Verseon

Interim Report and Accounts for the Six Months ended June 30, 2015

Contents

Financial and operational highlights

Highlights

- Raised US $100.0 million, before expenses, through an initial public offering (IPO) by placing 32.6 million shares of common stock on the Alternative Investment Market (AIM) of the London Stock Exchange.
- Cash and cash equivalents as of June 30, 2015 was US $93.6 million.
- Operating expenses for the first six months of 2015 were $3.6 million, but partially offset by a currency gain of $3.0 million. The resultant net loss for the first six month of 2015 was $0.6 million, or $0.005 per share, compared to a net loss of $2.1 million, or $0.082 per share, for the same period in 2014.
- The Company continues to advance its three drug programs in anti-coagulation, treatment of diabetic macular edema and treatment of solid tumor cancers, while building infrastructure to support further growth of its drug pipeline.
- In August 2015, the Company purchased a property through its wholly owned subsidiary, VRH1 LLC, for $8.7 million. This acquisition will facilitate the Company's planned expansion of its drug discovery and development operations.

Chairman's statement

I am delighted to announce our Interim Results for 2015. Verseon, a technology-based pharmaceutical company, utilizes its proprietary computation-based drug discovery platform to engineer novel drug candidates that are unlikely to be found using traditional trial-and-error methods. We look forward to Verseon's continued growth, using capital raised in the first half of 2015 to expedite and commercialize our drug programs.

Thomas A. Hecht, PhD
Chairman of the Board

Chief Executive Officer's statement

Our three current drug programs continue to produce encouraging results and each is progressing steadily along its development path. Our most advanced program, the development of a new class of oral direct thrombin inhibitors a, is showing promising results in additional pre-clinical studies.

Verseon is building, as planned, the organizational capacity and infra-structure to accelerate current drug programs and initiate new ones. Our staff of scientific professionals has grown substantially, and we have been successful in attracting top-tier talent in biology, medicinal chemistry, and computational research.

Recently, VRH1 LLC, a wholly owned subsidiary of Verseon, purchased a property in Fremont, California. This site will serve as Verseon's primary research and development facility, housing our growing drug discovery and development operations and corporate offices. The facility will provide the space needed for the planned growth of our infrastructure and staff. It will also increase operational efficiency by consolidating various core operations and boost team productivity by fostering close communication.

I would like to thank both our new and existing shareholders for their support as Verseon continues to grow and pursues its mission to make a difference in people's lives through new and innovative medicines.

Adityo Prakash
Chief Executive Officer

Financial review

On May 7, 2015, Verseon raised $100.0 million (£65.8 million), before expenses, by issuing 32,569,047 shares of common stock at a price of $3.07 (202p) per share in an IPO on AIM. Net cash proceeds of $92.5 million from the IPO are intended for advancing current drug programs, expanding the Company's drug development pipeline into additional disease indications, and continuing the development of the Company's drug discovery platform.

Operating expenses for the six months ended June 30, 2015 increased by $1.8 million to $3.6 million as compared to the same period last year. This increase is primarily attributable to the increase in personnel-related expenses and non-cash charge of stock-based compensation expenses for granting stock options and warrants.

Research and development expenses for the first six months of 2015 were $1.4 million, an increase of $0.5 million from the same period in 2014. General and administrative expenses increased by $1.3 million to $2.2 million during the first six months of 2015 compared to the same period in 2014. These increases were offset partially by a currency gain of $3.0 million in the six months ended 30 June 2015.

Net loss for the first six months of 2015 was $0.6 million, or $0.005 per share, compared to a net loss of $2.1 million, or $0.082 per share, for the same period in 2014.

