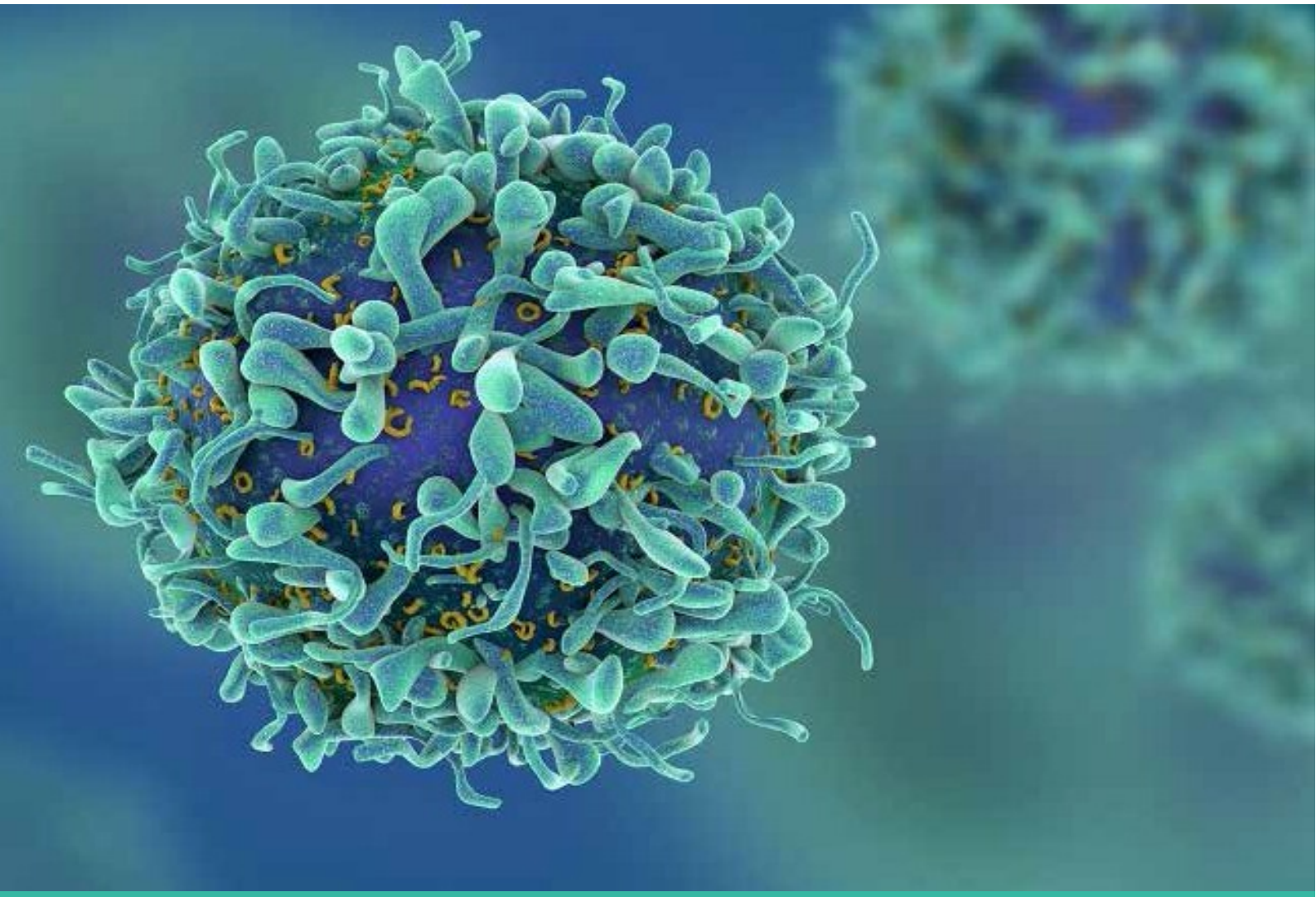
Lytix Biopharma

Fighting cancer with novel immunotherapies



Interim Report Q3 2017

HIGHLIGHTS FOR THE THIRD QUARTER 2017

- The Board has appointed Edwin Klumper as the new CEO per September 2017.
- More patients have been entered into our clinical studies with promising results in patients treated with LTX-315 in combination with marketed checkpoint blockers.
- LTX-401 has shown promising oncolytic and immunogenic potency in preclinical testing and will be further advanced in development to target the liver for treatment of primary liver cancer and other cancers that spread to the liver addressing potential new markets.
- Lytix participated in the CIMT congress in Mainz where the world leading experts presented the latest research insights that underlined the importance and need of local intratumoral treatment turning cold tumors hot.
- The preparation of an IPO is ongoing.

CEO STATEMENT

The Lytix team is excited to build the latest scientific and clinical results into strong future planning of the next developmental LTX-315 studies that will push forward combination treatments including LTX-315 as a cornerstone to fire up the immune cycle for effective treatments. The team is focused and dedicated to raise the money to realize these plans.

POST PERIOD HIGHLIGHTS AND OUTLOOK

Our global network of the world's leading immunology experts confirmed the uniqueness of LTX-315 in meetings with the Lytix team discussing our latest scientific results. The faculty is impressed by the power of LTX-315 to create an inflammatory response in the tumor and its micro-environment across a wide range of important immune cells required for an adequate immune response. The importance of local treatment with LTX-315 has been confirmed as a potential cornerstone in future immune treatments that require different combinations and sequences to improve the effectiveness of immune therapy.

By November 14 two of seven evaluable patients treated with LTX-315 + Pembrolizumab have achieved a partial remission (PR) confirmed by CT scan. This data is promising when comparing with pembrolizumab mono therapy in triple negative breast cancer patients that obtained a response rate of 4.7% in a similar patient population (Keynote086)

KEY FIGURES

(in NOK thousands)	Unaudited Q3 2017	Unaudited Q3 2016	Unaudited YTD 2017	YTD 2016	FY 2016
Operating income	4,663	480	34,935	3,373	12,460
Operating expenses	(19,262)	(11,969)	(52,057)	(50,736)	(76,929)
Loss from operations	(14,598)	(11,489)	(17,122)	(47,363)	(64,470)
Loss for the period from continuing operations	(12,343)	(11,342)	(13,949)	(47,495)	(63,831)
Loss for the period	(12,343)	(11,436)	(7,875)	(50,206)	(67,825)
Basic and diluted earnings/(loss) per share (NOK)	(10.3)	(11.4)	(7.2)	(56.5)	(76.3)
Cash position at end of period	50,571	29,022	50,571	29,022	17,637

ABOUT LYTIX BIOPHARMA

Lytix is a clinical stage biotechnology company that develops novel immunotherapies to fight cancer, an area within cancer therapy that is aimed at activating the immune system to fight cancer.

