United States
Healthcare

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Edward Woo, CFA
(949) 259-4932
ewoo@ascendiant.com

RedHill Biopharma Ltd.

Initiating Coverage with BUY and $26 Target

Strong pipeline of late clinical stage drugs presents strong growth prospects. Key upcoming milestones should be positive catalysts for the stock.

COVERAGE INITIATION

Rating: Buy

Ticker: RDHL

Price: $16.60

Target: $26.00

Strong pipeline of late-clinical stage drugs: RedHill is focused on the development of late clinical-stage drugs for inflammatory and gastrointestinal (GI) diseases. The company is pursuing a multiple goal strategy with exclusive rights to 9 late-stage drugs, including three ongoing Phase III studies with two potential blockbuster drugs (RHB-104 (Crohn's) and RHB-105 (H. pylori)). The management team has a solid track record of acquiring and developing late clinical-stage opportunities at attractive prices.

Large market potential: We believe there are substantial market demand for their drugs as they address many large markets. The estimated market potential for RHB-105 is over $1 billion in the U.S., and for RHB-104 is $5 billion worldwide. The company also has an exclusive worldwide license agreement with Salix Pharmaceuticals for RHB-106 (bowel preparation capsule).

RHB-105 (H. pylori): This is a combination therapy of antibiotics to eradicate H. pylori strains resistant to standard care. Top-line data is expected from the first Phase III study with RHB-105 in late June. This follows a successful Phase II study which demonstrated eradication rates exceeding 90% in 130 subjects who had previously failed at least one course of standard of care therapy.

RHB-104 (Crohn's): This is a combination therapy targeting MAP bacteria for treatment of Crohn's disease and potentially other autoimmune diseases. In an early study, clinical remission was achieved in 8 out of 10 pediatric Crohn's disease patients. Phase III interim results of Crohn's (MAP U.S.) study with RHB-104 is expected in 2H 2016 (as it is currently enrolling patients in 80 sites in the U.S., Canada, Israel and New Zealand), while it is finishing its Phase IIa Proof of Concept study with RHB-104 for multiple sclerosis, with interim results expected in Q4 2015 to Q1 2016.

Key 2015 milestones can be catalyst: Top-line results from the first Phase III RHB-105 (H. pylori) study is expected in the third week of June. In the back half of 2015, we expect additional top-line results for RHB-104 and RHB-102. Continued positive milestones and data points are likely to be positive catalysts for the stock.

However, challenges exist: Competition in drug therapeutics from many sources exists and getting new drugs through regulatory approval is a major challenge. Even after approvals, there are always commercialization risks.

Positive risk versus reward: Overall, concerns outweighed by growth prospects and valuation. We believe that by having a diversified pipeline of high potential and late-clinical stage drugs, RedHill can deliver higher and faster value to its shareholders. The company's recent positive milestones and solid balance sheet positions it well for continued progress over the next several years. Though we acknowledge that RedHill's drugs still have long development roads left, we believe the multi-billion market potentials presents a high reward for the risks.

Current valuation attractive: Our $26 price target is based on a NPV analysis, representing significant upside from current share price. We believe this valuations appropriately balances out the company's high risks with the company's high growth prospects and large upside opportunities.

Company Description

Based in Tel Aviv, Israel, RedHill is a biopharmaceutical company focused on the development of late clinical-stage drugs for inflammatory and gastrointestinal (GI) diseases.

Stock Data

Exchange:	RDHL (NasdaqCM) RDHL (TASE)
52-week Range:	$6.89 – 21.00
Shares Outstanding (million):	11
Market cap ($million):	$183
EV ($million):	$150
Debt ($million):	$0
Cash ($million):	$33
Avg. Daily Trading Vol. ($million):	$0.4
Float (million shares):	7
Short Interest (million shares):	0
Dividend, annual (yield):	$0 (NA%)

Revenues (US$ million)

	2014A	2015E	2016E
Q1 Mar	7A	0A	1E
Q2 Jun	0A	0E	1E
Q3 Sep	0A	0E	1E
Q4 Dec	0A	0E	1E
Total	**7A**	**0E**	**4E**
EV/Revs	21x	N/A	38x

Earnings per Share (pro forma)

	2014A	2015E	2016E
Q1 Mar	0. 37A	(0.50)A	(0.38)E
Q2 Jun	(0.52)A	(0.45)E	(0.38)E
Q3 Sep	(0.48)A	(0.45)E	(0.39)E
Q4 Dec	(0.61)A	(0.45)E	(0.39)E
Total	**(1.24)A**	**(1.85)E**	**(1.54)E**
P/E	N/A	N/A	N/A

EBITDAS* (US$ million)

	2014A	2015E	2016E
Q1 Mar	4A	(4)A	(3)E
Q2 Jun	(4)A	(4)E	(4)E
Q3 Sep	(5)A	(4)E	(4)E
Q4 Dec	(4)A	(4)E	(4)E
Total	**(9)A**	**(16)E**	**(14)E**
EV/EBITDAS	N/A	N/A	N/A

**EBITDAS defined as earnings before interest, taxes, depreciation, amortization and stock-based compensation.*

Important Disclosures

Ascendiant Capital Markets LLC seeks to do business with companies covered by its research team. Consequently, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making an investment decision.

For analyst certification and other important disclosures, refer to the Disclosure Section, located at the end of this report, beginning on page 20.

