CEO's welcome

As the deadline for voting in the AGM is nearly upon us, this Q&A document is intended to collate all those questions that have come in over the past couple of days surrounding both the AGM process and the recent general company developments.

I'm prefacing this section with a reminder that this is not a regulatory announcement, but is intended to provide a means to help clarify information given elsewhere; to highlight to us which areas shareholders may require further information; and to generally improve understanding between all parties.

With this in mind, there are several questions to which I cannot provide a direct answer. I'd like to reassure you that this is not due to a lack of willingness to be open and transparent, but, due to regulatory requirements, in particular in relation to forward-looking statements and events that may or may not happen. I request that you accept the answers at face value without further interpretation. I also continue the commitment to publish all questions, regardless of whether I can provide a satisfactory answer!

Even though it is a relatively short time since we last updated the Q&A page on the website, it has been great to receive an array of high-quality questions on interesting subjects.

Best wishes,

Suzy

Dr Suzanne Dilly
Chief Executive Officer
ValiRx PLC

Science Questions

If Val201 is being looked at in order to treat Covid / SARS virus- is it correct to that this compound has anti-Viral properties and if so, could it have a desired affect on other viruses?
If the VAL201 has anti-Viral properties, does the company have a theoretical or hypothesis in regards to what other viruses it could be effective against?
How does VAL201 affect Coronavirus?
The use of VAL201 as a component of a combination therapy (BC201) for treating patients infected with Coronavirus SARS-CoV2 is being developed in collaboration with Oncolytika and Black Cat Bio. BC201 does not have direct anti-viral properties and treats the patient by modulating the patient's response to the virus. Black Cat Bio, has recently produced an information sheet explaining the theoretical science behind the project, which is available on our website at: https://www.valirx.com/wp-content/uploads/2020/07/Black-Cat-Pitch.pdf This includes details that answer the above questions, including the statement that this could be applicable to sepsis induced by other bacterial or viral attack.
With headline results due at some point in September. Does the business anticipate or is there a possibility of news on other compounds prior to September 2020?
Some news items can be forecast with relative accuracy, for example the release of the clinical trial results for VAL201 – where the external contractors have provided a timetable of events. Where projects are partnered and the work is carried out under their control, we are unable to influence the timing of any updates. Our RNS of 19 May 2020 detailed the timetable of expected and relatively predictable news flow for the remainder of the year and anticipated headline results for the VAL201 clinical trial within Q3 2020.
Based on previous updates from the former BOD, the market had been informed of the very good results/effectiveness of all four compounds (101, 201, 301 & 401), does the company still believe that the statements made from previous board and/or board members were accurate?
We have provided recent updates on all of our scientific programs. These recent updates reflect the board's current views.

AGM Questions

Why can't the AGM be held via a platform such as Skype, Microsoft Teams, Zoom or even a dial in conference call?
The regulatory requirements for an AGM under normal circumstances are dictated by the national regulations, but also by a company's articles of association. In the case of ValiRx, the articles do not allow for anything other than a physical meeting to occur. However, the recent legislation changes allow the pandemic circumstances to over-rule the conditions in these articles, and we are able to hold the meeting virtually between the directors and other verified members of the company as detailed in our RNS announcement on 17 July 2020. Under normal circumstances shareholders who are intending to vote in person at the AGM are required to provide evidence of their shareholding and their rights to vote, such as a letter from their nominee account holder. For a meeting held by the standard teleconference facilities, the means by which we could carry out this identification and verification process are limited and time-consuming. I note that there are some systems now becoming available that enable this to occur, and if the restrictions are still in place by the time we hold another General Meeting or AGM, then we will consider these, as they will have been better tried and tested by that time. We felt that a written Q&A would be more accessible and allow all shareholders to participate. We are considering a more interactive shareholder Q&A meeting later in the year.
Who are the two shareholders that will be at the meeting, this is very vague and again does not project the right optics from a shareholders perspective
Our RNS announcement on 17 July 2020 stated that the shareholder requirement for the meeting would be fulfilled by two shareholder-directors. This refers to two directors who are also shareholders.
Would you kindly re-evaluate and allow for the AGM to be done over a more open and transparent platform to allow for shareholders to witness this important meeting?
We have tried to make the AGM process as transparent and accessible as possible by encouraging these written Q&A sessions beforehand. I would have welcomed the opportunity for the face-to-face AGM, but note that not all shareholders would have been willing or able to attend. The formalities of the meeting will be brief, and will be reported in full by an announcement after the meeting that will include voting numbers for each of the resolutions tabled.