Consolidated balance sheets

	June 30, 2015	December 31, 2014
	US $'000, except share amounts and par values	
Assets		
Current assets		
Cash and cash equivalents	93,568	17
Prepaid expenses and other current assets	319	29
Total current assets	**93,887**	**46**
Property and equipment, net	573	82
Total assets	94,460	128
Liabilities and stockholders' equity (deficit)		
Current liabilities		
Accounts payable	219	327
Accrued liabilities	2,240	2,101
Short-term debt	1,348	25
Total current liabilities	**3,807**	**2,453**
Long-term debt	–	2,016
Total liabilities	**3,807**	**4,469**
Commitments and contingencies		
Stockholders' equity (deficit)		
Preferred stock series A $0.001 par value, 0 and 10,010,000 shares authorized as of June 30, 2015 and December 31, 2014, respectively, 0 and 6,830,102 shares issued and outstanding as of June 30, 2015 and December 31, 2014, respectively	–	6,477
Preferred stock series B $0.001 par value, 0 and 2,800,000 shares authorized as of June 30, 2015 and December 31, 2014, respectively, 0 and 2,188,773 shares issued and outstanding as of June 30, 2015 and December 31, 2014, respectively	–	5,832
Preferred stock $0.001 par value, 30,000,000 and 0 shares authorized as of June 30, 2015 and December 31, 2014, respectively, 0 share issued and outstanding as of June 30, 2015 and December 31, 2014	–	–
Common stock class Y $0.001 par value, 0 and 15,000,000 shares authorized as of June 30, 2015 and December 31, 2014, respectively, 0 and 15,000,000 shares issued and outstanding as of June 30, 2015 and December 31, 2014, respectively	–	–
Common stock class Z $0.001 par value, 0 and 141,000,000 shares authorized as of June 30, 2015 and December 31, 2014, respectively, 0 and 58,944,641 shares issued and outstanding as of June 30, 2015 and December 31, 2014, respectively	–	14,261
Common stock $0.001 par value, 300,000,000 and 0 shares authorized as of June 30, 2015 and December 31, 2014, respectively, 150,668,383 and 0 share issued and outstanding as of June 30, 2015 and December 31, 2014	151	–
Additional paid-in capital	135,297	4,986
Stock subscription money	–	3,073
Loan receivable from stockholders	(14,392)	(14,133)
Accumulated deficit	(34,106)	(33,555)
Total stockholders' equity (deficit)	**86,950**	**(13,059)**
Non-controlling interest in subsidiaries	3,703	8,718
Total equity (deficit)	**90,653**	**(4,341)**
Total liabilities & stockholders' equity	**$94,460**	**$128**

See accompanying notes to consolidated financial statements.

Consolidated statement of operations

For the six months ended June 30, 2015 and 2014

	2015	2014
	US $'000, except share and per share amounts	
Operating expenses		
Research and development expenses	1,433	919
General and administrative expenses	2,212	911
Total operating expenses	3,645	1,830
Operating loss	**(3,645)**	**(1,830)**
Interest expense	(59)	(267)
Interest income	169	–
Currency exchange gain	2,982	–
Net loss	**(553)**	**(2,097)**
Net loss attributable to non-controlling interests	2	18
Net loss attributable to Verseon Corporation	**(551)**	**(2,079)**
Net loss per share—basic and diluted	(0.005)	(0.082)
Weighted-average shares of stock outstanding used in computing net loss per share—basic and diluted	121,071,187	25,320,836

See accompanying notes to consolidated financial statements.