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Exhibit 1: RedHill Biopharma Ltd. Stock Price (2 1/2 Years)

Source: Nasdaq.com

INVESTMENT THESIS

We are initiating coverage of RedHill Biopharma with a BUY rating and a 12-month price target of $26.00.

RedHill is a biopharmaceutical company focused on the development of late clinical-stage drugs for inflammatory and gastrointestinal (GI) diseases. The company is pursuing a multiple goal strategy with three ongoing Phase III studies in GI indications, including two potential blockbuster drugs (RHB-104 (Crohn's) and RHB-105 (H. pylori)), with exclusive rights to 9 late-stage drugs. The estimated market potential for RHB-105 is over $1 billion in the U.S., and for RHB-104 is $5 billion worldwide. The company also has an exclusive worldwide license agreement with Salix Pharmaceuticals for RHB-106 (bowel preparation capsule).

The management team has a solid track record of detecting, screening, acquiring, and developing attractive late clinical-stage opportunities at attractive prices. The company does not conduct its own drug research and development, but has acquired over time the rights to its portfolio of drugs in development (usually with a small fixed upfront fee with future royalty payments). RedHill acquired its key drugs RHB-104, RHB-105 and RHB-106 in August 2010 from Giaconda Limited, a publicly traded Australian company. RedHill paid Giaconda $500,000 upfront, and will pay additional royalties of 7% of product sale and 20% of any sublicensees royalties (subject to costs recoupment). We believe that over time, significant values will be derived from these low cost product acquisitions.

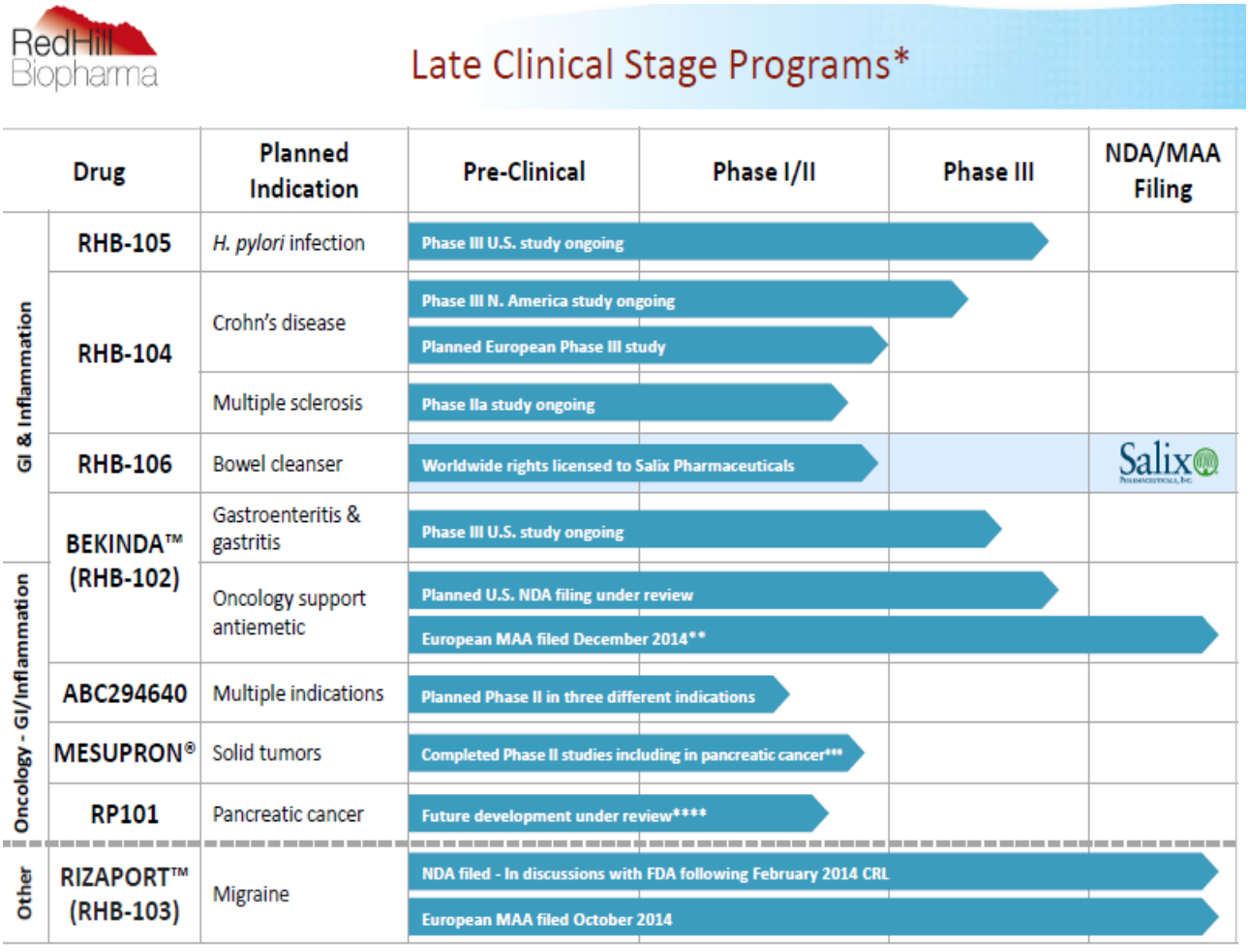
By focusing on late-stage clinical drugs, the company is providing a clearer path to revenue generation in what is typically a very "all or nothing" industry. Also, by having a relatively large and diverse product pipeline, the company is mitigating the risks in case of drug development or commercialization failures. In addition, RedHill has two drugs post Phase III and has already filed 3 marketing applications for them (RHB-102 (BEKINDA for gastroenteritis and gastritis) and RHB-103 (acute migraines)) in Europe and the U.S. The company is burning about $4 million in cash per quarter, which we believe its large cash balance ($33 million) is sufficient to fund for at least the next year. The company has a solid balance sheet with no debt.