Corporate and Strategic Matters

In the RNS dated 6th of July, Vaiirx introduced the shift in business model to attract investor/partners to further progress the development to clinical trials. Will the company receive income for the project management of the projects placed in the SPV's?
If the company will receive an income for the services provided to the SPV(s) and if so, would this be enough money for the business to proceed- again without further placings?
How are the SPV arrangements structured? How do Valirx make money as a company with these arrangements.
As stated in our announcement on 6 July 2020, it is envisaged that Special Purpose Vehicles (SPVs) will be set up to progress individual projects (or small groups of projects where appropriate), such that ValiRx will hold a percentage shareholding, alongside the original innovators and the third party partners/investors. With ValiRx intending to provide a corporate framework for the SPVs, including services such as accountancy, project management and specialist scientific advice, the SPVs will be required to pay a service charge back to ValiRx, once they have established external funding sources. This service charging process is anticipated to allow ValiRx to become self-sustaining with regards to day-to-day working capital. In the longer term, the retained shareholding in each SPV will allow ValiRx to share in returns on investment, subject to the successful exit of these projects – for example if an SPV out-licenses the project or is taken over by another company.
Is Valirx currently in negotiations with an interested or potentially interested party that would require the formation of an SPV or other legal partnership?
Is there an existing NDA that would not allow you to inform the market of the current stage of negotiations?
The nature of commercial development in biotech is that of long term relationships. Particularly when a clinical trial is ongoing, meetings take place with potential licensing (or co-development) partners on a routine basis, with updates provided and an understanding both of the nature and timing of results being gained. Some of these discussions are carried out under Non-Disclosure Agreements ("NDA"), some are not. But regardless of the formal NDA, there is a professional etiquette of refraining from "gossiping" about with whom and how seriously conversations may be progressing. By maintaining a professional approach to commercial development, prospective partners are likely to have greater confidence that the science has also been carried out in the correct way, and that supporting factors such as patent protection are well managed and appropriate. We understand the frustration of long-term shareholders who have frequently been told of "continuing discussions" but this is often the situation. It would not be appropriate to comment on all commercial interactions and would likely deter potential new partners. The structure of licensing, partnering or co-development arrangements will depend very much on the nature of the investors and project involved.

The announcement of our new strategy to focus on in-licensing early stage projects to place into SPVs is a forward-looking, business-planning statement to illustrate to shareholders that we have plans to grow the company and the manner in which we intend to do so.

Are we just specializing on just the Cancer treatment sector ?

As noted in the announcement on 6 July 2020, the new strategy sees Valirx intending to adopt additional projects into our pipeline, with an initial focus on therapeutics for oncology and women's health.

There is a lot of concern from shareholders" perspective in regards to further placings. So, based on recent cost cutting and placing, how long does the business anticipate that the money raised on last placing would last before a further injection of money would be required?

Accounts and interim accounts are published as required by regulatory guidelines to provide information of the costs of running the business. Additionally, we have provided updates on the staff costs and overhead reductions, to provide confidence that money raised is directed more significantly towards the science and innovation, than towards overheads.

The recent accounts show the previous levels of R&D spend. We have choices of whether to maintain spending at basic overheads, or whether to grow the business with adoption of new projects and opportunities, which will need continued R&D spending.

Until such time as we can generate revenues, we are dependent on raising cash either through issuing new shares, or through government schemes such as research grants and R&D tax credits to fund these activities.

We are prudently managing our cash resources and will raise further funds at the appropriate time to continue the operation of the Company. If there is a material change in the Company's financial position it is obliged to notify the market pursuant to the AIM Rules.

Finally, the AGM resolutions show that we have listened to shareholder concerns about routinely requesting 100% headroom for new share placings; by asking for 50% on this occasion – providing a clear indication of our intent to take care over financial matters going forwards.

Will existing shareholders be given opportunities to participate in future fund raising

In the placing carried out in May 2020 (announced as a conditional placing on 4 May 2020), existing shareholders were provided with a facility to participate on the same terms as new placees by subscribing for "Broker Options".

The Board, following discussion with its broker, would consider offering a similar facility in future fundraisings.