912) |
| **At 31 December 2022** | **3,502** | **34,917** | **115** | **10,081** | **199** | **(40,021)** | **(6,153)** | **2,640** |

The notes on pages 44 to 59 are an integral part of these financial statements.

## Company statement of Changes in Equity for the year ended 31 December 2022

| | Ordinary Share Capital £'000 | Share premium £'000 | Shares to be issued £'000 | Share capital reduction reserve £'000 | Share option reserve £'000 | Retained Losses £'000 | Total £'000 |
|---|---|---|---|---|---|---|---|
| At 1 January 2021 | 3,470 | 8,852 | - | 10,081 | - | (22,371) | 32 |
| Issue of shares for acquisition of subsidiary | 21 | 21,679 | - | - | - | - | 21,700 |
| Issue of shares for cash | 2 | 2,198 | - | - | - | - | 2,200 |
| Issue of shares in settlement of fees | - | 32 | - | - | - | - | 32 |
| Cost of share issue | - | (159) | - | - | - | - | (159) |
| Issue of warrants | - | (36) | - | - | 36 | - | - |
| Share option charge | - | - | - | - | 299 | - | 299 |
| | 3,493 | 32,566 | - | 10,081 | 335 | (22,371) | 24,104 |
| Comprehensive Loss for the year | - | - | | - | - | (1,145) | (1,145) |
| **At 31 December 2021** | **3,493** | **32,566** | | **10,081** | **335** | **(23,516)** | **22,959** |
| Issue of shares for acquisition of AZD 1656 intangible asset | 5 | 1,875 | - | - | - | - | 1,880 |
| Issue of shares cash (net of expenses) | 4 | 500 | - | - | - | - | 504 |
| Costs of share issue | - | (80) | - | - | - | - | (80) |
| Share options exercised | - | 56 | - | - | (276) | 276 | 56 |
| Shares to be issued | - | - | 115 | - | - | - | 115 |
| Share option charge for year | - | - | - | - | 140 | - | 140 |
| | 3,502 | 34,917 | 115 | 10,081 | 199 | (23,240) | 25,574 |
| Comprehensive Loss for the year | - | - | - | - | - | (627) | (627) |
| **At 31 December 2021** | **3,502** | **34,917** | **115** | **10,081** | **199** | **(23,867)** | **24,947** |

The notes on pages 44 to 59 are an integral part of these financial statements.

## Notes to the financial statements for the year ended 31 December 2022

# 1 General information

Cizzle Biotechnology Holdings PLC ("the Company" of "the Group") (formerly Bould Opportunities PLC) is a public limited company with its shares traded on the Standard Listing of the London Stock Exchange. On 14 May 2021 the Company acquired through a share for share exchange the entire share capital of Cizzle Biotechnology Limited. The Company is a holding company of a group of companies ("the Group") whose principal activity is the early detection of lung cancer via the development of an immunoassay test for the CIZ1B biomarker.

The directors consider there to be no ultimate controlling shareholder of the Company.

The address of the registered office is 6th Floor, 60 Gracechurch Street, London, EC3V 0HR and the registered number of the Company is 06133765.

# 2 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.

### 2.1 Basis of preparation

The financial statements of Cizzle Biotechnology Holdings PLC ("the Company") including subsidiary undertakings (together referred to as "the Group") have been prepared in accordance with UK-adopted international accounting standards and the Companies Act 2006 on a historical cost basis.

The preparation of financial statements in conformity with IFRS 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

The results for the year ended 31 December 2022 are the Group results. The results for the comparative period to 31 December 2021 are the results of the Group following the acquisition of Cizzle Biotechnology Limited ("CBL") on 14 May 2021.

(a) New standards and interpretations

The IASB and IFRS Interpretations Committee have issued the following standards and interpretations with an effective date of implementation of 1 January 2022.

**i) New standards and amendments – applicable 1 January 2022**

The following standard and interpretations apply for the first time to financial reporting periods commencing on or after 1 January 2022:

| | **Effective for accounting periods beginning on or after** | **Impact** |
|---|---:|---:|
| Proceeds before Intended Use – Amendments to IAS 16 "Property, Plant and Equipment" | 1 January 2022 | None |
| Reference to the Conceptual Framework – Amendments to IFRS 3 "Business Combinations" | 1 January 2022 | None |
| Onerous contracts and costs of fulfilling a contract – Amendments to IAS 37 – "Provisions, Contingent Liabilities and Contingent Assets" | 1 January 2022 | None |

## Notes to the financial statements for the year ended 31 December 2022

## 2 Accounting policies (continued)

**ii) Forthcoming requirements**
As at 31 December 2022, the following standards and interpretations had been issued but were not mandatory for annual reporting periods ending on 31 December 2022 and not early adopted.