Our investment thesis factors in an uncertain drug development process and very competitive industry which is offset by the very large potential upside opportunities created from a successful drug. We believe that the current valuation for RedHill has already factored in many of its risks (principally drug approval and successful commercialization) but is under valuing its overall growth prospects and product portfolio, resulting in a positive risk versus reward scenario for an investment in RedHill.

We believe the current valuation is attractive.

Our $26 price target is based on a NPV analysis. Based on our expectations and assumptions, we calculate a 12-month price target for shares of RedHill to be $26, representing significant upside from current share price. We believe this valuations appropriately balances out the company's high risks with the company's high growth prospects and large upside opportunities.

Exhibit 2: RedHill Biopharma Drug Pipeline Stages



Source: Company reports.

INVESTMENT RISKS

Long and Uncertain Drug Development Cycles

RedHill is highly dependent upon securing drug approvals for its products in order to sell them (produce revenue). The drug development cycle can be long (average of 12 years), expensive (average of $350 million), complicated, and uncertain. On average only about 10% of drugs entering clinical trials ever make it to final approval. Even after obtaining drug approvals, there is still a

chance that commercial success will not be achieved (due to competition, changes in the market, lack of reasonable reimbursements, or lack of market acceptance). With a high likelihood of binary outcomes (either success or failure), the risks are high but the potential rewards can also be very high as well.

High Level of Competition

RedHill operates in a highly competitive environment and competes against a wide range of other biopharmaceutical companies that are attempting to replicate or already have similar treatments as the company's drugs. Some of these competitors are much larger or have greater resources, and proprietary technology; which could result in lower projected sales for its drugs and higher costs, reduced margins, and lowered profitability for the company.

International Business Risks

RedHill reports results and its stock trades in the U.S. (though its stock also trades and it is headquartered in Israel). This subjects the company to fluctuations in foreign currency exchange rates (primarily the U.S. dollar, the Euro, and the Israeli New Shekel (NIS)). Current F/X rate is 1 American Dollar = 3.836 Israeli New Shekel. In addition, operating in international markets involves additional risks, such as regulations, taxes, technology, and incremental operating costs.

Economic Uncertainty

While healthcare costs tends to be less correlated with economic activity and income levels due to their nondiscretionary nature, major deterioration in economic conditions tends to result in an overall decline in consumer spending. This was demonstrated during the 2008 and 2009 Great Recession and global economic slowdown. While consumer spending levels have improved relatively in 2010, 2011, and 2012, the global macroeconomic environment remains fragile (particularly in Europe). Further economic weakness may result in depressed consumer spending levels; this may have a negative impact on RedHill, its business partners, and consumers.

Capital Markets Risks

While we believe that RedHill has enough cash to fund its operations over the next year, it is not certain that it has enough cash to be completely self-sufficient going forward. Many biopharmaceutical companies fund their operations from the sale of equity or debt capital until their products reach commercial success or until they sell off the commercial rights to other companies. Biopharmaceuticals ("biotechs") valuations tend to fluctuate widely, and though they are reasonably strong now (due to a strong M&A market for biotechs), there is always the chance that market interests and valuations for companies in this industry to decline significantly.

VALUATION

We are initiating coverage of RedHill Biopharma with a BUY rating and a 12-month price target of $26, which is based on a NPV analysis. Because the company is a clinical stage drug development company, it currently generates minimal revenues and significant losses so traditional valuation metrics are not useful. We believe a more accurate valuation should take into consideration the potential value of its product pipeline. We do acknowledge that this valuation is complex and requires a large number of forward assumptions that we have to estimate that may be imprecise and may vary significantly from actual results.

However, we believe our assumptions are fair and provide a reasonable basis for our valuation analysis. Our analysis considers future estimated revenue from each of its major product pipelines (based on estimated future sales, a probability rate of success, and discounted this back to a current value). We apply a high discount rate and about average probability of success to capture the uncertainties associated generally with drugs in development. We then added up the values, made an assumption about future investments required and allocated the value based on current share count. Based on our NPV analysis, we arrived at our 12-month price target of $26, which we believe appropriately balances out the company's risks with its high growth prospects.

As the company is likely to make significant progress (and milestones) in its drug development over the next several years, we believe this will result in much improved visibility into future cash flows. We expect valuations for RedHill to improve as visibility into cash flow generation becomes clearer, resulting in significant upside to current share price.