The immune checkpoint inhibitors (ICIs) are proving to be effective in the treatment of cancer and represent a paradigm shift in oncology. However, despite their clinical success, only a subset of patients exhibit long-lasting responses, and many patients remain non-responders. The immune checkpoint inhibitors seem to work only in tumors that are infiltrated with immune cells (T cell inflamed tumors), so-called hot tumors. Today, the main challenge in cancer immunotherapy is to turn “cold” tumors “hot”.

LTX-315 is a first-in-class oncolytic peptide and one of the most promising drug candidates to turn cold tumors hot. After intratumoral injections, LTX-315 targets cancer cells and induces a release of immune stimulants and tumor antigens resulting in infiltration of a broad range of tumor specific T cells attacking the cancer.

Clinical studies have demonstrated that LTX-315 treatment enhances T cell infiltration in the majority of treated tumors. Hence, LTX-315 has a potential to enhance the proportion of cancer patients responding to immunotherapy including immune checkpoint inhibitors. Indeed, preclinical results have shown that LTX-315 work in synergy with immune checkpoint inhibitors. In addition, local treatment with LTX-315 combined with systemic immune therapies has the potential to augment efficacy without adding significant toxicity making it an even more ideal combination partner.

Lytix` technology platform consists of peptides and small molecules that are able to kill cancer cells in such a way that the immune system become activated (immunogenic cell death). The technology platform is based on 25 years of world class research on oncolytic peptides and small molecules generated from host defense peptides. Using this technology platform Lytix has generated a number of oncolytic molecules with different molecular structure and with different mode of action. LTX-315 is designed for treatment of superficial solid tumors (melanoma, breast cancer, sarcoma, head and neck, etc.). Lytix’ pipeline also includes molecules that could be used for treatment of different types of deep-seated tumors with a high unmet need and a high market potential (e.g. liver cancer).

STRATEGY

Lytix´ strategy is to develop its lead oncolytic peptide LTX-315 and drug candidates in its pipeline to end phase II and subsequently collaborate with partners for late stage clinical development, application for market authorization and commercialization. Such future deals may fuel the building of a stand-alone multi-asset global Immuno-Oncology company. The Company's goal is to build a strong and competitive immune oncology portfolio, based on proprietary oncolytic peptides and small molecules. In addition, Lytix is actively seeking for licensing opportunities to strengthen the portfolio. Important elements in Lytix` strategy include:

Develop and establish LTX-315 as the preferred combination partner with checkpoint inhibitors across several solid tumor indications.

OPERATIONAL REVIEW

Today, the majority of Lytix' projects relate to the use of the Company's lead clinical candidate LTX-315. Moreover, the Company has a promising pipeline of new lead oncolytic compounds, such as LTX-401, for deep-seated tumors, i.e. hepatocellular carcinoma, liver metastases, lung and colorectal cancer. Hence, the Company´s technology platform can be used to generate several molecules for different cancer indications in therapy settings. Combination therapies are the key focus, and intratumoral treatments have gained increasing attraction.

Lytix´ drug development pipeline is indicated in the figure below.

PRE-CLINICAL DEVELOPMENT PROGRAM

Preclinical studies have demonstrated that intratumoral treatment of solid tumors with LTX-315 results in growth inhibition, complete regression and long-lasting tumor-specific immune responses. The studies have also confirmed that LTX-315 increases the number of tumor-infiltrating T-cells in the tumor microenvironment. LTX-315 induces immunogenic cell death through its membranolytic mode of action, leading to the

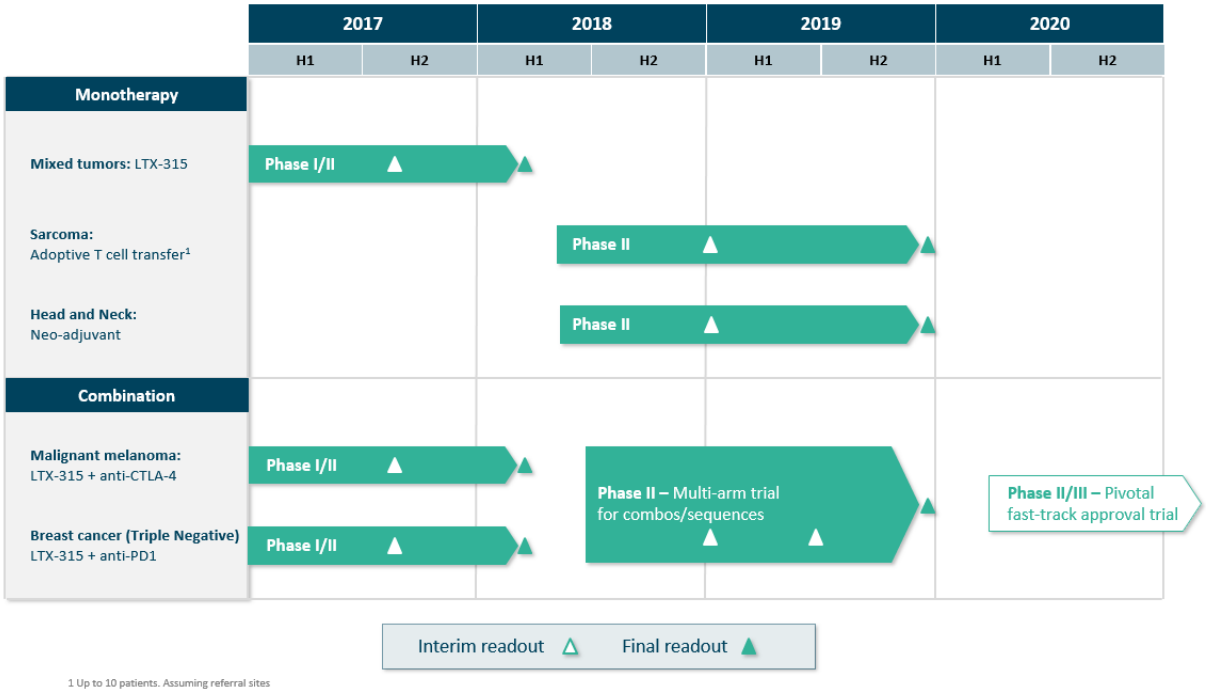
release of potent immunostimulants in addition to a wide spectrum of tumor antigens, thus creating an essential premise for tumor-specific immune responses.

LTX-315 has also demonstrated to induce systemic effects, i.e. an effect in non-injected tumors. In this model, only one out of the three established tumors was treated with LTX-315. The results showed that both the treated lesion and the non-treated tumors were eliminated. The non-treated tumors were heavily infiltrated with T cells, consequently indicating a strong and immediate systemic effect following the LTX-315-based local therapy.

Long-term protective immune responses were further demonstrated as previously cured animals were protected against re-challenge 14 months after treatment.