| | Effective for accounting periods beginning on or after | Impact |
|---|---|---|
| Definition of accounting estimates – Amendments to IAS 8 “Changes in Accounting Estimates and Errors” | 1 January 2023 | None |
| Disclosure of Accounting Policies – Amendments to IAS 1 “Presentation of Financial Statements” and IFRS Practice Statement 2 | 1 January 2023 | None |
| Deferred Tax relates to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12 “Income Taxes” | 1 January 2023 | None |

### 2.2 Going concern

The Directors have adopted the going concern basis in preparing the financial statements for the year ended 31 December 2022. In reaching this conclusion, the Directors have considered current trading and the current and projected funding position for the period of just over 12 months from the date of approval of the financial statements through to 30 April 2024. The Company, as anticipated in the Company’s Prospectus announced on 22 September 2022, will need to raise additional funding should it wish to undertake development of additional future products beyond the core offering that is mentioned in this Prospectus and to further fund the corporate and operational overhead of the business. The forecasts have been prepared using two scenarios – a realistic one that assumes expected levels of income and a pessimistic one that assumes a reduced level of income and delays in accelerated research and development expenditure. Both forecasting scenarios show that the Group continues to be a going concern.

**Current funding**
The Group’s cash balance as at 31 December 2022 was £478,000 and there were no borrowing facilities at that date. On 26 September 2022 the Company raised £535,000, before share issue costs, through the placing of new ordinary shares. Also a further facility of £500,000, which is available until 19 March 2024, was announced that is available to the Company, to provide further funds at a fixed price of 1.8p per ordinary share. On 19 December 2022 the Company raised £115,000, net of share issue costs, (gross proceeds: £118,000) and the ordinary shares relating to this subscription were admitted to trading on the London Stock Exchange in January 2023.

**Conclusion**
After taking account of the Company’s current funding position, its cash flow projections and the risks and uncertainties associated with these, the directors have a reasonable expectation that the Company has access to adequate resources to continue in operational existence for the foreseeable future. For these reasons they continue to prepare the financial statements on a going concern basis. These financial statements do not include any adjustments that would result from the going concern basis of preparation being inappropriate.

### 2.3 Segmental reporting

IFRS 8 requires that segmental information be disclosed on the basis of information reported to the chief operating decision maker. The Company considers that the role of chief operating decision maker is performed by the Company’s Board of Directors. The Group’s only business activity and single segment is the development of tests for the early detection of lung cancer.

### 2.4 Foreign currency translation
The functional currency of the Company is Sterling which is also the presentational currency of the financial statements. Foreign currency assets and liabilities are converted into Sterling at the rates of exchange ruling at the end of the financial year. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

## 2 Accounting policies (continued)

### 2.5 Non-Current assets

Investments in intangible assets and subsidiaries are stated at cost less accumulated impairment. Plant and equipment are stated at costs less accumulated depreciation and any accumulated impairment losses. Depreciation is charged to write off costs less estimated residual values on a straight-line basis over their estimated useful lives. Estimated useful lives are reviewed each year and amended if necessary. The Group's and Company's investment in intangible assets ( currently AZD 1656) are considered to have indefinite lives due to the infancy of the assets and the fact that they are not yet revenue generating.

### 2.6 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments, with original maturities of three months or less.

### 2.7 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### 2.8 Current and deferred income tax

Current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. Research and Development tax credits are accounted for on an accruals basis.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

### 2.9 Share based payments

The Company operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense and credited to the share option reserve within equity. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Options that lapse before vesting are credited back to income. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and, if applicable, share premium when the options are exercised.

### 2.10 Financial instruments

*i) Financial assets*
The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through profit or loss; and
- those to be measured at amortised cost.

## 2 Accounting policies (continued)

### 2.10 Financial instruments (continued)

The classification depends on the business model for managing the financial assets and the contracted terms of the cash flows. Financial assets are classified as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect contracted cash flows; and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Financial assets, including trade and other receivables and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the consolidated income statement.

The Company applies the simplified approach in calculating the expected credit losses (ECLs) as permitted by IFRS 9. Changes in credit risk is not tracked but instead a loss allowance is recognised at each reporting date based on the financial asset's lifetime ECL.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the consolidated income statement.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions

*ii) Financial liabilities*

Basic financial liabilities, being trade and other payables, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires. The Company does not hold or issue derivative financial instruments.

*iii) Offsetting*

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle to liability simultaneously.

### 2.11 Pensions

For defined contribution schemes the amount charged to the statement of comprehensive income is the contribution payable in the year. Differences between the contributions payable in the year and contributions actually paid are shown either as accruals or prepayments.

## 3 Reverse acquisition

On 14 May 2021 the Company acquired through a share for share exchange the entire share capital of CBL whose principal activity is the early detection of lung cancer through the development of tests to detect CIZ1B variant protein.