Consolidated statements of cash flows

For the six months ended June 30, 2015 and 2014

	June 30, 2015 US $'000	December 31, 2014 US $'000
Cash flows from operating activities		
Net loss	(553)	(2,097)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation	14	12
Stock-based compensation expense	901	156
Interest earned from loan receivable from stockholders	(169)	–
Changes in assets and liabilities		
Prepaid expenses and other current assets	(290)	(6)
Accounts payable	(108)	(93)
Accrued liabilities	(361)	(2,450)
Net cash used in operating activities	**(566)**	**(4,478)**
Cash flows from investing activities		
Purchase of property and equipment	(5)	(19)
Net cash used in investing activities	**(5)**	**(19)**
Cash flows from financing activities		
Proceeds from issuance of debt	1,500	–
Repayment of debt	(242)	–
Proceeds from issuance of common stock in initial public offering, net of issuance costs	92,494	–
Proceeds from exercise of stock options and warrants	370	–
Proceeds from issuance of preferred stocks	–	2,649
Proceeds from investment in Nirog	–	2,925
Net Cash provided by financing activities	**94,122**	**5,574**
Net Increase in cash and cash equivalents	**93,551**	**1,077**
Cash and cash equivalents at the beginning of the period	**17**	**13**
Cash and cash equivalents at the end of the period	**93,568**	**1,090**
Supplemental disclosure of non-cash investing and financing activities		
Conversion of preferred stock to common stock upon initial public offering	12,309	–
Conversion of debt to common stock upon initial public offering	1,952	–
Conversion of stock subscription money to common stock	3,073	–
Increased investment in Nirog upon initial public offering	5,018	–
Issuance of warrants for common stock in connection with initial public offering	1,186	–
Non-cash warrants exercised	1,005	–
Purchase of property and equipment under accrued liabilities	500	–
Conversion of convertible notes to preferred stock Series B	–	2,952

See accompanying notes to consolidated financial statements.

Consolidated statement of stockholders' equity (deficit)

For the six months ended June 30, 2015 and 2014

	Class A Preferred Stock		Class B Preferred Stock		Class Y Common Stock		Class Z Common Stock	
	Shares	US$'000	Shares	US$'000	Shares	US$'000	Shares	US$'000
Balance at December 31, 2013	**6,809,050**	**6,457**	**45,274**	**115**	**15,000,000**	**—**	**2,417,643**	**265**
Issuance of preferred stock	—	—	2,097,737	5,601	—	—	—	—
Stock-based compensation	—	—	—	—	—	—	—	—
Investment in Nirog	—	—	—	—	—	—	—	—
Net loss	—	—	—	—	—	—	—	—
Net loss attributable to non-controlling interests	—	—	—	—	—	—	—	—
Balance at June 30, 2014	**6,809,050**	**6,457**	**2,143,011**	**5,716**	**15,000,000**	**—**	**2,417,643**	**265**
Issuance of stock	21,052	20	45,762	116	—	—	56,526,998	13,996
Issuance of loans to stockholders	—	—	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	—	—	—	—
Investment in Nirog	—	—	—	—	—	—	—	—
Net loss	—	—	—	—	—	—	—	—
Net loss attributable to non-controlling interests	—	—	—	—	—	—	—	—
Balance at December 31, 2014	**6,830,102**	**6,477**	**2,188,773**	**5,832**	**15,000,00**	**—**	**58,944,641**	**14,261**
Exercise of stock options and warrants—Class Z common stock	—	—	—	—	—	—	1,369,421	107
Conversion of stock subscription money	—	—	—	—	—	—	3,157,894	3,073
Conversion of existing stock into new common stock upon initial public offering	(6,830,102)	(6,477)	(2,188,773)	(5,832)	(15,000,00)	—	(63,471,956)	(17,441)
Conversion of debt into common stock upon initial public offering	—	—	—	—	—	—	—	—
Investment in Nirog	—	—	—	—	—	—	—	—
Issuance of common stock in initial public offering, net of issuance costs	—	—	—	—	—	—	—	—
Exercise of stock options and warrants—common stock	—	—	—	—	—	—	—	—
Issuance of loans to stockholders	—	—	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	—	—	—	—
Net loss	—	—	—	—	—	—	—	—
Net loss attributable to non-controlling interests	—	—	—	—	—	—	—	—
Balance at June 30, 2015	—	—	—	—	—	—	—	—

Consolidated statement of stockholders’ equity (deficit)

For the six months ended June 30, 2015 and 2014 (continued)