CLINICAL DEVELOPMENT PROGRAM

The lead candidate LTX-315 has undergone a comprehensive preclinical development and is in the clinical phase I/II for several indications. The drug candidate has demonstrated a large potential as a combination product through its unique ability to convert cold tumors hot. The current clinical development program with the lead oncolytic peptide includes several indications and settings, as indicated in the figure below:



1 Up to 10 patients. Assuming referral sites

Clinical update

As of September 30, 60 patients have received LTX-315 treatment at 3-11mg per injection as monotherapy (48 patients) or in combination (12 patients) with immune checkpoint inhibitors (ipilimumab (2) and pembrolizumab (10)) in the ongoing phase 1 trial. The phase 1 trial will complete enrolment by mid-Q1 2018. This phase 1 trial is ongoing at 13 participating centers across five European countries (Norway, U.K., France, Belgium and Italy).

Three phase II trials are planned:

The first and leading trial will be a multi-arm phase II 'pick-the-winner design' trial evaluating LTX-315 in different combinations and sequences (e.g. immune checkpoint inhibitors) planned to start in Q3 2018.

In metastatic soft-tissue sarcoma a single center phase II trial in Copenhagen, Denmark with LTX-315 and adoptive T-cell therapy will be ready to open for patient accrual by the early 2018. Local LTX-315 treatment will be used to induce and harvest tumor specific T-

cells that will be re-infused for systemic adoptive T-cell therapy. This trial will accrue approximately 10-15 patients.

In head and neck cancer a single center trial in Essen, Germany with LTX-315 as neoadjuvant treatment will be ready to open for patient accrual by early 2018. This "window of opportunity" trial will evaluate LTX-315 treatment given to treatment naïve patients prior to curative surgery with the intention to remove all their cancer. This trial will accrue 10-15 patients.

Clinical programs

The clinical development plan for LTX-315 is currently near to phase 1 completion. A Phase I clinical trial is testing a new cancer drug such as LTX-315 administered to cancer patients for the first time. The main purpose of phase I testing is to evaluate the safety and dosing of the new drug candidate i.e. observe and document the frequency and severity of any side-effects. Some side-effects may be expected based on animal testing but not all side-effects observed in animals occur in humans and vice versa.

LTX-315 Monotherapy

Two clinical trials of LTX-315 monotherapy have occurred to date. The first study was conducted in Oslo, Norway (14 patients) and the second study (ongoing) is being conducted in 13 hospitals in five European countries: Norway, U.K., France, Italy and Belgium and has included (as of October 2017) 51 patients treated with LTX-315 monotherapy and 15 patients treated with LTX-315 in combination with checkpoint inhibitors.

In both trials, patients have had tumors injected with LTX-315 where these tumors were on the skin, just under the skin or in lymph nodes (part of the body's immune system). All patients have advanced cancer with tumors located in multiple sites in different organs in the body. LTX-315 has been injected in one or more tumors for 6-8 injection days in a six-week period. LTX-315 is currently being evaluated at doses per injection of 3-5mg.

LTX-315 combined with Checkpoint inhibitors

More recently, LTX-315 has been combined with two immune checkpoint inhibitors: pembrolizumab (Keytruda®) in advanced/metastatic pre-treated breast cancer and ipilimumab (Yervoy®) in advanced/metastatic malignant melanoma patients who have previously received anti-PD1 treatment (Keytruda® or Opdivo®) and progressed.

Ipilimumab (Yervoy®)

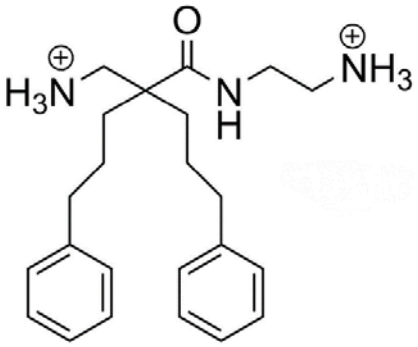
One of two evaluable patients treated to date has achieved stable disease (by CT scan)- meaning the tumor is neither growing or shrinking significantly. This patient received half the standard ipilimumab treatment (2 of 4 infusions). Importantly this stable disease is ongoing (as of October 23, 2017) for 39 weeks.

Pembrolizumab (Keytruda®)

One of five evaluable patients (as of September 30, 2017) treated with LTX-315 + Pembrolizumab have achieved a partial remission (PR) by CT scan. Partial remission indicates that the cancer (all tumors) has shrunk in size by 50% or more. All patients have received at least one or more prior treatment (most commonly chemotherapy).

LTX-401

LTX-401 is a small oncolytic molecule with potent antitumor activity, see figure below. In several experimental animal models, LTX-401 induces complete regression after intratumoral injection with a subsequent development of a systemic immune protection in cured animals. Strong anticancer activity have also been demonstrated in liver cancer models (hepatocellular carcinoma).



Chemical structure of the small amphipathic β (2,2)-amino acid-derived antitumor molecule LTX-401 (MW=367,53).

The treatment of tumor cells with LTX-401 leads to an immunogenic cell death involving disintegration of intracellular compartments such as mitochondria and the Golgi apparatus with a subsequent release of DAMPs such as ATP, HMGB1 and calreticulin. In particular, due to a favorable safety profile and preliminary preclinical data, LTX-401 may have a great potential in the treatment of deep-seated tumors such as hepatocellular carcinoma and liver metastases.

MANAGEMENT

Edwin Klumper joined Lytix Biopharma as CEO in September 2017. However, he knows Lytix quite well as he in 2012 acted as an interim CMO leading the management team to reset its oncology strategy.

Dr. Klumper has 25 years of industry experience, being an advisor for nearly 100 oncology drug development programs. The combination of his scientific and business background will be of great value in the Company's strategy of becoming a globally recognized immune-oncology biotech company.

COLLABORATIONS

Lytix has established strong collaborations with several highly reputed institutions in the US (Harvard University, Cornell University etc.) and Europe (Institute Gustave Roussy, Karolinska Institutet, etc.). Through these strategic collaborations, Lytix` is able to both explore the mode of action of LTX-315 and generate scientific rationales for combining LTX-315 with other types of therapies in clinical studies.

FINANCIAL REVIEW

Results third quarter 2017

Revenue for the quarter amounted to NOK 688 thousand compared to NOK 129 thousand for Q3 2016. Other income, mainly public grants, amounted to NOK 3,975 thousand compared to NOK 351 thousand for Q3 2016. The difference is due earlier recognition of public grants.

Total operating expenses for the quarter increased to NOK 19,262 thousand from NOK 11,969 thousand in Q3 2016. The increase reflects the higher clinical activity. Loss from operations amounted to NOK 14,598 thousand compared to NOK 11,489 thousand in Q3 2016.

Net financial items for the Group amounted to NOK 2,256 thousand compared to NOK 135 for Q3 2016. The difference is mainly explained by fair value change of the financial liabilities.

The loss for the period amounted to NOK 12,343 thousand compared to NOK 11,436 thousand for Q3 2016.