Exhibit 3: Valuation

Drugs	Estimated NPV	% of Success	Calculated NPV	Discount Rate	Estimated Annual Sales	% of Market Share	Market Potential per year
RHB-105 (H. pylori)	$ 42	55%	$ 77	65%	$ 50	5%	$ 1,000
RHB-104 (Crohn's)	$ 190	55%	$ 346	65%	$ 225	5%	$ 4,500
BEKINDA (RHB-102) (gastroenteritis and gastritis)	$ 42	55%	$ 77	65%	$ 50	5%	$ 1,000
RHB-106 (bowel preparation capsule) / SALIX PHARMACEUITICALS	$ 6	25%	$ 23	65%	$ 15	5%	$ 300
ABC294640, MESUPRON and RP101 (option)	$ 15	20%	$ 77	65%	$ 50	5%	$ 1,000
RIZAPORT (RHB-103) for acute migraines	$ 42	60%	$ 69	65%	$ 45	5%	$ 900
Total	**$ 338**						
Estimated additional investments required	$ 60						
Current Value for existing shareholders	$ 278						
Shares Outstanding (mils)	10.6						
Estimated Value per share	**$ 26**						

Source: Company reports and Ascendiant Capital Markets estimates

COMPANY HIGHLIGHTS

Based in Tel Aviv, Israel, RedHill is a biopharmaceutical company focused on the development of late clinical-stage drugs for inflammatory and gastrointestinal (GI) diseases. The company was founded in August 2009 and completed its IPO in Israel in February 2011. The company's senior management is predominantly based in Israel, but the vast majority of its drug and clinical development is done in the U.S. and Europe. As of February 2015, the company had 10 employees.

Its shares are dually listed on the Tel Aviv Stock Exchange (ticker: RDHL) and on the NASDAQ Capital Market (ticker: RDHL), though a majority of the trading in the stock is on the NASDAQ. RedHill's ordinary shares have been trading on the Tel Aviv Stock Exchange since February 2011, while its ADSs (American Depositary Share) have been trading on the NASDAQ Capital Market since December 2012. Each ADS represents ten ordinary share.

MANAGEMENT TEAM

Dror Ben-Asher, age 49, Chief Executive Officer and Chairman. Mr. Ben-Asher has served as CEO and as a director since August 2009, and Chairman since May 2011. From January 2002 to November 2010, Mr. Ben-Asher served as a manager at P.C.M.I. Ltd., an affiliate of ProSeed Capital Holdings CVA. Mr. Ben-Asher holds an LLB from the University of Leicester, UK, a MJur. From Oxford University, UK and completed LLM studies at Harvard University in the U.S.

Ori Shilo, age 48, Deputy CEO of Finance and Operations (Chief Financial Officer). Mr. Shilo is the Deputy CEO of Finance and Operations since November 2010 and as a director since August 2009. From 2009 to 2010, Mr. Shilo served as VP Finance and

Operations. From 2000 to 2010, Mr. Shilo served as CEO of P.C.M.I. Ltd. Mr. Shilo holds a B.A in Business Administration from the Academic College for Management in Rishon Lezion, Israel and an MBA in Business Administration from the Ben Gurion University in Beer Sheva, Israel.

Reza Fathi, Ph.D., age 60, Senior VP Research and Development. Dr. Fathi is the Senior VP Research and Development since May 2010. From 2005 to 2009, Dr. Fathi served as a Director of Research at XTL Biopharmaceuticals Inc., a biotechnology company engaged in developing small molecule clinical candidates for infectious diseases. Previously, Dr. Fathi has worked at Vivoquest, Inc., Harvard Medical School and PharmaGenics, Inc. Dr. Fathi holds a Postdoctoral and Ph.D. in Chemistry from Rutgers University in the U.S.

Exhibit 4: RedHill's Financial Highlights

RedHill Biopharma

Financial Highlights*

RedHill Biopharma Ltd.	
Symbol (Exchange): NASDAQ: RDHL; TASE: RDHL	
Market Cap	$145.4 million
Ordinary Shares Outstanding	99.4 million (Equivalent to 9.94 million ADSs traded on NASDAQ)
Cash and Deposits as of March 31, 2015	**$32.6 million**
2014-2015 Financial Events	
Public Offering in the U.S. - Feb., 2015	$14.4 million
U.S. Private Placement - OrbiMed/Broadfin - Jan., 2014	$8.5 million
Israeli Private Placement - Jan., 2014	$11.7 million
Upfront Payment from Salix for RHB-106 License - Mar., 2014	$7.0 million

* Financial information as of April 28, 2015 unless otherwise noted

Source: Company reports

DRUG PIPELINE

Redhill has nine current clinical stage therapeutic candidates including "RHB-105", "RHB-104", "BEKINDA/RHB-102", "RHB-106", "MESUPRON", "RP101" (has an option to acquire), "RIZAPORT/RHB-103" and "RHB-101" and related/ancillary research and development programs, most of which are described below. Not on the below list is its recent acquisition (in March 2015) of the exclusive worldwide license to ABC294640, a Phase II-stage, proprietary, orally-administered sphingosine kinase-2 (SK2) inhibitor from Apogee Biotechnology Corp. (privately held), targeting multiple oncology and inflammatory-GI diseases.