Common Stock at par		Additional Paid-in Capital	Non-controlling Interest	Stock Subscription Money	Loan Receivable From Stockholders	Accumulated Deficit	Total Stockholders’ Equity (Deficit)	Total Shares Outstanding
Share	US$'000	US$'000	US$'000	US$'000	US$'000		US$'000	
—	—	744	5,302	3,073	(62)	(25,470)	(9,576)	24,271,967
—	—	—	—	—	—	—	5,601	2,097,737
—	—	156	—	—	—	—	156	—
—	—	—	2,925	—	—	—	2,925	—
—	—	—	—	—	—	(2,097)	(2,097)	—
—	—	—	(18)	—	—	18	—	—
—	**—**	**900**	**8,209**	**3,073**	**(62)**	**(27,549)**	**(2,991)**	**26,369,704**
—	—	—	—	—	—	—	14,132	56,593,812
—	—	—	—	—	(14,071)	—	(14,071)	—
—	—	4,086	—	—	—	—	4,086	—
—	—	—	584	—	—	—	584	—
—	—	—	—	—	—	(6,081)	(6,081)	—
—	—	—	(75)	—	—	75	—	—
—	**—**	**4,986**	**8,718**	**3,073**	**(14,133)**	**(33,555)**	**(4,341)**	**82,963,516**
—	—	—	—	—	—	—	107	1,369,421
—	—	—	—	(3,073)	—	—	—	3,157,894
111,509,706	112	29,638	—	—	—	—	—	24,018,875
635,418	1	1,951	—	—	—	—	1,952	635,418
5,025,738	5	5,013	(5,018)	—	—	—	—	5,025,738
32,569,047	32	91,276	—	—	—	—	91,308	32,569,047
928,474	1	351	—	—	—	—	352	928,474
—	—	—	—	—	(259)	—	(259)	—
—	—	2,082	5	—	—	—	2,087	—
—	—	—	—	—	—	(553)	(553)	—
—	—	—	(2)	—	—	2	—	—
150,668,383	**151**	**135,297**	**3,703**	**—**	**(14,392)**	**(34,106)**	**90,653**	**150,668,383**

See accompanying notes to consolidated financial statements.

Notes to consolidated financial information

A. Basis of presentation and principles of consolidation

The consolidated financial statements of the Company are prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). The financial information is presented in United States Dollars ("US$"). All intercompany amounts have been eliminated.

The accounting policies applied are consistent with those that were applied to the consolidated financial statements for the year ended December 31, 2014.

B. Recent Accounting Pronouncements

In August 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-15, "Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern." The standard will explicitly require management to assess an entity's ability to continue as a going concern, and to provide related disclosures in certain circumstances. The new standard incorporates and expands upon certain principles that are currently in the auditing standards. Specifically, the new standard defines substantial doubt, requires assessments each annual and interim period, provides an assessment period of one year from the issuance date, and requires disclosures both when substantial doubt is alleviated by management's plans and when substantial doubt remains unalleviated. ASU 2014-15 will be effective for annual periods ending after December 15, 2016, and for annual periods and interim periods thereafter. Early application is permitted. The Company is currently in the process of evaluating the impact of adopting this ASU on the Company's consolidated financial statements.

In June 2014, the FASB issued ASU 2014-10, "Development Stage Entities (Topic 915): Elimination of Certain Financial Reporting Requirements, Including an Amendment to Variable Interest Entities Guidance in Topic 810, Consolidation," which eliminates development stage entities from certain parts of US GAAP. This guidance permits a company to eliminate the following requirements for development stage companies:

1) present inception-to-date information on the statement of operations and members' equity and cash flows;
2) label the financial statements as those of a development stage entity; disclose a description of the development stage activities in which the entity is engaged;
3) disclose a description of the development stage activities in which the entity is engaged; and
4) disclose the first year in which the entity is no longer in the development stage.