Results first nine months 2017

Revenue for the period amounted to NOK 744 thousand compared to NOK 158 thousand for the comparative period in 2016. Other income, including public grants and gain on demerger of LTX-109, amounted to NOK 34,191 thousand compared to NOK 3,215 thousand for the comparative period in 2016. Other operating income include the gain on distribution of LTX-109 of NOK 26,000 thousand.

Total operating expenses for the period increased to NOK 52,057 thousand from NOK 50,736 thousand for comparative period in 2016. Loss from operations amounted to NOK 17,122 thousand compared to NOK 47,363 thousand for the comparative period in 2016.

Net financial items for the Group amounted to NOK 1,745 thousand compared to NOK 540 for the comparative period in 2016. The difference is mainly explained by the fair value change of financial liabilities.

The loss for the period amounted to NOK 7,875 thousand compared to NOK 50,206 thousand for the comparative period in 2016.

Financial position and cash flow

Cash and cash equivalents were 50,571 thousand at the end of the quarter compared to NOK 29,022 thousand at the end of the third quarter of 2016 and NOK 17,637 thousand at the end of 2016.

Cash flow during the first nine months was primarily driven by operating activities, and net cash flow from operating activities during the period was negative by NOK 44,036 thousand, compared to negative NOK 59,743 thousand for the previous quarter.

Total liabilities were NOK 18,198 thousand at the end of the quarter compared to NOK 8,877 thousand at the end the previous quarter and NOK 12,449 at the end of 2016.

Shareholders' equity was NOK 57,363 thousand at end of the quarter, compared to NOK 34,447 thousand at the end the previous quarter and NOK 23,029 thousand at the end of 2016.

Deferred tax asset is not reflected in the statement of financial position as the Group is in a development phase and is currently generating losses.

SUBSEQUENT EVENTS

The Company is in the process for the contemplated listing of the Company's shares on Nasdaq First North Premier in Stockholm (the "Listing"). Under the current schedule, the Listing will be completed in December 2017.

The Company has in two instances during spring 2017 issued warrants to investors in the Company (the "Warrants Holders") as compensation for a guarantee undertaking to subscribe for shares in connection with the Listing.

A large number of issued warrants with a right to subscribe for shares below the quoted stock exchange price may make the investment case less attractive for new investors. It is a clear risk that this will result in a materially lower subscription price and interest from new investors in connection with the Listing. The board of directors therefore considers it to be in the interest of the Company to reduce the number of issued warrants. On this background, the board has prepared a proposal where the Warrants Holders are offered to redeem the warrants to the Company prior to the Listing and terminate the investment agreements entered into between the Company and each Warrant Holder.

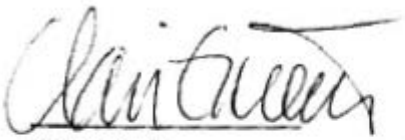
The proposed buy-back of warrants is subject to approval by the general meeting and a final board approval.

RESPONSIBILITY STATEMENT

We confirm, to the best of our knowledge that the financial statements for the period 1 January to 30 September 2017 have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the entity and the Group taken as a whole. We also confirm that the interim report includes a true and fair view of the development and performance of the business and the position of the entity and the Group, together with a description of the principal risks and uncertainties facing the entity and the Group.

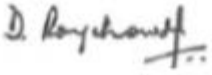
Oslo, 17 November 2017

Gert Wilhelm Munthe
Chairman



Kari Grønås
Board member

Morten Jurs
Board member



Debasish Roychowdhury
Board member

Lena Torlegård
Board member

Edwin Klumper
CEO

Forward-looking statements presented in this report are based on various assumptions. The assumptions were reasonable when made, but are inherently subject to uncertainties and contingencies that are difficult or impossible to predict. Lytix Biopharma ASA cannot give assurances that expectations regarding the outlook will be achieved or accomplished.

Interim condensed consolidated statement of comprehensive income

(in NOK 1 000)	Notes	Unaudited Q3 2017	Unaudited Q3 2016	Unaudited YTD 2017	Unaudited YTD 2016	FY 2016
Revenue		688	129	744	158	124
Other operating income	*6,12*	3,975	351	34,191	3,215	12,336
Total operating income		**4,663**	**480**	**34,935**	**3,373**	**12,460**
Payroll and related expenses	*7,10*	(6,279)	(5,299)	(13,868)	(12,535)	(22,442)
Depreciation and amortisation expenses		(2)	(4)	(13)	(11)	(1,009)
Impairment of intangible assets		-	-	-	-	(2,940)
Direct R&D expenses	*7*	(9,311)	(3,110)	(24,954)	(26,642)	(33,534)
Other expenses	*7*	(3,670)	(3,558)	(13,223)	(11,547)	(17,005)
Total operating expense		**(19,262)**	**(11,969)**	**(52,057)**	**(50,736)**	**(76,929)**
Loss from operations		**(14,598)**	**(11,489)**	**(17,122)**	**(47,363)**	**(64,470)**
Net financial items	*14*	2,256	135	1,745	540	648
Share of post-tax profits of equity accounted investments	*12*	-	12	-	(671)	(9)
Gain from distribution of associate	*12*	-	-	1,428	-	-
Loss before tax		**(12,343)**	**(11,342)**	**(13,949)**	**(47,495)**	**(63,831)**
Tax expense	*11*	-	-	-	-	-
Loss for the period from continuing operations		**(12,343)**	**(11,342)**	**(13,949)**	**(47,495)**	**(63,831)**
Profit/(Loss) for the period from discontinued operations	*12*	-	(94)	6,073	(2,712)	(3,994)
Loss for the period		**(12,343)**	**(11,436)**	**(7,875)**	**(50,206)**	**(67,825)**
Attributable to:						
Non-controling interests		-	-	-	-	-
Equity holders of the parent		(12,343)	(11,436)	(7,875)	(50,206)	(67,825)
Other comprehensive income						
Items that may be reclassified to profit or loss		-	-	-	-	-
Total other comprehensive income for the period		**-**	**-**	**-**	**-**	**-**
Total comprehensive income for the period		**(12,343)**	**(11,436)**	**(7,875)**	**(50,206)**	**(67,825)**
Earnings/(loss) per share:						
Basic and dilutive earnings/(loss) per share	*9*	(10.3)	(11.4)	(7.2)	(56.5)	(76.3)