Exhibit 5: RedHill's Drug Candidates (as of 12/31/14)

Name of Product	Relevant Indication	Potential Advantages Over Most Existing Treatments	Development Stage	Rights in the Product
RHB-105	*H. Pylori* infection	Improved efficacy, potential to overcome bacterial resistance; all-in-one pill	First Phase III study in the U.S. ongoing	Acquired all rights to the product, worldwide and exclusive
RHB-104	Crohn's disease	Novel mechanism of action and improved clinical benefit (targeting suspected underlying cause of Crohn's disease)	First Phase III study in N. America and Israel ongoing	Acquired all rights to the product, worldwide and exclusive
RHB-104	Multiple Sclerosis (MS)	Oral formulation targeting suspected underlying cause of MS	Phase IIa proof of concept study in Israel ongoing	Acquired all rights to the product, worldwide and exclusive
RHB-104	Rheumatoid Arthritis (RA)	Oral formulation targeting suspected underlying cause of RA and SLE	Pre-clinical studies	Acquired all rights to the product, worldwide and exclusive
BEKINDA™	Oncology support anti-emetic	Reduced number of drug administrations, improved compliance and adherence	Oncology support otential NDA under review; MAA filed in Europe	Worldwide, exclusive license
BEKINDA™	Gastroenteritis/gastritis and potentially another undisclosed indication	No other approved 5HT-3 antagonist for this indication Improved compliance and adherence	Phase III ongoing in gastroenteritis and gastritis	Worldwide, exclusive license
RHB-106	Bowel preparation	Oral pill; avoid severe bad taste of chemical solutions; No known nephrotoxicity issues	Licensed to Salix Pharmaceuticals	Licensed to Salix Pharmaceuticals
MESUPRON®	Gastrointestinal and other solid tumor cancers	Oral administration; new non-cytotoxic approach to cancer therapy inhibiting both tumor metastasis and growth	Under review; Pre-clinical studies planned, to be followed by clinical trials	Worldwide exclusive license; excludes China, Hong Kong, Taiwan and Macao
RP101	Pancreatic cancer and other gastrointestinal cancers	Oral administration; may prevent chemoresistance, thus maintaining sensitivity of the tumor to chemotherapy and potentially enhancing patient survival	Under review; Pre-clinical studies planned, to be followed by clinical trials	One year option to acquire the worldwide exclusive rights to RP101 for all indications, other than to the pancreatic cancer indication in South Korea
RIZAPORT™	Acute migraine	Avoids exacerbation of nausea; administered without water; ease of use, convenient portability and discrete carriage and use	NDA filed and accepted, Complete response letter (CRL) received and response is being prepared; European marketing application filed	Worldwide, exclusive license and co-development
RHB-101	Heartfailure and hypertention	Once-daily oral administration, reduced food effect, reduced dose (less API)	Under review; additional CMC requiredprior to European and U.S. marketing applications; PK study required before filing U.S. NDA	Worldwide, exclusive license

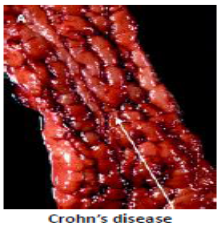
Source: Company reports

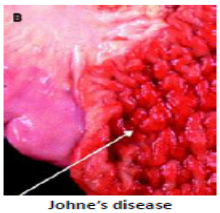
Exhibit 6: RHB-104 (Crohn's)

The Disease	Crohn's – a severe inflammatory disease of the gastrointestinal tract with large unmet medical needs
Planned Indication	Treatment of Crohn's disease in adult patients; Approved Orphan Drug Designation for pediatric patients
Drug	Patent-protected combination of three antibiotic drugs (clarithromycin, clofazimine and rifabutin) in a single oral capsule with potent intracellular, antimycobaterial and anti-inflammatory properties
Potential Advantages	Existing drugs only treat symptoms, associated with numerous side effects and are widely considered to have limited efficacy in the long term
Diagnostics	Diagnostic test for MAP (*Mycobacterium Avium Paratuberculosis*) in development with Quest Diagnostics
Market Size	Worldwide market exceeded $4.8 billion in 2014*
Development Status	Several clinical trials were conducted with earlier formulations of the drug, including two Phase II (2002 and 2005), a Phase III (published 2007) and a pediatric study (2013) in Australia; Preliminary positive safety results in a Phase I study (2014)
	First Phase III study ongoing in N. America, Israel, Australia, New Zealand and Europe; Preparations for Phase III in Europe

Growing evidence that intracellular mycobacteria play a crucial role in Crohn's disease

- **MAP (*mycobacterium avium subsp. paratuberculosis*) is the causative agent of Johne's disease, an infectious disease in cattle, clinically and pathologically similar to Crohn's disease**
  - An intracellular pathogen that proliferates in monocytes/macrophages
  - Extremely slow growing and widely pervasive in the environment
- **Advances in diagnostic technology have led to increasingly higher identification of MAP in Crohn's diseases patients**
  - 92% (34/37 Crohn's disease patients by PCR) - Bull, J Clin Microbiol, 2003
  - 86% (52/60 Crohn's disease patients) - Shafran, Dig Dis Sci, 2002
- **Crohn's disease is a multifactorial disease**
  - Defective innate immunity to intracellular bacteria
  - Mutations in the NOD2 gene are strongly associated with Crohn's disease
- **Mycobacterial infections in humans are difficult to treat; Effective anti-mycobacterial agents require intracellular activity**
  - ATS/IDSA* and WHO advise triple antibiotic therapy for non-tuberculosis mycobacterial disease