In February 2015, the FASB issued ASU 2015-02 "Consolidation (Topic 810): Amendments to the Consolidation Analysis" to improve targeted areas of consolidation guidance for legal entities such as limited partnerships, limited liability corporations, and securitization structures. The ASU focuses on the consolidation evaluation for reporting organizations that are required to evaluate whether they should consolidate certain legal entities. The new standard simplifies and improves current GAAP by:

1) placing more emphasis on risk of loss when determining a controlling financial interest;
2) reducing the frequency of the application of related-party guidance when determining a controlling financial interest in a variable interest entity ("VIE", see below); and
3) changing consolidation conclusions for companies in several industries that typically make use of limited partnerships or VIEs.

The ASU will be effective for periods beginning after December 15, 2015. The Company is still evaluating the potential impact on the Company's consolidated financial statements.

Notes to consolidated financial information

In May 2014, the FASB issued ASU 2014-09 "Revenue from Contracts with Customers (Topic 606). The standard's core principle is that a reporting entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In August 2015, the FASB decided to postpone the effective date of the new standard by one year. The standard will become effective for the Company in the first quarter of 2018. Early adoption is permitted in 2017. Entities will have the option of using either a full retrospective or a modified retrospective approach to adopt this new guidance. The Company does not expect that the adoption of this standard will have an impact on its consolidated financial statements.

C. Initial Public Offering

On May 7, 2015, the Company completed its initial public offering ("IPO") by issuing 32,569,047 shares of common stock at a price of $3.07 (202p) per share on the Alternative Investment Market ("AIM") of the London Stock Exchange and raised net cash proceeds of approximately $92.5 million, after deducting underwriting discounts, commissions and offering expenses. Immediately prior to the IPO, all classes of preferred and common stock were converted to one class of common stock. All outstanding warrants and options were amended to be exercisable for shares of common stock.

A total of $2.0 million of convertible notes were converted into 635,418 share of common stock upon the completion of the IPO. Pursuant to these convertible note agreements, the Company also issued warrants to the noteholders to acquire a total of 75,655 shares of common stock.

In addition, upon the completion of the IPO and pursuant to the Placing agreements, the Company issued warrants to Cenkos Securities Plc ("Cenkos"), the Company's nominated adviser and broker, and Mr. Alastair Cade, one of the Company's directors who is also a director of Chaka Investments (UK) Limited. The warrants are exercisable for five years and entitle each of them to acquire 521,105 shares of common stock at an exercise price of $4.00 (263p) per share. The fair value of the warrants was calculated at the grant date using a Black-Scholes valuation model, the assumptions for which are set out in footnote E. .

D. Nirog

The consolidated financial statements presented include financial position and performance of Nirog Therapeutics LLC ("Nirog"), a Delaware limited liability company. Nirog was established in September 2009 as a vehicle to fund the research and development of the Company's anti-coagulation program. The Company owned 32.2% of Nirog prior to the IPO in May 2015. Pursuant to share exchange agreements the Company had entered into during March and April 2015 with certain unitholders of Nirog, the Company issued, upon IPO, 5,025,738 shares of common stock to Nirog unitholders in exchange for 12,859,188 shares of Nirog units held by such Nirog unitholders. As a result of the transactions, the Company increased its ownership of Nirog to 70.9% of the outstanding equity of Nirog.

Notes to consolidated financial information

E. Stock-Based Compensation

During the six months ended June 30, 2015, the Company granted stock options and warrants to employees and consultants to purchase 2,030,873 shares of common stock, as compared to 269,374 shares of common stock during the same period in 2014. The weighted-average fair value of each option and warrant issued during the six months ended June 30, 2015 and 2014 was estimated at the date of grant using the Black-Scholes valuation model with the following assumptions:

	Six months ended June 30	
	2015	2014
Expected volatility	50 – 75%	75%
Expected dividend yields	0%	0%
Expected risk-free interest rate	0.9 – 1.9%	1.4 – 2%
Expected life of options and warrants	3 – 6 years	4 – 6 years

Total stock-based compensation expense was $0.9 million and $0.2 million during the six months ended June 30, 2015 and 2014, respectively.