Although the transaction resulted in CBL becoming a wholly owned subsidiary of the Company, the transaction constitutes a reverse acquisition as the previous shareholders of CBL own a substantial majority of the shares of the Company.

In substance the shareholders of CBL acquired a controlling interest in the Company and the transaction has therefore been accounted for as a reverse acquisition. As the Company's activities prior to the acquisition were purely the maintenance of the AIM listing, acquiring CBL and raising equity finance to provide the required funding for the operations of the acquisition means it did not meet the definition of a business combination in accordance with IFRS 3.

Accordingly, this reverse acquisition does not constitute a business combination and was accounted for in accordance with IFRS 2 "Share-based Payments" and associated IFRIC guidance. Although the reverse acquisition is not a business combination, the Company has become a legal parent and is required to apply IFRS 10 and prepare consolidated financial statements. The directors have prepared these financial statements using the reverse acquisition methodology, but rather than recognise goodwill, the difference between the equity value given up by the CBL shareholders is charged to the statement of comprehensive income as a share-based payment on reverse acquisition, and represents in substance the cost of acquiring a quoted company.

In accordance with the reverse acquisition principles, these consolidated financial statements represent a continuation of the consolidated statements of Cizzle Biotechnology Holdings Plc and its subsidiaries and include:
- The assets and liabilities of CBL at their pre-acquisition carrying value amounts and the results for all periods reported; and
- The assets and liabilities of the Company as at 14 May 2021 and its results from the date of reverse acquisition (14 May 2021 to 31 December 2021).

On 14 May 2021 the Company issued 206,310,903 ordinary shares to acquire the 313,932 ordinary shares of CBL Limited. At 14 May 2021 the valuation of the investment in CBL was £21,700,000.

Because the legal subsidiary, CBL, was treated on consolidation as the accounting acquirer and the legal parent company, Cizzle Biotechnology Holdings Plc, was treated as an accounting subsidiary, the fair value of the shares deemed to be issued by CBL was calculated at £2,587,000 based on an assessment of the purchase consideration for a 100% holding of Cizzle Biotechnology Holdings plc.

The fair value of the net liabilities of Cizzle Biotechnology Holdings Plc at acquisition was as follows:

| | £'000 |
|---|---|
| Cash and cash equivalents | 46 |
| Other assets | 47 |
| Liabilities | (310) |
| Net (Liabilities) | (217) |

The difference between the deemed cost of £2,587,000 and the fair value of the net liabilities noted above of £(217,000) resulted in £2,804,000 being expensed as "reverse acquisition expenses" in accordance with IFRS2, Share- based Payments, reflecting the economic cost to CBL shareholders of acquiring a quoted entity.

## 3 Reverse acquisition (continued)

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

| | £'000 |
|---|---|
| Pre-acquisition equity[1] | (22,621) |
| CBL share capital at acquisition[2] | 1,599 |
| Investment in CBL[3] | (21,803) |
| Reverse acquisition expense[4] | 2,804 |
| | (40,021) |

1. Pre-acquisition equity of Cizzle Biotechnology Holdings PLC at 14 May 2021.
2. CBL had issued share capital and share premium of £1,599,000. As these financial statements represent the capital structure of the legal parent entity, the equity of CBL is eliminated.
3. The value of the shares issued by the Company in exchange for the entire share capital of CBL plus stamp duty expenses.
4. The reverse acquisition expense represents the difference between the value of the equity issued by the Company, and the deemed consideration given by CBL to the Group.

## 4 Financial risk

The Group's principal risk factors are as follows:

### 4.1 Capital risk management

The Company monitors capital which comprises all components of equity (i.e. share capital, share premium, capital reduction reserve, share option reserve, and retained earnings/losses). Note 21 describes how capital is managed in respect of the debt to equity ratio.

### 4.2 Financial risk factors

The Group's operations exposed it to a variety of financial risks that had included the effects of credit risk, liquidity risk and interest rate risk. The Company had in place a risk management programme that attempted to limit the adverse effects on the financial performance of the Company by monitoring levels of debt finance and the related finance costs. The Company did not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting was applied.

Given the size of the Company, the directors did not delegate the responsibility of monitoring financial risk management to a sub-committee of the Board. The policies set by the board of directors were implemented by the Company's finance department.

(a) Credit risk
The Company's credit risk was primarily attributable to its trade receivables balance. The amounts presented in the statement of financial position are net of allowances for impairment.

(b) Liquidity risk
Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's financial liabilities included its trade and other payables shown in Note 15. The Group manages this risk through the preparation of cash flow forecasts which are regularly reviewed by the directors.