Crohn's disease


Johne's disease

RedHill Biopharma — RHB-104 (Crohn's) - The Unmet Need

- **Existing drugs treat symptoms, are associated with numerous side effects and are widely considered to have limited efficacy in the long term**
- **Significant failure rate with current standard of care - Remicade® Phase III trial***
  - 42% of enrolled patients in infliximab (Remicade®) Phase III trial failed to qualify as "responders"
  - On intent-to-treat basis, only 23-26% in remission at 30 weeks
- **Increasing number of safety issues reported to FDA for infliximab (Remicade®)****
  - Black box warning related to serious infections and malignancy
- **Costs of current anti-TNFα drug treatments are approximately $18-30k / year**
- **Infliximab (Remicade®) has been shown to have anti-MAP activity**

RedHill Biopharma — RHB-104 - Multiple Barriers to Entry

- Global patent strategy, including multiple formulations patents
- 3 years (and potentially 5 years) data exclusivity
- Potential PK synergies of APIs administered in the RHB-104 formulation that disappear when administered concomitantly
- APIs are not available in doses being used in RHB-104
- Limited availability of clofazimine (distributed by the World Health Organization - WHO) and generally requires name based individual import permit for use)
- Superior regimen of an all-in-one capsule solution for patients and physicians (reduced co-pays, etc.)
- Physicians' potential liability exposure and complicated ramp-up period

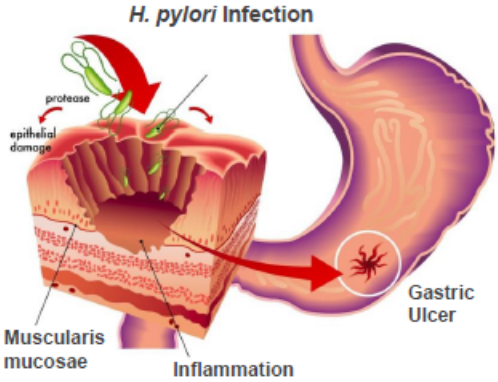
Source: Company reports

Exhibit 7: RHB-105 (H. pylori)

Planned Indication	First line treatment for eradication of *H. pylori* regardless of ulcer status
Drug	A novel combination of two antibiotics and a PPI (proton pump inhibitor): rifabutin, amoxicillin and omeprazole - in a single oral capsule
Potential Advantages	High efficacy in eradication of *H. pylori* strains resistant to standard care; Potential to become a leading first line treatment; Substantially broader indication than that of current therapies, with a significantly larger potential patient population; All-in-one capsule: convenient regimen - potentially improved compliance
Market Size	U.S. market is estimated at approximately $1-1.5 billion*
Development Status	Phase IIa conducted in Australia (concluded 2005); PK study conducted to evaluate pharmacokinetics and bioavailability of RHB-105 all-in-one oral capsule (2013); QIDP designations granted to RHB-105 by FDA (November 2014)
	First Phase III study in the U.S. ongoing - top line results expected mid-end June 2015

***H. pylori* Infection - A Growing Concern**

- *H. pylori* bacteria plays critical role in gastritis, peptic ulcer and gastric cancer
- Prevalence of *H. pylori* infection in the U.S. is estimated at 30-40% of the population - over 100 million people*, with three million treated patients
- Standard therapy fails in over 20% of patients who remain *H. pylori* positive due to growing resistance of *H. pylori* to clarithromycin and metronidazole - antibiotics commonly used in standard combination therapies



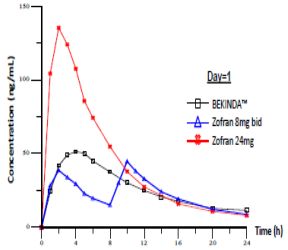
- **Nov. 2014: FDA granted QIDP designation to RHB-105 under the GAIN Act, allowing for Fast-Track status with an expedited development pathway and Priority Review status providing for a shortened review time of a future potential marketing application**
- **If approved, RHB-105 will receive an additional five years of U.S. market exclusivity on top of the standard exclusivity period**

Source: Company reports

Exhibit 8: RHB–102 (BEKINDA), RHB-103 (RIZAPORT), RHB-101 (Cardio)

BEKINDA™ (RHB-102): Oncology Support - MAA Submitted in Europe / Pre-NDA in the U.S.

Planned Indication	Prevention of chemotherapy and radiotherapy-induced nausea and vomiting
Drug	Patent-protected, once-daily extended release oral tablet ondansetron (Zofran®)
Potential Advantages	Significantly superior patient compliance improves ability to withstand treatment thus increasing adherence to chemotherapy/radiotherapy* The only once-daily oral formulation of ondansetron, likely to be the first to reach U.S. market
Market Size	WW market for serotonin (5-HT3) receptor inhibitors estimated to exceed $940 million in 2014**
Development Status	Pilot clinical studies conducted; Successfully completed 2 comparative bioavailability clinical studies and 2 additional PK clinical studies
	European marketing application (MAA) submitted to the UK MHRA Dec. 2014 - regulatory feedback expected in H2/2015; Planned U.S. NDA submission under review following pre-NDA meeting



Pharmacokinetic comparison between GSK's Zofran® and BEKINDA™:

Trial Results:
- ✓ Bracketed by approved Zofran® regimens
- ✓ Fast Onset
- ✓ Low Coefficient of Variance

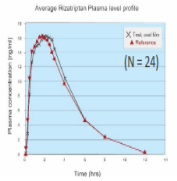
BEKINDA™ (RHB-102): Gastroenteritis & Gastritis - Phase III Study Initiated