Interim condensed consolidated statement of financial position

(in NOK 1 000)	Notes	Unaudited 30.09.2017	Unaudited 30.09.2016	31.12.2016
Assets				
Non-current assets				
Property, plant and equipment		8	38	20
Intangible assets		-	3,920	-
Investments in equity-accounted investments		-	1,587	-
Other receivables		-	5	-
Total non-current assets		**8**	**5,550**	**20**
Current assets				
Trade and other receivables		12,700	8,752	9,723
Cash and cash equivalents		50,571	29,022	17,637
Other current financial assets	*14*	12,282		
Total current assets		**75,553**	**37,774**	**27,360**
Assets in disposal groups classified as held for distribution to owners		-	-	8,097
Total assets		**75,561**	**43,324**	**35,478**
Shareholders equity and liabilities				
Issued capital and reserves				
Share capital	*8*	1,196	1,002	1,002
Share premium reserve		56,168	33,445	22,068
Equity contributed to Lytix Biopharma shareholders		**57,363**	**34,447**	**23,070**
Non-controlling interests		-	-	(41)
Total equity		**57,363**	**34,447**	**23,029**
Liabilities				
Current liabilities				
Trade payables		1,721	2,162	4,789
Other current liabilities		6,259	6,716	6,564
Other current financial liabilities	*14*	10,218		
Total current liabilities		**18,198**	**8,877**	**11,353**
Liabilities in disposal group classified as held for distribution to owners		-	-	1,097
Total liabilities		**18,198**	**8,877**	**12,449**
Total equity and liabilities		**75,561**	**43,324**	**35,478**

Interim condensed consolidated statement of cash flows

(in NOK 1 000)		Unaudited YTD 2017	Unaudited YTD 2016	FY 2016
Cash flows from opearting activities				
Income/(loss) from continuing operations		(13,949)	(47,495)	(63,831)
Income/(loss) from discontinuing operations	*12*	6,073	(2,712)	(3,994)
Adjustments for:				
Depreciation of property, plant and equipment		13	11	1,009
Impairment of intangible assets		-	-	2,940
Impairment of investment in associate		-	-	-
Interest received		(167)	(583)	(710)
Share of profit and gain from associate	*12*	(1,428)	671	9
Share-based payment expense	*10*	775	-	5,793
Increase/decrease in trade and other receivables		(15,259)	1,305	338
Increase/decrease in trade and other payables		6,828	(8,905)	(6,430)
Net change in discontinuing operations	*12*	(923)	(2,035)	(2,094)
Distribution of LTX-109	*12*	(26,000)	-	-
Cash generated from operations		**(44,036)**	**(59,743)**	**(66,969)**
Income tax paid		-	-	-
Net cash flows from operating activities		**(44,036)**	**(59,743)**	**(66,969)**
Investing activities				
Demerger of subsidiary	*12*	(408)	-	-
Interest received		167	583	710
Net cash from/(used) in investing activities		**(241)**	**583**	**710**
Financing activities				
Proceeds from share issue		77,212	78,463	76,427
Capital contributions from minority interests		-	-	408
Net cash (used in)/from financing activities		**77,212**	**78,463**	**76,835**
Net increase in cash and cash equivalents		32,934	19,303	10,576
Cash and cash equivalents at the beginning of the period		17,637	9,719	9,719
Cash and cash equivalents at the end of the period		**50,571**	**29,022**	**20,295**
Cash from discontinued operations		-	-	(2,658)
Cash at the end of the period		**50,571**	**29,022**	**17,637**

Interim condensed consolidated statement of changes in equity

(in NOK 1 000)	Share Capital	Share Premium	Equity-settled share-based payment	Total	Non-controlling interest	Total equity
Balance at 1 January 2017	**1,002**	**8,556**	**13,512**	**23,070**	**(41)**	**23,029**
Comprehensive income for the period						
Loss from continuing operations		(13,949)		(13,949)		(13,949)
Loss from discontinuing operations		6,073		6,073		6,073
Other comprehensive income		-		-		-
Total comprehensive income for the period	**-**	**(7,875)**	**-**	**(7,875)**	**-**	**(7,875)**
Contributions by owners	296	79,753		80,049		80,049
Demerger	(102)	(35,716)		(35,818)	41	(35,777)
Transaction costs		(2,838)		(2,838)		(2,838)
Share based payment			775	775		775
Total contributions by and distributions to owners	**194**	**41,200**	**775**	**42,169**	**41**	**42,210**
Balance at 30 September 2017	**1,196**	**41,880**	**14,287**	**57,363**	**-**	**57,363**

(in NOK 1 000)	Share Capital	Share Premium	Equity-settled share-based payment	Total	Non-controlling interest	Total equity
Balance at 1 January 2016	**776**	**(269)**	**7,719**	**8,226**	**-**	**8,226**
Comprehensive income for the period						
Loss from continuing operations		(47,495)		(47,495)		(47,495)
Loss from discontinuing operations		(2,712)		(2,712)		(2,712)
Other comprehensive income				-		-
Total comprehensive income for the period	**-**	**(50,206)**	**-**	**(50,206)**	**-**	**(50,206)**
Contributions by owners	226	78,236		78,462		78,462
Transaction costs		(2,035)		(2,035)		(2,035)
Share based payment				-		-
Total contributions by and distributions to owners	**226**	**76,201**	**-**	**76,426**	**-**	**76,426**
Balance at 30 September 2016	**1,002**	**25,725**	**7,719**	**34,447**	**-**	**34,447**

(in NOK 1 000)	Share Capital	Share Premium	Equity-settled share-based payment	Total	Non-controlling interest	Total equity
Balance at 1 January 2016	**776**	**(269)**	**7,719**	**8,226**	**-**	**8,226**
Comprehensive income for the period						
Loss for the period from continuing operations		(63,831)		(63,831)		(63,831)
Profit/(Loss) for the period from discontinued operations		(3,994)		(3,994)		(3,994)
Other comprehensive income for the period		-		-		-
Total comprehensive income for the period	**-**	**(67,825)**	**-**	**(67,825)**	**-**	**(67,825)**
Contributions by owners	226	78,236		78,462		78,462
Transaction costs		(2,035)		(2,035)		(2,035)
Capital contributions from minorities		449		449	(41)	408
Share based payment			5,793	5,793		5,793
Total contributions by and distributions to owners	**226**	**76,650**	**5,793**	**82,669**	**(41)**	**82,628**
Balance at 31 December 2016	**1,002**	**8,556**	**13,512**	**23,070**	**(41)**	**23,029**

NOTES

1. GENERAL INFORMATION

Lytix Biopharma AS was established in 2003 and has its main activities in Oslo, Norway. The registered head office is located in Sykehusvegen 23, 9019 Tromsø. Lytix Biopharma's technology is based on nature's own defense mechanisms. The Company's unique technology represents a new class of cancer immunotherapy that activates the patient's own immune system.

These interim financial statements were approved for publication by the board on 1 November 2017.

2. ACCOUNTING PRINCIPLES

This consolidated interim financial report has been prepared in accordance with International Accounting Standards (IAS 34), "interim financial reporting". The consolidated interim financial reporting should be read in conjunction with the annual financial statements for the year end 31 December 2016 for Lytix Biopharma AS, which has been prepared in accordance with IFRS's as adopted by the EU.