## Notes to the financial statements for the year ended 31 December 2022

## 5 Critical accounting estimates and judgements

In the preparation of the financial statements the directors must make estimates and assumptions that affect the asset and liability items and revenue and expense amounts recorded in the financial statements. These estimates are based on historical experience and various other assumptions that the Board believes are reasonable under the circumstances. The results of this form the basis for making judgements about the carrying value of assets and liabilities that are not readily available from other sources.

**a) Accounting judgement**

The Group's principal judgements relate to its impairment review of its's intangible assets (AZD 1656), the Company's investment in its subsidiary company, CBL. Following the review of these assets at 31 December 2022 the directors considered that no impairments of these assets had arisen. The directors also consider that the Group's intangible assets currently have an indefinite life, as mentioned in Note 2.5.

**b) Accounting estimate**

<u>Share based payments</u>
See Note 14 which explains the methods used to estimate the fair value of share options granted.

## 6 Operating expenses

| | **Group 2022 £'000** | Group 2021 £'000 |
|---|---|---|
| Research and development | **280** | 161 |
| Professional advisers | **180** | 89 |
| Staff costs | **154** | 88 |
| Intellectual property renewal fees | **38** | 57 |
| Regulatory fees | **68** | 53 |
| Share based payment | **8** | 37 |
| Audit fees (Note 7) | **31** | 27 |
| Other expenditure | **64** | 40 |
| On-going administrative costs | **823** | 552 |
| Share option charge | **140** | 299 |
| Reverse acquisition expense | **-** | 2,804 |
| Transaction costs – IPO and reverse acquisition | **-** | 303 |
| Total administrative expenses | **963** | 3,958 |

## 7 Auditor's remuneration

| | **Group 2022 £'000** | Group 2021 £'000 |
|---|---|---|
| Fees payable to the Company's auditor for the audit of the Group, Company and subsidiary financial statements | **31** | 27 |
| Non-audit services – reporting accountant for IPO | **-** | 38 |
| | **31** | 65 |

## Notes to the financial statements for the year ended 31 December 2022

## 8 Directors' emoluments

| | **Group 2022 £'000** | Group 2021 £'000 | **Company 2022 £'000** | Company 2021 £'000 |
|---|---|---|---|---|
| Wages and salaries | **300** | 125 | **143** | 105 |
| Social Security Costs | **39** | 10 | **17** | 11 |
| Pension Contributions | **5** | 3 | **3** | 2 |
| Share based payments | **140** | 299 | **140** | 299 |
| | **484** | 437 | **303** | 417 |

The Group does not have any employees other than the directors. The average number of directors during the year was 4 (2021: 4).

## 9 Income tax credit

The tax credit for the year was as follows:

| | **Group 2022 £'000** | Group 2021 £'000 |
|---|---|---|
| Research and development tax credits | | |
| - Current year | **(47)** | (37) |
| - Prior year | **(4)** | - |
| | **(51)** | (37) |

Research and Development tax credits are accounted for on an accruals basis.

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the tax rate applicable to the losses of the Group as follows:

| | **Group 2022 £'000** | Group 2021 £'000 |
|---|---|---|
| Loss before tax on continuing operations | **(963)** | (3,958) |
| Tax calculated at the domestic rate applicable of 19% (2021: 19%) | **(183)** | (752) |
| Expenses not deductible for tax purposes | **27** | 590 |
| Tax losses for which no deferred tax credit was recognised | **156** | 162 |
| Research and development tax credit | **(51)** | (37) |
| Total income tax credit | **(51)** | (37) |

## 10 Earnings per share

**Basic loss per share**

| | **Group 2022** | Group 2021 |
|---|---|---|
| Loss for the year | **(912,000)** | (£3,921,000) |
| Weighted average number of ordinary shares | **291,322,970** | 160,516,450 |
| Basic loss per share | **(0.3p)** | (2.4p) |

The basic loss per share is derived by dividing the loss for the period attributable to ordinary shareholders by the weighted average number of shares in issue. In 2021 the weighted average number of shares is adjusted for the impact of the reverse acquisition as follows:

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

## 10 Earnings per share (continued)

Diluted earnings per share is calculated by dividing the loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding after adjusting these amounts for the effects of dilutive potential ordinary shares. As the results for the years ended 31 December 2022 and 31 December 2021 are a loss, any exercise of share options would have an anti-dilutive effect on earnings per share. Consequently, earnings per share and diluted earnings per share are the same and the calculation has not been included.

As at 31 December 2022, there were share options outstanding over 19,742,945 shares (2021: 23,432,041 shares), which could potentially have a dilutive impact in the future.