A Randomized, Double-Blind, Placebo Controlled, Parallel Group Phase III Study ("GUARD") to Assess the Safety and Efficacy of BEKINDA™ for the Treatment of Acute Gastroenteritis & Gastritis

Drug	Patent-protected, once-daily extended release oral tablet ondansetron
Initiated	September 2014
Number of Subjects	320 adults and children over the age of 12
Sites	Up to 12 sites in the U.S.
Primary Endpoint	The absence of vomiting from 30 minutes after the first dose through the discharge from the emergency department
Potential Advantages	- If approved for marketing by FDA, could become the first-ever 5HT-3 antiemetic drug indicated for the treatment of acute gastroenteritis or gastritis - Long lasting (24H) oral treatment with the potential to reduce dehydration and hospital visits and stays
Market Size	Worldwide potential market could exceed $650 million annually*
Development Status	Phase III study ongoing in the U.S. - Top-line results expected in Q4/2015; Following discussions with U.S. FDA and the UK MHRA, and subject to further regulatory guidance - the study is intended to support potential future marketing applications in the U.S. and Europe

RIZAPORT™ (RHB-103) for Migraines - NDA and MAA filed

Planned Indication	Migraine - one of the most common neurologic episodes
Drug	Patent-protected, oral thin film formulation of rizatriptan
Potential Advantages	Effective route of administration - advantageous for patients suffering from nausea; Competitive pricing; Ease of use; Discrete, "Speed of Convenience"; Superior adherence rates; No need to swallow water; Pleasant flavoring; Rizatriptan - the preferred triptan
Market Size	2014 worldwide triptan market for migraine estimated at approximately $870 million*
Development Status	Pilot clinical trial completed ; Successfully completed two comparative bioequivalence clinical trials with the U.S. and European reference drugs
	NDA filed March 2013 - currently under discussions with FDA following Complete Response Letter (CRL) received Feb. 2014 citing issues primarily related to third party manufacturing, packaging and labeling; A response to the FDA was submitted in March 2014; FDA announcement of a new PDUFA date is expected during H2/2015; The Company believes that FDA approval is subject to the satisfactory resolution of the remaining CMC questions, as well as securing a compliant source of the raw material
	European marketing application (MAA) filed October 2014 under the brand name RIZAPORT™, BfArM potential feedback regarding the MAA expected during H2/2015



Pharmacokinetic comparison between Merck's Maxalt MLT® and RIZAPORT™

Trial Results:
- ✓ Bioequivalence
- ✓ Fast Onset
- ✓ Low Coefficient of Variance

RHB-101 (Cardio)

Planned Indication	Congestive heart failure (CHF), hypertension (high blood pressure)*
Drug	Patent-protected, controlled release formulation of carvedilol (GSK's brand name "Coreg®")
Potential Advantages	Once-daily oral administration; Price; Reduced food affect; Reduced dose (less API)
Potential Market Size	Worldwide target market estimated at approximately $485 million**
Development Status	Several clinical trials were conducted
	U.S. - concluded a positive FDA meeting in May, 2013; Additional Chemistry, Manufacturing, and Controls (CMC) and pharmacokinetic work required prior to submission of NDA
	Europe - concluded a positive European Scientific Advice meeting with the Danish Health and Medicines Authority (DKMA) in March, 2013. Additional CMC work required prior to Marketing Authorization Application submission with Denmark as the reference member state

Source: Company reports

Exhibit 9: RHB-106 (Bowel Preparation), MESUPRON, ABC294640, RP101

RHB-106 (Bowel Preparation) - Licensed to Salix Pharmaceuticals

Worldwide exclusive rights to RHB-106 were out-licensed to Salix Pharmaceuticals in February 2014 along with rights to other purgative developments*

Planned Indication	Preparation of the Gastrointestinal (GI) tract for GI procedures/surgeries (such as colonoscopy)
Drug	Patent-protected encapsulated formulation for bowel preparation
Potential Advantages	Improved safety over existing encapsulated preparations on the market; No need to consume liquid solution; No bad taste
Potential Market Size	Salix estimates peak year Rx share of 20% with annual sales of $280M**
Development Status	Phase IIa conducted in 62 patients in Australia*** Salix assumed responsibility for future development of RHB-106; Salix plans to initiate a clinical study with RHB-106 during Q2-Q3/2015

* Salix Pharmaceuticals was acquired by Valeant Pharmaceuticals International in April 2015; ** Salix Pharmaceuticals Investor Day presentation. July 9. 2014; *** Borody et al (2006). Journal of Gastr and Hepat. 21: 87-88

MESUPRON® - Phase II uPA Inhibitor for GI and Solid Tumor Cancers

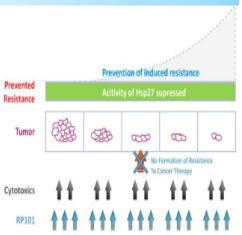
Planned Indication	Gastrointestinal and other solid tumor cancers including locally advanced non-metastatic pancreatic cancer
Drug	A proprietary, first-in-class, urokinase-type plasminogen activator (uPA) inhibitor administered by oral capsule
Potential Advantages	Non-cytotoxic - established safety and tolerability profile; Suggested improved efficacy over first-line chemotherapy; Oral administration
Potential Market Size*	Potential markets include pancreatic cancer (estimated $2.5B WW by 2018), gastric cancer (est. $1.5B WW by 2018), colorectal cancer (est. $8B WW by 2018) and breast cancer (est. $15B WW by 2020)
Development Status	Completed eight Phase I studies (160 patients); Established safety and tolerability profile
	Completed a Phase II proof of concept clinical study in non-metastatic pancreatic cancer in combination with Gemcitabine (Gemzar®)(95 patients) - results demonstrated activity as measured by tumor response rate and overall survival (2010)
	Completed a Phase II proof of concept clinical study in HER2-negative metastatic breast cancer in combination with Capecitabine (Xeloda®) (132 patients) - results demonstrated increase of median progression-free survival and objective tumor response (2012); RedHill plans pre-clinical studies in 2015