The accounting policies implemented are consistent with those of the annual consolidated financial statements for Lytix Biopharma AS for the year-end 31 December 2016. The consolidated financial statements are presented in NOK, which is also the parent company's functional currency. Amounts are rounded to the nearest thousand unless otherwise stated.

There is no significant change in principles in 2017 as a result of changes in standards.

IFRS 9 Financial Instruments addresses the classification, measurement and recognition of financial assets and financial liabilities. The standard is effective as of 01.01.2018. IFRS 9 will replace IAS 39 Financial Instrument: recognition and Measurement. The parts of IAS 39 that have not been amended has been transferred and included in IFRS 9. The standard shall be implemented retrospectively, but it is not a requirement to prepare comparative figures. Based on the financial assets and liabilities held by the Group the standard is not expected to have any significant impact to the financial statements.

IFRS 15 Revenue from contracts with customers. The standard is effective as of 01.01.2018. The standard replaces all existing standards and interpretations relating to revenue recognition. The core principle of IFRS 15 is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the Company expects to be entitled in exchange for those goods or services. With some few exceptions, the standard is applicable for all remunerative contracts and includes a model for recognition and measurement of sale of individual non-financial assets. The Group has evaluated the potential implications of the standard and does not expect IFRS 15 to have a significant impact on revenue. The Group will continue analyzing the impact of the new standard.

IFRS 16 Leases regulates matters relating to leased assets. It requires all leases to be recognized in the statement of financial position is a right to use asset with subsequent depreciation. This standard is not endorsed by the EU but is expected to be effective as of 01.01.2019. The Group has not yet completed the analysis of the impact of the new standard.

3. RISK AND UNCERTAINTIES

Non-financial risks

The Group's lead product candidate LTX-315 is still at a relatively early stage (Phase I/IIa) and the clinical studies may not prove to be successful.

Immunotherapy and other cancer therapy industries are in general highly competitive and dynamic, and as such a high-risk business.

The financial success of the Group will require beneficiary partner agreements as well as obtaining market access and reimbursement/pricing at attractive levels. There can be no guarantee that the Group's product(s) will meet these requirements. The Group will need approvals from the European Medicines Agency (EMA) to market products in Europe and from the US Food and Drug Administration (FDA) to market its products in the US, as well as equivalent regulatory authorities in other foreign jurisdictions to commercialize in those regions.

Financial risks

The Group has no interest-bearing debt. Bank deposits are exposed to market fluctuations in interest rates, which affects financial income. Currency risk is limited to fluctuations in currencies relating to partners and vendors abroad. Besides internal credit to the subsidiary, the credit risk is limited as revenues are minimal exclusive of public grants.

The Group controls its cash flow from both long- and short-term perspectives through rolling cash forecasts. The Group has no loan agreements involving covenants or other financial instruments or requirements. There is an inherent risk around future financing of the Group, depending upon the Group's own performance and on the financial market conditions.

4. SEGMENT INFORMATION

The Group has only one business activity, research and development within immunotherapy, and therefore has only one operating result on which the principal executive decision-maker regularly makes decisions and allocates resources. On the basis of these circumstances, there is only one operating segment corresponding to the Group as a whole and so no separate segment reporting is provided.

5. ALTERNATIVE KEY PERFORMANCE INDICATORS

The Group make use of certain alternative performance indicators that are not defined or specified under IFRS, ("Alternative Key Performance Indicators"). The Company believes that some investors, securities analysts and other stakeholders use the Alternative Key Performance indicators as supplementary measure of earnings performance and financial position. The Alternative Key Performance Indicators should not be considered in isolation or as an alternative to key performance indicators that have been prepared in accordance with IFRS. Moreover, such key performance indicator, as the Company has defined them, should not be compared to other key performance indicators with similar names used by other companies. This is because the aforementioned key performance indicators are not always defined in the same way, and other companies may calculate it in a different way than the Company does.

Definitions of alternative key performance indicators:

Alternative key performance indicator	Definition	Purpose
R&D expenses	R&D expenses is the Company's (external and internal) costs for research and development. Include expenses for personnel, materials, and external services.	R&D expenses is considered an important parameter in order to monitor the level of activity in the Company.

6. GOVERNMENT GRANTS

Government grants have been recognized in profit or loss as other operating income with the following amounts:

(in NOK 1 000)	Q3 2017	Q3 2016	YTD 2017	YTD 2016	FY 2016
Tax refund (across all R&D activities)	1,350	-	4,050	-	7,020
Innovation Norway	252	-	504	-	250
The Research Council of Norway	48	351	12	3,215	5,066
BIA grant	2,325	-	3,625	-	-
Government grants presented as other operating income	**3,975**	**351**	**8,191**	**3,215**	**12,336**

7. RESEARCH AND DEVELOPMENT EXPENSES

Expenditure on research activities is recognized as an expense in the period in which it is incurred. Internal development costs related to the Group's development of products are recognized in the income statement in the year incurred unless it meets the asset recognition criteria of IAS 38 "Intangible Assets". Uncertainties related to the regulatory approval process and results from ongoing clinical trials generally indicate that the criteria are not met until the time when marketing authorization is obtained from relevant regulatory authorities. The Company has currently no development expenditure that qualifies for recognition as an asset under IAS 38.

Direct R&D expenses refers to the Group's direct costs for research and development such as materials and external services.

The following research and development expenditures, including both external and internal expenditures, have been expensed:

	Q3 2017		Q3 2016		YTD 2017		YTD 2016		2,016	
(in NOK 1 000)	Total	R&D	Total	R&D	Total	R&D	Total	R&D	Total	R&D
Payroll and related expenses	(6,279)	(3,304)	(5,299)	(2,640)	(13,868)	(8,302)	(12,535)	(7,517)	(22,442)	(15,265)
Depreciation and amortisation expenses	(2)	-	(4)	-	(13)	-	(11)	-	(1,009)	-
Direct R&D expenses	(9,311)	(9,311)	(3,110)	(3,110)	(24,954)	(24,954)	(26,642)	(26,642)	(33,534)	(33,534)
Other expenses	(3,670)	-	(3,558)	-	(13,223)	-	(11,547)	-	(17,005)	-
Total	**(19,262)**	**(12,615)**	**(11,969)**	**(5,750)**	**(52,057)**	**(33,256)**	**(50,736)**	**(34,159)**	**(73,989)**	**(48,799)**

(in NOK 1 000)	Q3 2017	Q3 2016	YTD 2017	YTD 2016	FY 2016
Payroll and related expenses, R&D related	(3,304)	(2,640)	(8,302)	(7,517)	(15,265)
Payroll and related expenses, non-R&D related	(2,975)	(2,659)	(5,566)	(5,018)	(7,177)
Payroll and related expenses	**(6,279)**	**(5,299)**	**(13,868)**	**(12,535)**	**(22,442)**

8. SHARE CAPITAL AND NUMBER OF SHARES

Share capital at 30 September 2017 is NOK 1,195,750 (31 December 2016: NOK 1,001,806), constituting 1,195,750 ordinary shares at a nominal value of NOK 1. All shares carry equal voting rights.