## 11 Non- Current assets

| | **Group 2022 £'000** | Group 2021 £'000 | **Company 2022 £'000** | Company 2021 £'000 |
|---|---|---|---|---|
| Investment in subsidiary undertakings | **-** | - | **21,803** | 21,803 |
| Intangible assets | **2,080** | 200 | **2,080** | 200 |
| Total investments | **2,080** | 200 | **23,883** | 22,003 |

### a. Investments in subsidiary undertakings - Company

| | **2022 £'000** | 2021 £'000 |
|---|---|---|
| Opening balance | **21,803** | - |
| Acquisition during the year | **-** | 21,803 |
| Closing balance | **21,803** | 21,803 |

The investment in subsidiary undertakings is in the following companies:

| **Name** | **Country of incorporation** | **Proportion of ownership interest** | **Principal activities/status** |
|---|---|---|---|
| Cizzle Biotechnology Limited | England and Wales | 100% interest in ordinary share capital | Early detection of lung cancer |
| Cizzle Biotech Limited (formerly Enfis Limited) | England and Wales | 100% interest in ordinary share capital | Dormant |

The registered address for ongoing subsidiaries is 6th floor, 60 Gracechurch Street, London, EC3V 0HR. Cizzle Biotechnology Limited - as mentioned in Note 3, this investment represents the value of the shares issued by the Company in exchange for the entire share capital of CBL (£21,700,000 plus stamp duty expenses of £103,000).

### b. Intangible assets – Group and Company

| | **2022 £'000** | 2021 £'000 |
|---|---|---|
| Opening balance | **200** | - |
| Acquisition during the year | **1,880** | 200 |
| Closing balance | **2,080** | 200 |

**b. Intangible assets – Group and Company (continued)**

At 1 January 2022, Intangible assets represents the fair value of an investment in a royalty sharing arrangement with St George Street Capital (“SGSC”), a UK-based medical charity. This agreement grants the Company potential future royalty payments from the commercialisation of St George Street’s therapeutic asset AZD1656 of up to £5m, plus potentially further payments from the use of a companion diagnostic.

On 14 February 2022, the Company entered into a definitive agreement (the "Agreement") with Conduit Pharmaceuticals Limited (“Conduit”) and St George Street Capital Limited ("SGSC") to acquire a 5% economic interest in the commercialisation of the AZD 1656 asset or other such assets being developed by Conduit or SGSC to treat inflammatory pulmonary and cardiovascular disease (the “Economic Interest”).

Highlights of the Agreement are as follows:

- Agreement with Conduit and SGSC to acquire a 5% economic interest for a total consideration of £1.88 million, to be settled in new Cizzle ordinary shares at a price of 4.0p per share, a 56.9% premium to the closing mid-market price on 11 February 2022;
- The Agreement is in addition to the Company’s existing interest in AZD 1656 as announced on 20 September 2021:
- SGSC recently reported the successful completion of the AZD 1656 ARCADIA clinical trial in Covid-19 and SGSC and Conduit are in discussions with multiple pharmaceutical companies about licensing opportunities for AZD 1656 for Covid-19 and potentially for further indications; and
- The Agreement supports the Company’s ambitions to expand its target customer base into the pharmaceutical industry and is in line with its strategy of building a portfolio of early cancer detection tests, companion diagnostics and royalty bearing stakes in significant drug assets.

Consideration for the Agreement (£1.88m) - non cash acquisition

Under the terms of the Agreement, Cizzle will pay consideration of £1.88 million to SGS for the Economic Interest. Of the consideration payable, £1.0 million (the “Initial Consideration”) was satisfied by the issue of 25,000,000 new ordinary shares in the Company (the “Consideration Shares”), at a price of 4.0 pence per Consideration Share, being a premium of 56.9 per cent. to the Company’s closing mid-market price of 2.55 pence on 11 February 2022. The remaining consideration of £880,000 was settled in new ordinary shares in the Company issued at 4.0 pence per share, on 29 September 2022.

Consideration for Put Options (£0.12m)

On 19 December 2022 the Company agreed a put option to sell: (i) its 5% economic interest in the commercialisation of the AZD 1656 asset to treat inflammatory pulmonary and cardiovascular disease (the "Economic Interest"); and (ii) its royalty sharing agreement with St George Street Capital ("SGSC"), the UK-based biomedical charity (the “Royalty Sharing Agreement’) to Conduit Pharmaceuticals Limited ("Conduit") for a total consideration of £3.25 million to be satisfied through the issuance of new shares in Conduit (the “Option”). The Economic Interest and Royalty Sharing Agreement are valued at cost, totalling £2,080,000. No profits or revenues were attributable to the assets subject to the Option. The Option is exercisable solely at the discretion of Cizzle and Cizzle has agreed to pay Conduit £120,000 in cash as the premium for the Option, which has a nine-month term. The Company also raised proceeds of £115,586, net of expenses, by way of a subscription for 7,371,557 new ordinary shares in the Company ("Ordinary Shares") at 1.6p per share (the “Issue Price”) with existing investors (the “Subscription”), in order to provide funds to be put towards satisfying the Option premium.

