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Fusion Antibodies PLC
14 February 2024

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14 February 2024

Fusion Antibodies plc
("**Fusion**" or the "**Company**")

Placing to raise £1,375,000

Fusion Antibodies plc (AIM: FAB), specialists in pre-clinical antibody discovery, engineering and supply for both therapeutic drug and diagnostic applications, announces that it has conditionally raised £1,375,000 (before expenses) by way of a placing (the "**Placing**") of 34,375,000 new ordinary shares of 4p each in the capital of the Company ("**Placing Shares**") at a price of 4 pence per new ordinary share (the "**Issue Price**").

Allenby Capital Limited ("**Allenby Capital**") is acting as broker in connection with the Placing. Shard Capital Partners LLP ("**Shard**") is acting as sub-placing agent to Allenby Capital. The Placing is not being underwritten by either Allenby Capital or Shard. The Company also announces the appointment of Shard as joint broker to Fusion with immediate effect.

Key Highlights

- Placing to conditionally raise c. £1,375,000 (before expenses) through the issue of 34,375,000 Placing Shares at the Issue Price.

- The Issue Price represents a discount of approximately 5.88 per cent. to the closing mid-market price of an ordinary share in the Company ("**Ordinary Share**") on 13 February 2024, being the latest practicable date prior to the publication of this announcement.

- The issue and allotment of the Placing Shares is conditional, *inter alia*, upon the passing of resolutions to authorise such issues and allotments and disapply pre-emption rights (the "**Resolutions**") to be put to

holders of Ordinary Shares ("**Shareholders**") at a general meeting of the Company (the "**General Meeting**").

- The General Meeting is to be held at the offices of Fusion Antibodies at 1 Springbank Road, Springbank Industrial Estate, Dunmurry, Belfast BT17 0QL at 10.00 a.m. on 5 March 2024 and a circular, including a notice of General Meeting, will be sent to Shareholders on 15 February 2024.

- The Company intends to issue 1,536,850 new Ordinary Shares (the "**Director Shares**") to certain of the directors of the Company at a deemed subscription price that is equal to the Issue Price in lieu of or in satisfaction of salary and fees due to them and which shall be issued immediately following publication of this announcement pursuant to the authorities previously granted at the Company's annual general meeting held on 27 October 2023.

- As an incentivisation, the Company intends to grant a total of up to 3,790,700 new share options in the Company pursuant to the Fusion EMI and Unapproved Employee Share Option Scheme to staff and senior management immediately following the publication of this announcement.

- The Placing is not being underwritten.

Fusion Antibodies CEO, Adrian Kinkaid, said: *"We are very pleased to have been able to complete this fundraise in challenging market conditions. We decided to go ahead with this Placing following the various agreements we signed in 2023 which are laid out below. The net proceeds of this Placing will provide the Company with increased resources to target additional industry conferences and customers, generate supporting data for its key platforms and extend its working capital runway.*

"We look forward to further updating our Shareholders in due course and would like to thank them for their continued support."

Further details of the Placing, the proposed issuance of the Director Shares and proposed grant of the share options are set out below.

Background to and reasons for the Placing

The Company has seen a significant increase in pipeline opportunities following attendance and marketing activities at certain key industry conferences and the targeting of new sectors including diagnostics and veterinary medicine. The Company has been encouraged by the improvement in the opportunities pipeline despite limited resources following the cost cutting exercise taken in 2023. The board of Fusion (the "**Board**" or the "**Directors**") considers that it is in the best interest of the Company and its Shareholders to conduct the Placing in order to provide the Company with increased resources to target additional industry conferences and customers, generate supporting data for its key platforms and extend its working capital runway.

The Company's prospects have been improved further by the entry into of an agreement with the National Cancer Institute ("**NCI**"), part of the National Institutes of Health (NIH) in the USA, to validate the OptiMAL® platform, as announced on 28th November 2023. The NCI is a highly prestigious organisation and recognises the potential value OptiMAL® offers in therapeutic antibody discovery, which is potentially very helpful in gaining access to prospective clients especially in the USA, the Company's biggest single geographic market. The Company also announced the first customer for its AI/ML-Ab^{TM} platform, demonstrating positive initial traction and a US$650,000 follow-on project from a US based biotech company. The Directors believe that this follow on project provides an indicator of the benefits of Fusion's Integrated Therapeutic Antibody Service (ITAS), having successfully developed a lead antibody for that client utilising the Company's proprietary affinity maturation platform, RAMP^{TM} in the initial scope of work.

In addition, the Company is pleased to announce that it has recently signed a master services agreement (the "**MSA**") with a leading global provider of diagnostics solutions (the "**Partner**"). The MSA provides a framework under which it is anticipated that Fusion would provide antibody discovery, engineering and supply services to the Partner for diagnostic purposes. The Partner is a blue-chip company in the diagnostics sector, an industry

which the Directors consider has significant potential for Fusion's growth prospects. Any work undertaken under the MSA will be subject to the receipt of separate purchase orders from the Partner.