F. Segment Reporting

Accounting Standards Codification ("ASC") Topic 280 "Segment reporting" establishes standards for the way that public business enterprises report information about business segments and related disclosures about products and services, geographical areas and major customers.

The Chief Executive Officer ("CEO") of the Company has been identified as the Chief Operating Decision Maker as defined by ASC Topic 280. The CEO of the Company allocates resources based upon information related to its one operating segment, pharmaceutical research. Accordingly, the Company has concluded they have one reportable segment.

G. Income Tax

As the Company continues to incur pre-tax losses through operations, it has determined that it is more likely than not that the benefit of deferred tax assets will not be realized and therefore, the Company continues to maintain a full valuation allowance offsetting any change in deferred taxes.

H. Related-Party Transactions

In March 2014, convertible notes previously issued to the founders of the Company, Godrej Industries, a stockholder of the Company, and Mr. Sabeer Bhatia, one of Nirog Therapeutics Board members, were converted into Class B preferred stock. The preferred class B warrants associated with the convertible notes from Godrej Industries and Mr. Bhatia were exercised in April and June 2015 to acquire a total of 423,617 shares of common stock. Warrants issued to Mr. Bhatia previously to acquire a total of 42,104 share of common stock were outstanding at June 30, 2015.

In January 2015, two of the founders of the Company exercised warrants to acquire a total of 1,324,921 shares of common stock for $0.1 million. These warrant exercises were financed through secured promissory notes issued by the Company as further described at Note J Stockholders' Equity herein and were recorded within "Loan receivable from stockholders." Loan receivable from stockholders refers to employees and consultants who purchased the Company's stock through the issuance of promissory notes by the Company. As of June 30, 2015, total loan receivable from stockholders was $14.4 million.

Notes to consolidated financial information

Also in January 2015, the Company issued $0.3 million of convertible promissory notes to Mr. Alastair Cade, one of the Company's directors, and $0.2 million of convertible promissory notes to Chaka Investments (UK) Limited ("Chaka"), where Mr. Cade is the director. In connection with the IPO, the notes were converted into 162,845 shares of common stock and warrants to acquire 16,283 shares of common stock. In addition, Mr. Cade also received additional warrants to acquire shares of common stock as further described in Note C Initial Public Offering herein. Warrants issued to Mr. Cade and Chaka to acquire a total of 537,388 shares of common stock were outstanding at June 30, 2015.

I. Commitments and Contingencies

Rental expense for operating leases amounted to $0.1 million for each of the six-month periods ended June 30, 2015 and 2014. Other than the operating leases disclosed in the annual report for the year ended December 31, 2014, there were no other commitments and contingencies for the six months ended June 30, 2015.

J. Stockholders' Equity

In January and February 2015, the Company issued 1,369,421 shares of Class Z common stock, of which 1,324,921 shares related to the exercise of previously granted warrants. The Company accepted promissory notes in an aggregate principal amount of $0.1 million from certain of its employees, officers, and directors in exchange for a loan, each of which was full recourse and secured by a pledge of shares of Class Z common stock purchased by the promissory note issuer with the proceeds of the loan under a pledge and security agreement. Each promissory note was issued in the same form, the principal sum of which is payable by the issuer at a rate of 2.1% per annum, compounded annually, on the unpaid balance of the principal sum. Principal and interest are due on the earlier of the (i) nine year anniversary of the date of issuance and (ii) the sale, transfer or assignment of the pledged collateral. The residual 44,500 shares of Class Z common stock related to the exercise of previously granted options were issued for an aggregate cash consideration of $7 thousand.