This Put Option was paid for in cash and is accounted for under prepayments ( see Note 12).

## Notes to the financial statements for the year ended 31 December 2022

## 12 Trade and other receivables

| | **Group 2022 £'000** | Group 2021 £'000 | **Company 2022 £'000** | Company 2021 £'000 |
|---|---|---|---|---|
| Trade receivables | **-** | - | **-** | - |
| Less: provision for impairment | **-** | - | **-** | - |
| Trade receivables (net) | **-** | - | **-** | - |
| Amounts due from subsidiaries | **-** | - | **590** | 216 |
| Social security and other taxes | **7** | 14 | **7** | 7 |
| Corporation tax recoverable | **88** | 37 | **-** | - |
| Prepayments and other receivables | **132** | 29 | **128** | 18 |
| | **227** | 80 | **725** | 241 |

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as 'trade and other receivables' in the statement of financial position and are included in current assets, except for maturities greater than 12 months after the statement of financial position date. These are classified as non-current assets. The value of trade receivables shown above, in addition to the value of cash balances on deposit with counterparties (see Note 16), represents the Company's maximum exposure to credit risk. No collateral is held as security.

Prepayments include £120,000 (2021: £nil) for a Put Option that was acquired during the year and paid in cash. See Note 11 for further details.

Amounts due from subsidiary undertakings at 31 December 2022 represented net amounts provided to the Company's wholly owned subsidiary, Cizzle Biotechnology Limited.

The fair value of trade and other receivables approximate to the net book values stated above.

As of 31 December 2022, trade and other receivables of £Nil (2021: £Nil) were impaired.

## 13 Cash and cash equivalents

| | **Group 2022 £'000** | Group 2021 £'000 | **Company 2022 £'000** | Company 2021 £'000 |
|---|---|---|---|---|
| Cash on hand and balances with banks | **478** | 875 | **464** | 848 |
| | **478** | 875 | **464** | 848 |

## 14 Share capital

Numbers in 000s

| | New Ordinary Shares | Deferred 'A' shares | Deferred 'A' shares |
|---|---|---|---|
| Nominal value per share | **0.01p** | **0.01p** | **0.99p** |
| At 1 January 2022 | 253,448 | 225,158 | 12,383,626 |
| Issued | 86,356 | - | - |
| **At 31 December 2022** | **339,804** | **225,158** | **12,383,626** |

The above table reflects the full authorised shares of the Company at 31 December 2022. In addition to this the directors had authorised the issue of 7,371,557 new ordinary shares of 0.01p each but these shares were not issued until 5 January 2023 when they had been approved by the London Stock Exchange for issue.

The following table reconciles the total nominal value of the shares in issue:

| Nominal value per share | New Ordinary shares 0.01p £000 | Deferred £0.01p 'A' shares 0.01p £'000 | Deferred 'A' shares 0.99p £000 | Total £000 |
|---|---|---|---|---|
| At 1 January 2022 | 26 | 1,238 | 2,229 | 3,493 |
| Issued during the year | 9 | - | - | 9 |
| **At 31 December 2022** | **35** | **1,238** | **2,229** | **3,502** |

During the year ended 31 December 2022, the following shares were issued:

| | No of shares issued 000s | Issue price per share Pence |
|---|---|---|
| 17 Feb 2022 - Acquisition of AZD1656 Intangible Asset | 25,000 | 4.0p |
| 26 Sept 2022 -Placing (cash) | 35,667 | 1.5p |
| 29 Sept 2022 – balance of acquisition of AZD1656 Intangible asset | 22,000 | 4.0p |
| 29 Sept 2022 – exercise of share options | 3,689 | 1.53393p |
| **Total issued** | **86,356** | |

On 14 May 2021 the Company issued investor warrants to subscribe for 11,000,000 Ordinary Shares at a fixed price of 15p per share valid for three years until 13 May 2024.

On 14 May 2021 the Company issued broker and adviser warrants to subscribe for 1,350,000 Ordinary Shares at a fixed price of 10p per share valid for three years until 13 May 2024. 250,000 of these broker warrants are automatically exercisable upon the Company's share price equalling 20p per share. The fair value of these warrants at 31 December 2021 was £36,000 and has been accounted for as a cost to the Company and a reduction of the share premium account ( see statement of changes in equity on pages 42 to 43).

## Notes to the financial statements for the year ended 31 December 2022

## 14 Share capital (continued)

**Employee share scheme**

The Company has an Executive Share Option Scheme.