(in NOK 1 000)	Q3 2017	Q3 2016	YTD 2017	YTD 2016	FY 2016
Ordinary shares at the beginning of the period	1,196	1,002	1,002	776	776
Issue of ordinary shares [1) 2) 3)]	-	-	194	226	226
Ordinary shares	**1,196**	**1,002**	**1,196**	**1,002**	**1,002**

[1)] On 16 January 2017 the Board of Directors approved the demerger plan with Amicoat Holding AS and Pharma Holdings AS. The demerger is a part of a reorganization of the Group. Non-cancer-related assets are demerged from the Group. The share capital of the Group is reduced through the demerger by redemption of shares, in accordance with the division of market values upon the demerger, cf. the Tax Act section 11-8. The demerger was finalized and registered with the Norwegian Register of Business Enterprises on 2 May 2017.

[2)] In January 2017 217,993 shares were subscribed for in a private placement among existing shareholders and new institutional investors at a share price of NOK 272 for total gross proceeds of NOK 59.2 million. The share issue was approved by Board of Directors 16 February 2017. The contribution was confirmed and registered in the Norwegian Register of Business Enterprises in 19 May 2017.

[3)] In April 2017 76,736 shares were subscribed for in a repair issue among existing shareholders at a share price of NOK 272 for total gross proceeds of NOK 20.8 million. The share issue was approved by the extraordinary General Meeting 27 April 2017. The contribution was confirmed and registered in the Norwegian Register of Business Enterprises in 19 May 2017.

The largest shareholders at 30 September 2017:

	Shareholders	Number of shares	Percentage share of total shares
1	NORTH MURRAY AS	189,504	15.8 %
2	PICASSO KAPITAL AS	109,786	9.2 %
3	TAJ HOLDING AS	97,081	8.1 %
4	CARE HOLDING AS	75,093	6.3 %
5	NORINNOVA INVEST AS	45,116	3.8 %
6	LYSNES INVEST AS	40,675	3.4 %
7	3 T PRODUKTER AS	35,268	2.9 %
8	LMK VENTURE AB	34,600	2.9 %
9	HOPEN INVEST AS	28,314	2.4 %
10	KREFTFORENINGEN	21,800	1.8 %
11	PER STRAND EIENDOM AS	19,635	1.6 %
12	MIKAEEL ÖNN	17,300	1.4 %
13	ROTHESAY LIMITED	17,300	1.4 %
14	4 LB INVEST AS	16,004	1.3 %
15	NORINNOVA TECHNOLOGY TRANSFER AS	15,579	1.3 %
16	SVENDSEN, JOHN SIGURD MJØEN	15,242	1.3 %
17	SPAREBANK1 NORD-NORGE PORTEFØLJE AS	15,182	1.3 %
18	JAHATT AS	14,364	1.2 %
19	INNOVASJON NORGE	13,379	1.1 %
20	ØYSTEIN REKDAL	11,863	1.0 %
	Total shares for top 20 shareholders	**833,085**	**69.7 %**
	Total shares for the other 298 shareholders	362,665	30.3 %
	Total shares (318 shareholders)	**1,195,750**	**100.0 %**

9. EARNINGS PER SHARE

(in NOK 1 000)	Q3 2017	Q3 2016	YTD 2017	YTD 2016	FY 2016
Profit/(Loss) attributable to the owners of the parent	(12,343)	(11,436)	(7,875)	(50,206)	(67,825)
Average number of outstanding shares during the period	1,196	1,002	1,099	889	889
Earnings/(Loss) per share - basic and diluted	**(10.3)**	**(11.4)**	**(7.2)**	**(56.5)**	**(76.3)**

All options were excluded from the diluted weighted average number of ordinary shares calculation because their effect would have been anti-dilutive as the Group is currently loss-making.

10. SHARE BASED PAYMENTS

The Group operates three equity-settled share based remuneration schemes for employees.

In program A there are outstanding 26 231 options of which 2 417 were granted 27 March 2017. The volume of option rights for the Employee is calculated based on the time the Employee has been / will be employed in the Position during the 30 months period from the date of grant. For this period the employee vest an option to buy shares in the Company for each month of the actual employment. If the employment is part time, the volume of options shall be adjusted to the employment percentage and number of

months. The expiry date for program A is 31 December 2018.

In program B there are outstanding 33 145 options (30 September 2017), of which 17 595 were granted 27 March 2017. There is no vesting period related to program B. The expiry date for program B is 31 December 2021.

In program C there are outstanding 30 000 options (30 September 2017) of which 30 000 options were granted 27 March 2017. There is no vesting period related to program C. The expiry date for program C is 31 December 2021.

	Program A		Program B		Program C	
(in NOK)	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at 1 January 2017	700	23,814	350	15,550	-	-
Granted during the period	700	1,687	350	3,442	272	3,000
Forfeited during the period	-	-	-	-	-	-
Exercised during the period	-	-	-	-	-	-
Lapsed during the period	700	(7,200)	-	(2,800)	-	-
Outstanding at 30 September 2017	700	18,301	350	16,192	272	3,000

The following information is relevant in the determination of the fair value of options granted during the year under the equity-settled share based option agreement operated by the Company:

Equity settled	Program A	Program B	Program C
Option pricing model used	Black & Scholes		
Weighed average share price at grant date (NOK)	272	272	272
Exercise price (NOK)	700	350	272
Weighed avarage contractual life (in days)	-	-	-
Exepcted volatility	60 %	60 %	60 %
Expected dividend growth rate	-	-	-
Risk-free interest rate	0.38 %	1.01 %	1.02 %

The volatility assumption, measured at the standard deviation of expected share price returns, is based on a statistical analysis of comparable companies.

The share-based remuneration expense comprise:

(in NOK 1 000)	Q3 2017	Q3 2016	YTD 2017	YTD 2016	FY 2016
Equity-settled schemes	775	-	775	-	5,793
Total remuneration expense	**775**	**-**	**775**	**-**	**5,793**

11. TAX

Net deferred tax assets on losses carried forward amount to NOK 114 million as at 30 September 2017 (31 December 2016: NOK 105 million) have not been recognized because it is not probable that taxable profits will be available against which deductible temporary differences can be utilized. The Group has a total tax loss carried forward of

NOK 475 million as at 30 September 2017 (31 December 2016: NOK 437 million) which has no due date.

The Company considers that a deferred tax asset related to accumulated tax losses cannot be recognized in the statement of financial position until the product under development has been approved for marketing by the relevant authorities. However, this assumption is continually reassessed and changes could lead to significant deferred tax asset being recognized in the future. This assumption requires significant management judgement.