In April 2015, the Company's stockholders approved changes to the Company's share capitalization. The following is a list of the key changes to the Company's authorized share capital:

- All outstanding shares of Classes A, B, Y and Z were converted into 111,509,706 shares of one class of the Company's common stock and all outstanding warrants and options were amended to be exercisable for 2,902,401 shares of the Company's common stock.
- The Company's share capitalization has been changed such that the Company is authorized to issue one class of stock to be designated Common Stock and one class of stock to be designated Preferred Stock. The total number of shares of Common Stock that the Company is authorized to issue is 300,000,000 shares at a par value of $0.001 per share, and the total number of shares of Preferred Stock that is authorized to issue is 30,000,000 shares at a par value of $0.001 per share.

In addition, the Company adopted the Verseon Corporation 2015 Equity Incentive Plan (the "2015 Plan") in April 2015. The 2015 Plan provides for the grant of stock options, stock appreciation rights, restricted stock, restricted stock units, performance units, performance shares, cash-based awards and other stock-based awards to non-employee directors, officers, employees, advisors, consultants and independent contractors. An aggregate of 15,000,000 shares of common stock is available for delivery pursuant to awards under the 2015 Plan. The 2015 Plan contains a provision that provides annual increases in the number of common stock available for delivery pursuant to awards on each January 1st beginning January 1, 2016, and ending on (and including) January 1, 2025. Such annual increase will equal 2% of the total shares of common stock outstanding on December 31st of the preceding calendar year; provided, that the Board can decide prior to the first day of any calendar year that there will be no increase, or a lesser increase, for such calendar year.

Notes to consolidated financial information

Also in April 2015, the Company and a VIPL investor, Peepul Capital Fund II LLC, entered into an agreement pursuant to which the Company issued 3,157,894 shares of Class Z common stock to the investor in exchange for the termination of certain past obligations of the Company and the waiver of certain rights held by such investor.

In May and June 2015, certain warrants issued in connection with long-term convertible notes were exercised by warrant holders, pursuant to which 730,906 shares of common stock were issued by the Company. The remaining 364,886 shares under warrants in connection with the long-term convertible note were cancelled.

In May and June 2015, certain previously granted options were exercised by option holders, pursuant to which 197,568 shares of common stock were issued by the Company.

In June 2015, the Company issued to certain employees and consultants options to purchase an aggregate of 151,275 shares of common stock. In addition, the Company issued to certain consultants warrants to purchase an aggregate of 791,105 shares of common stock.

K. Subsequent Events

In July and August 2015, certain previously granted options and warrants were exercised by option and warrant holders, pursuant to which 150,468 shares of common stock were issued by the Company.

In August 2015, the Company acquired a property in Fremont, California with approximately 85,000 square feet of office and laboratory space for $8.7 million through its newly established wholly-owned subsidiary, VRH1 LLC. The facility will house the Company's drug-discovery and development operations as well as the corporate headquarters.

The Company has evaluated subsequent events and transactions for potential recognition or disclosure in the financial information through to the date of this document. Except as described above, no other events have occurred that require adjustment to or disclosure in the financial information.

Independent review report to Verseon Corporation

We have been engaged by the company to review the condensed set of financial statements in the interim financial report for the six months ended 30 June 2015 which comprises the consolidated balance sheet, consolidated statement of operations, consolidated statement of cash flows, stockholders' equity statement and related notes A to K. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The interim financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim financial report in accordance with the AIM Rules of the London Stock Exchange.

As disclosed in note A, the annual financial statements of the company are prepared in accordance with accounting principles generally accepted in the United States of America as adopted by the European Union. The condensed set of financial statements included in this interim financial report have been prepared in accordance with the accounting policies the company intends to use in preparing its next annual financial statements.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the interim financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim financial report for the six months ended 30 June 2015 is not prepared, in all material respects, in accordance with accounting policies the company intends to use in preparing its next annual financial statements and the AIM Rules of the London Stock Exchange.

Deloitte LLP
Chartered Accountants and Statutory Auditor
Southampton, United Kingdom
September 7, 2015

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