The exercise terms of all granted options as at 31 December 2022 are summarised below:

| Date of grant | Number of options | Exercise price (pence per share) | Exercise dates from |
|---|---|---|---|
| 2015 | 300 | 5.02 | 2017 |
| 2016 | 800 | 1.85 | 2017 |
| 2017 | 500 | 1.00 | 2018 |
| 2021 | 3,689,096 | 1.53 | 2021 |
| 2021 | 19,741,345 | 10.00 | 2021 (based on performance) |

The number and weighted average exercise price of the options that were exercisable at 31 December 2022 were 19,741,345 and 10.0p respectively.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

| | Average exercise price (pence per share) | Options number |
|---|---|---|
| At 31 December 2021 | 8.67 | 23,432,041 |
| Exercised during year | 1.53 | (3,689,096) |
| **At 31 December 2022** | **10.00** | **19,742,945** |

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

| Expiry date | Exercise price (pence per share) | Options 2022 |
|---|---|---|
| 2025 | **5.02** | **300** |
| 2026 | **1.85** | **800** |
| 2027 | **1.00** | **500** |
| 2031 | **10.00** | **19,741,345** |
| | | **19,742,945** |

The Company determines the fair value of its share option contracts on the grant date, adjusts this to reflect its expectation of the options that will ultimately vest, and then expenses the calculated balance on a straight-line basis through its statement of comprehensive income over the expected vesting period with a corresponding credit to its share option reserve. Subsequent changes to the expectation of number of options that will ultimately vest are dealt with prospectively such that the cumulative amount charged to the statement of comprehensive income is consistent with latest expectations. Subsequent changes in market conditions do not impact the amount charged to the statement of comprehensive income.

The Company determines the fair value of its share option contracts using a model based on the Black-Scholes-Merton methodology. In determining the fair value of its share option contracts, the Company made the following assumptions (ranges are provided where values differ across tranches). Expected volatility was determined by reference to historical volatility of the Company's share price.

| Grant date | Share Price Pence | Exercise Price Pence | Expected Option Life Years | Expected Volatility % | Expected Dividend Yield % | Risk free Interest Rate % | Fair Value At date of Grant Pence |
|---|---|---|---|---|---|---|---|
| 2021 | 9.38p | 1.53p | 10 years | 68% | 0% | 0.83% | 1.60p |
| 2021 | 4.40p | 10.00p | 10 years | 32% | 0% | 0.83% | 3.00p |

## Notes to the financial statements for the year ended 31 December 2022

### 15 Trade and other payables

| | **Group 2022 £'000** | Group 2021 £'000 | **Company 2022 £'000** | Company 2021 £'000 |
|---|---|---|---|---|
| Trade payables | **41** | 111 | **40** | 73 |
| Social security and other taxes | **8** | 43 | **8** | 6 |
| Accruals and other payables | **96** | 64 | **78** | 54 |
| | **145** | 218 | **126** | 133 |

| | **Group 2022 £'000** | Group 2021 £'000 | **Company 2022 £'000** | Company 2021 £'000 |
|---|---|---|---|---|
| Due or due in less than one month | **16** | 75 | **15** | 37 |
| Due between one and three months | **25** | 4 | **25** | 4 |
| Due in more than three months | **-** | 32 | **-** | 32 |
| | **41** | 111 | **40** | 73 |

### 16 Financial assets and liabilities

The tables below analyse the carrying value of financial assets and financial liabilities in the Group's and Company's statements of financial position. Further information on the classes that make up each category is provided in the notes indicated. The carrying value of each category is considered a reasonable approximation of its fair value. All amounts are due within one year.

| | **Group 2022 £'000** | Group 2021 £'000 | **Company 2022 £'000** | Company 2021 £'000 |
|---|---|---|---|---|
| Trade receivables (Note 12) | **-** | - | **-** | - |
| Amounts due from subsidiaries (Note 12) | **-** | - | **590** | 216 |
| Prepayments and other receivables (Note 12) | **132** | 29 | **128** | 18 |
| Cash and cash equivalents (Note 13) | **478** | 875 | **464** | 848 |
| **Financial assets at amortised cost** | **610** | 904 | **1,182** | 1,082 |

| | **Group 2022 £'000** | Group 2021 £'000 | **Company 2022 £'000** | Company 2021 £'000 |
|---|---|---|---|---|
| Trade payables (Note 15) | **41** | 111 | **40** | 73 |
| Accruals and other payables (Note 15) | **96** | 64 | **78** | 54 |
| Borrowings (Note 16) | **-** | - | **-** | - |
| **Financial liabilities at amortised cost** | **137** | 175 | **118** | 127 |

### 17 Deferred income tax

There is an un-provided deferred tax asset arising on taxable losses of £0.64m (2021: £0.47m). In accordance with accounting standards, the deferred tax asset has not been recognised in the financial statements due to uncertainty over the availability of sufficient future profits against which it could be recovered.