Current trading and prospects

On 4 December 2023, the Company announced its interims results for the six months ended 30 September 2023. In that announcement the Company stated that the Board anticipated that the Company's results to 31 March 2024 ("**FY 2024**") would be significantly weighted towards the second half of the year. Since then, the Board has been regularly reviewing progress against revenue targets and is encouraged by the following positive indications:

- the substantial growth in the sales opportunities pipeline over the past nine months, specifically;
  - the total of the opportunities values assigned by the Company to the pipeline increased threefold during Q3; and
  - the combined value of quotes sent to clients and considered by the Company to be "live" exceeded £3m as of 12th January 2024

- progress being made in identifying sales opportunities in the identified markets, especially diagnostics and veterinary medicine:
  - three discrete projects for diagnostics were underway in December/January; and
  - one project for Veterinary Medicine was actively being processed in December/January

- the willingness of clients to engage and progress projects through initiation to completion.

Based on the Company's recorded revenue for FY 2024 to date, along with contracted work in progress, the Board has visibility over approximately £1.15 million of revenue for the full year. The Board considers the sales opportunity pipeline to be robust and provides sufficient opportunities for the Company to achieve revenues for FY 2024 in line with current market expectations. However, the Board recognises that this will be dependent on the conversion of certain pipeline prospects into contracted work in an appropriate timeframe.

Use of proceeds

The net proceeds receivable by the Company pursuant to the Placing are approximately £1.24 million. The Company intends to use the proceeds for general working capital purposes and to invest in the Company's commercial activities, focusing on increasing its presence in key geographic markets, such as North America, and industry verticals, such as diagnostic and veterinary medicine. These markets will be targeted through various marketing activities including attendance at key industry conferences and follow on sales trips. Based on the Company's internal estimations, the net proceeds of the Placing are expected to provide a cash runway into Q2 2025 and the Company will be seeking to achieve cash neutrality during that timeframe.

Details of the Placing

The Placing will result in the issue of a total of 34,375,000 Placing Shares at the Issue Price. The Placing has conditionally raised £1,375,000 before expenses for the Company. The Placing Shares will be issued conditional, *inter alia*, on the passing of the Resolutions at the General Meeting.

The Placing Shares, when issued and fully paid, will rank *pari passu* in all respects with the existing Ordinary Shares in issue and therefore will rank equally for all dividends or other distributions declared, made or paid after the issue of the Placing Shares.

Allenby Capital has entered into a Placing Agreement with the Company pursuant to which Allenby Capital has, on the terms and subject to the conditions set out therein, undertaken to use its reasonable endeavours to procure subscribers for the Placing Shares at the Issue Price. The Placing Agreement contains certain warranties and indemnities from the Company in favour of Allenby Capital. The Placing is not being underwritten by Allenby Capital, Shard or any other person.

Proposed Issue of Ordinary Shares to Directors

As disclosed in the Company's annual report and accounts for the year ended 31 March 2023 (as announced on 29 September 2023), as part of the cost savings implemented following the Company's fundraise in May 2023, certain of the Company's executive directors (being Adrian Kinkaid, CEO and Richard Buick, CSO) agreed to certain changes in their remuneration structure (which included taking shares in lieu of cash remuneration) and, as a result, 20% of their salaries for the eight months commencing 1 July 2023 were deferred. In addition, the

Company's non-executive directors agreed to forgo all remuneration that they were entitled to with effect from 1 May 2023.

Immediately following the publication of this announcement, the Company intends to issue and allot new Ordinary Shares to certain of the executive directors at a deemed issue price equal to the Issue Price representing 50% of the amounts of their deferred salary, with the balance (totalling £20,224) to be paid in cash conditional on completion of the Placing. In addition, due to their ongoing commitments to the Company, the remuneration committee intends to align the non-executive directors with these executive directors and pay them their forgone fees in part in new Ordinary Shares at a deemed issue price equal to the Issue Price, with the remainder of their foregone fees (totalling £31,250) being paid in cash conditional on completion of the Placing.

As a result of the above arrangements, it is anticipated that 1,536,850 new Ordinary Shares (the "**Director Shares**") will be issued and allotted to certain of the directors at a deemed issue price equal to the Issue Price and pursuant to the authorities previously granted at the Company's annual general meeting held on 27 October 2023, as follows:

Director	*Amount of salary/fees to be received in Director Shares*	*No. of Director Shares to be issued*	*Total holding of Ordinary Shares post issue*	*Percentage of enlarged share capital*[1]
Adrian Kinkaid	£12,017	300,425	546,272	0.90%
Richard Buick	£8,207	205,175	905,175	1.48%
Simon Douglas	£12,500	312,500	668,865[2]	1.10%
Colin Walsh	£22,500	562,500	2,562,500[3]	2.69%
Matthew Baker	£6,250	156,250	156,250	0.26%

[1] *Based on the enlarged share capital of the Company following the issue of the Director Shares but prior to the issue of the Placing Shares.*

[2] *Excludes Ordinary Shares held by relatives of Simon Douglas.*

[3] *Includes 600,000 Ordinary Shares held by Walsh Strategic Management Limited, a company controlled by Colin Walsh and 1,400,000 Ordinary Shares held by Hamniv (GP) Limited, a subsidiary of Crescent Capital NI Limited ("Crescent Capital"). Colin Walsh is the Chief Executive and founder of Crescent Capital.*

A further announcement will be provided following the issue and allotment of the shares.