12. DISCONTINUED OPERATIONS

On 7 December 2016, the Group decided to demerge all assets in the Group not related to cancer, i.e. Amicoat AS, Pharmasum Therapeutics AS, all intellectual properties related to LTX-109, a receivable of NOK 923 thousand on Pharmasum Therapeutic AS and cash of NOK 408 thousand to the shareholders of the parent company. The demerger was part of a reorganization of the Group, where non-cancer-related assets were demerged from the Group prior to the completion of a private placement directed towards investors, with the purpose of securing financing of the Group's cancer research business. As of 31 December 2016 Amicoat AS was a wholly owned subsidiary while Pharmasum Therapeutics AS was an associate where the Group owned 24 % of the shares. On 31 January 2017, the shareholders of the Company approved the demerger. At 31 December 2016, the demerged assets and operations were classified as held for distribution to equity holders of the parent and as a discontinued operation. The demerger was completed on 2 May 2017. The demerger is presented as distribution to shareholders in the equity statement, and measured at fair value at the date of the distribution. Any difference between the carrying amount of the distributed assets and the fair value is presented as a gain or loss in the income statement.

After the demerger, the Group consist of Lytix Biopharma ASA only.

Distribution of Amicoat AS

The distribution of Amicoat AS is presented in the line Gain or loss for discontinued operations.

Reconciliation of Statement of profit or loss and other comprehensive income.

(in NOK 1 000)	YTD 2017	YTD 2016	FY 2016
Revenue	93	125	125
Other operating income	399	1,250	3,366
Total operating income	**491**	**1,375**	**3,491**
Payroll and related expenses	(499)	(867)	(1,245)
Other expenses	(2,806)	(3,218)	(6,238)
Total operating expense	**(3,305)**	**(4,085)**	**(7,483)**
Profit/(Loss) from operations	**(2,814)**	**(2,710)**	**(3,992)**
Net financial items	(33)	(1)	(3)
Gain from distribution of associate	8,920	-	-
Profit before tax	**6,073**	**(2,712)**	**(3,994)**
Tax expense	-	-	-
Loss for the period from discontinued operations	**6,073**	**(2,712)**	**(3,994)**

As the demerger was completed prior to 30 September 2017, the assets and liabilities classified as held for distribution as at 31 December 2016 are no longer included in the statement of financial position. The gain from distribution of Amicoat AS of NOK 8.9 million is included in the financial statement line loss for the period from discontinued operations. The carrying value of the Amicoat AS was NOK (3.8) million, while the fair value of these assets was NOK 5.1 million.

Distribution of LTX -109

The distribution of LTX - 109 IP is included in the line item other operation revenues, with an amount of NOK 26 million. The carrying value of the IP was nil, so the gain is identical to the fair value of the IP.

Distribution of Pharmasum Therapeutics AS

The distribution of Pharmasum Therapeutics AS is included in the line item gain from distribution of associate. Pharmasum is included in the Income statement with the following amount.

As the demerger was completed prior to 30 September 2017, the assets and liabilities classified as held for distribution as at 31 December 2016 are no longer included in the statement of financial position.

The gain from distribution of Pharmasum is included in the line item gain from distribution of associate, with an amount of NOK 1.7 million. The carrying value of the Pharmasum was NOK 2.9 million, while the fair value of these assets was NOK 4.6 million.

(in NOK 1 000)	YTD 2017	YTD 2016	FY 2016
Share of post-tax profits of equity accounted investments	-	(671)	(9)
Gain from distribution of associate	1,428	-	-

13. TRANSACTIONS WITH RELATED PARTIES

During the period, the Company entered into the following purchase transactions with related parties:

(in NOK 1 000)	Q3 2017	Q3 2016	YTD 2017	YTD 2016	FY 2016
GHW Consult AB (Håkan Wickholm)	1,930	2,493	2,667	3,918	4,240
Linden Oncology (Andrew Sanders)	1,000	808	2,297	2,267	3,025
Pharmapatent AS (John Sigurd Svendsen)	138	133	250	133	333
Nirvan Consultants LLC (D. F. Roychowdhury)	411	-	411	430	430

14. GUARANTEE COMMITMENT

Majority of investors in the private placement and a few investors in the repair issue undertook underwriting guarantee commitments for shares in connection with the potential listing on Nasdaq First North in Stockholm during the third or fourth quarter of 2017. The investors who undertook the underwriting guarantee was compensated for this by the issue of two warrants per share subscribed in the Preceding Private Placement and with a potential guarantee provision. A total of 402,330 warrants have been resolved issued to the investors by the Company's General Meetings held on 16 February 2017 and 27 April 2017.

The warrants are classified as a financial liability at fair value in accordance with IAS 32. The guarantee commitment made by the

investor is classified as a financial asset. As of the date of issue the fair value of the warrants and the corresponding guarantee commitment is estimated to be NOK 12,282 thousand. As of 30 September 2017, the fair value of the warrants is estimated to be NOK 10,218 thousand.

The change in fair value resulted in a financial gain of NOK 2,065 thousand included in net financial items.

15. CONTINGENCIES

The Group has no contingent liabilities beside normal business obligations toward partners, suppliers, employees, Board members and other stakeholders.

16. EVENTS OCCURING AFTER THE BALANCE SHEET DATE

The Company is in the process for the contemplated listing of the Company's shares on Nasdaq First North Premier in Stockholm (the "Listing"). Under the current schedule, the Listing will be completed in December 2017.

The Company has in two instances during spring 2017 issued warrants to investors in the Company (the "Warrants Holders") as compensation for a guarantee undertaking to subscribe for shares in connection with the Listing.

A large number of issued warrants with a right to subscribe for shares below the quoted stock exchange price may make the investment case less attractive for new investors. It is a clear risk that this will result in a materially lower subscription price and interest from new investors in connection with the Listing. The board of directors therefore considers it to be in the interest of the Company to reduce the number of issued warrants. On this background, the board has prepared a proposal where the Warrants Holders are offered to redeem the warrants to the Company prior to the Listing and terminate the investment agreements entered into between the Company and each Warrant Holder.

The proposed buy-back of warrants is subject to approval by the general meeting and a final board approval.

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Building a better working world

To the Board of Directors of Lytix Biopharma ASA

Report on review of interim financial information

Introduction

We have reviewed the accompanying balance sheet of Lytix Biopharma ASA as of 30. September 2017 and the related statements of income, changes in equity and cash flows for the nine-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with IAS 34 Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with the international standard on review engagements 2410,"Review of Interim Financial Information Performed by the Independent Auditor of the Entity". 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 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 accompanying interim financial information does not give a true and fair view of the financial position of the entity as at 30. September 2017 and of its financial performance and its cash flows for the nine-month period then ended in accordance with IAS 34 Interim Financial Reporting.

Tromsø, 21. November 2017
ERNST & YOUNG AS

Kai Astor Frøseth

Kai Astor Frøseth
State Authorized Public Accountant (Norway)