At 31 December 2022 there was no deferred tax liability (2021: £Nil).

### 18 Commitments

The Group has no commitments as at 31 December 2022 (2021: £Nil).

## 19 Related party transactions

Transactions with directors

At 31 December 2022 there was a balance owed to the Company by Professor Dawn Coverley, a director of the Company, of £680 in respect of PAYE/NI arising on the exercise of share options. This amount was fully settled in January 2023. The maximum liability owed to the Company during the year was £2,582.

## 20 Controlling party

The directors consider there to be no ultimate controlling party.

## 21 Capital management

In managing its capital structure, the Company's objective is to safeguard the Company's ability to continue as a going concern, managing cash flows so that it can continue to provide returns for shareholders.

The Company makes adjustments to its capital structure in the light of changes in economic conditions and the requirements of the Company's businesses. The Board has sought to maintain low levels of borrowing to reflect the development stage of the Company's businesses. Over time as the Company's businesses mature and become profitable the Board is likely to make increased use of borrowing facilities to fund working capital. In order to maintain or adjust the capital structure, the Company may issue new shares or seek additional borrowing facilities. The Company monitors capital on several bases including the debt to equity ratio. This ratio is calculated as debt ÷ equity. Debt is calculated as total borrowings as shown in the consolidated statement of financial position.

Equity comprises all components of equity as shown in the consolidated statement of financial position. The debt-to-equity ratio at 31 December 2022 and 31 December 2021 was as follows:

| | **Group 2022 £'000** | Group 2021 £'000 | **Company 2022 £'000** | Company 2021 £'000 |
|---|---|---|---|---|
| Total debt | **-** | - | **-** | - |
| Total equity | **2,640** | 937 | **24,947** | 22,959 |
| Debt-to-equity ratio | **0.0%** | 0.0% | **0.0%** | 0.0% |

## 22 Reserves

The following reserves describe the nature and purpose of each reserve within equity:

### a. Capital reduction reserve

The capital reduction reserve set out in the Statement of Changes in Equity arose in 2014 when the nominal value of each share was reduced from 10p to 1p.

### b. Share premium

The amount subscribed for each share in excess of nominal value.

### c. Reverse acquisition reserve

The reverse acquisition reserve is explained in Note 3.

### d. Share option

The accumulated expense arising during their vesting period of share options granted to directors and employees and warrants granted to third parties.

### e. Accumulated losses

All other net losses and gains not recognised elsewhere.

## 23 Subsequent events

### a) Issue of equity

On 5 January 2023 the Company issued 7,371,557 ordinary shares of 0.01p each for a price of 1.6p per share to fund the purchase of a Put Option to dispose of AZD1656 assets referred to in Note 11. At 31 December 2022 the Company had received £115,000 ( net of share issue costs) in relation to this share issue (gross proceeds: £118,000).

### b) Issue of options in lieu of salary increases

In conducting a review of director remuneration, the Company's remuneration committee was of the view that the Company's directors' salaries are currently below market comparables. However, even in a period of high inflation, the directors remain fully committed to maintaining low overheads and maximising the funds available to the Company for the development of its CIZ1B early lung cancer test.

The directors have therefore agreed to waive any increase in basic salary for a period of two years from 3 March 2023. In compensation, and subject to shareholder approval at the next Annual General Meeting of the Company, the Company has conditionally granted share options over new ordinary shares in the Company (the "Options") to the directors, with an exercise price equivalent to the volume weighted average price of the Company's ordinary shares for the month of February 2023 at 2.19376p per share. 50% of the Options will vest and become exercisable after the 12-month anniversary of grant; the remaining 50% shall vest and become exercisable on the 24-month anniversary of grant. The Options will have a 10 year life from the date of grant and are subject to good and bad leaver provisions. The Options are unapproved for the purposes of the enterprise management incentive and have been granted outside of, and in addition to, grants made under the Company's existing share option schemes. Following the grant of the Options, the total number of ordinary shares under option is 48,685,443 ordinary shares representing 14.02% of the Company's current issued ordinary share capital.

The Options have been granted to the directors as follows:

| Director | Number of Options granted | Existing options held | Total number of options now held | Total number of options now held as % of current issued share capital |
|---|---|---|---|---|
| Allan Syms | 8,868,096 | 5,068,956 | 13,937,052 | 4.01% |
| Nigel Lee | 6,224,233 | 2,000,000 | 8,224,233 | 2.37% |
| Dawn Coverley | 7,614,540 | 12,672,389 | 20,286,929 | 5.84% |
| John Treacy | 6,235,629 | - | 6,235,629 | 1.80% |

### c) Research and development contract

On 24 April 2023 the Group announced a further extension of its research and development contract with the University of York until 25 September 2024.