Proposed grants of new share options

In order to incentivise and retain staff and senior management, the Company intends to grant up to 3,760,700 new share options in the Company (the "**New Options**") pursuant to the Fusion EMI and Unapproved Employee Share Option Scheme (the "**Option Schemes**") to staff and senior management immediately following the publication of this announcement. Up to 730,700 of the New Options will be granted conditional on the surrender of the same number of existing share options in the Company by option holders. The New Options are expected to have an exercise price of 4.25p, being the closing mid-market price of an Ordinary Share on 13 February 2024, the day prior to the grant. A further announcement will be made following the grant of the New Options.

Admission to trading on AIM

Following the issue and allotment of the Director Shares, application will be made to the London Stock Exchange plc for the Director Shares to be admitted to trading on AIM ("**First Admission**"). It is currently anticipated that First Admission will become effective and that dealings in the Director Shares will commence on AIM at 8.00 a.m. on or around 19 February 2024.

Subject to, *inter alia,* the approval of the Resolutions, application will be made to the London Stock Exchange plc for the Placing Shares to be admitted to trading on AIM ("**Second Admission").** Assuming the Resolutions are passed at the General Meeting, it is anticipated that that Second Admission will become effective and that dealings in the Placing Shares will commence on AIM at 8.00 a.m. on or around 7 March 2024.

Notice of General Meeting

A circular including a notice convening a General Meeting of the Company, to be held at the Company's offices at 1 Springbank Road, Springbank Industrial Estate, Dunmurry, Belfast BT17 0QL at 10.00 a.m. on 5 March 2024 is

expected to be sent to Shareholders on 15 February 2024. At the General Meeting, Shareholders will be asked to consider resolutions which, if approved, will provide the Directors with the authority and power to allot and disapply statutory pre-emption rights in relation to each of the Placing Shares.

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IMPORTANT NOTICES

Notice to Distributors

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended and as this is applied in the United Kingdom ("**MiFID II**"); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II and Regulation (EU) No 600/2014 of the European Parliament, as they form part of UK law by virtue of the European Union (Withdrawal) Act 2018, as amended; and (c) local implementing measures (together, the "**MiFID II Product Governance Requirements**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "*manufacturer*" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Ordinary Shares have been subject to a product approval process, which has determined that such securities are: (i) compatible with an end target market of retail investors who do not need a guaranteed income or capital protection and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "**Target Market Assessment**"). The Ordinary Shares are not appropriate for a target market of investors whose objectives include no capital loss. Notwithstanding the Target Market Assessment, distributors should note that: the price of the Ordinary Shares may decline and investors could lose all or part of their investment; the Ordinary Shares offer no guaranteed income and no capital protection; and an investment in the Ordinary Shares is compatible only with investors who do not need a guaranteed income or capital projection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Placing. Furthermore, it is noted that, notwithstanding the Target Market Assessment, Allenby Capital will only procure investors who meet the criteria of professional clients and eligible counterparties. For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Ordinary Shares. Each distributor is responsible for undertaking its own target market assessment in respect of the shares and determining appropriate distribution channels.

Forward Looking Statements

This announcement includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "anticipates", "targets", "aims", "continues", "expects", "intends", "hopes", "may", "will", "would", "could" or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include matters that are not facts. They appear in a number of places throughout this announcement and include statements regarding the Directors' beliefs or current expectations. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Investors should not place undue reliance on forward-looking statements, which speak only as of the date of this announcement.

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General

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About Fusion Antibodies plc

Fusion is a Belfast based contract research organisation ("**CRO**") providing a range of antibody engineering services for the development of antibodies for both therapeutic drug and diagnostic applications.

The Company's ordinary shares were admitted to trading on AIM on 18 December 2017. Fusion provides a broad range of services in antibody generation, development, production, characterisation and optimisation. These services include antigen expression, antibody production, purification and sequencing, antibody humanisation using Fusion's proprietary CDRx ^{TM} platform and the production of antibody generating stable cell lines to provide material for use in clinical trials. Since 2012, the Company has successfully sequenced and expressed over 250 antibodies and successfully completed over 200 humanisation projects and has an international, blue-chip client base, which has included eight of the top 10 global pharmaceutical companies by revenue.

The Company was established in 2001 as a spin out from Queen's University Belfast. The Company's mission is to enable pharmaceutical and diagnostic companies to develop innovative products in a timely and cost-effective manner for the benefit of the global healthcare industry. Fusion provides a broad range of services in antibody generation, development, production, characterisation and optimisation.

Fusion's growth strategy is based on combining the latest technological advances with cutting edge science to deliver new platforms that will enable Pharma and Biotech companies get to the clinic faster, with the optimal

drug candidate and ultimately speed up the drug development process.

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