ABC294640 - Planned Phase II Studies

Planned Indication	Oncology and GI-Inflammatory diseases, including refractory/relapsed diffuse large B cell lymphoma, multiple myeloma, and radioprotection and radiation enhancement in cancer patients undergoing radiotherapy
Drug	A proprietary, first-in-class, orally-administered sphingosine kinase-2 (SK2) inhibitor
Potential Advantages	Potential for better therapeutic ratio than nonspecific sphingosine kinase inhibitors or those targeting only SK1; Demonstrated safety; Oral administration
Potential Market	Multiple inflammatory, GI and oncology disease indications
Development Status	Completed a Phase I study in cancer patients with advanced solid tumors; Demonstrated the drug's safety and assessed its pharmacokinetics and pharmacodynamics
	Phase Ib/II clinical study for refractory/relapsed diffuse large B cell lymphoma is planned to commence in Q2/2015 and is funded by a National Cancer Institute grant; The study will include 30 patients and will assess the tolerability of ABC294640 and provide a preliminary evaluation of efficacy
	A Phase II clinical study for multiple myeloma is planned, subject to a pending grant from the National Cancer Institute
	A Phase II study is being planned by RedHill in order to evaluate ABC294640 as a radio-protectant and radiation enhancer in cancer patients undergoing radiotherapy

RP101: First-In-Class Phase II Hsp27 Inhibitor for Pancreatic Cancer

- RedHill acquired exclusive option to purchase RP101 and next generation compounds from RESprotect GmbH
- RP101 is a propriety, first-in-class, heat shock protein 27 (Hsp27) inhibitor, administered orally, which may prevent the induction of chemoresistance and thus maintain the sensitivity of tumors to chemotherapy and potentially enhance patient survival



- RP101 is based on a new mechanism of action of the anti-viral drug brivudne, a nucleoside analogue approved in several European countries for the treatment of herpes
- Granted Orphan Drug designation for the adjunct treatment of pancreatic cancer in both the U.S. and Europe
- **Completed several Phase I and Phase II studies with a total of 249 subjects:**
  - Pancreatic cancer patients co-treated with RP101 and one or more chemotherapy agents were found to have longer overall survival than historical control pancreatic cancer patients treated with chemotherapy alone
  - In a randomized, placebo-controlled Phase II pancreatic cancer study, median overall survival was longer in patients receiving chemotherapy and RP101 than in those receiving chemotherapy and placebo in a subset of patients with high body surface area in the U.S.
- **Scientific Advice meeting held between RESprotect and Germany's BfArM provided a possible pathway forward for the development of RP101; RedHill plans pre-clinical studies in 2015**

Source: Company reports

KEY MILESTONES

We believe the company is likely to make significant progress (and milestones) in its drug development over the next several years. The company has several key milestones expected this year, and it is likely that RedHill's stock price and outlook will be dependent upon the success (or failure) of achieving these milestones.

Exhibit 10: Key Upcoming and Past Milestones

Q2/2015	**RHB-105:** • Top-line results from the first Phase III *H. pylori* eradication study (mid-end June) **ABC294640:** • Initiation of first Phase Ib/II study with ABC294640 for refractory/relapsed diffuse large B cell lymphoma
Q2-Q3 /2015	**RHB-106:** • Salix plans initiation of a clinical study
H2/2015	**RHB-104:** • Initiation of European Phase III study in Crohn's disease • Top-line interim results from Phase IIa study for multiple sclerosis **BEKINDA™ (RHB-102):** • Top-line results from the Phase III study in gastroenteritis and gastritis (Q4) • Feedback from UK MHRA regarding European marketing application for oncology support • Initiation of Phase IIa study for new undisclosed indication **RIZAPORT™ (RHB-103):** • Feedback from Germany's BfArM regarding the European marketing application for migraines • A new PDUFA date expected from the FDA for previously filed NDA

RHB-105 (H. pylori)		RHB-104 (Crohn's)		BEKINDA (RHB-102) (gastroenteritis and gastritis)	
	Phase III U.S. study ongoing		Phase III N. America study ongoing		Phase III U.S. study ongoing
June 2015	Top-line results from the first Phase III study are expected mid-end June 2015	2H 2016	Interim analysis of the Phase III study with RHB-104 for Crohn's disease (the MAP US study)	Q4 15-Q1 16	Top-line results from the Phase III study
Late 2015	FDA meeting is planned in Q3 or Q4 2015 to discuss the potential regulatory path for RHB-105	2H 2015	Planned European Phase III study		Oncology - Planned U.S. NDA filing under review
			Phase IIa study ongoing for multiple sclerosis		Oncology - European MAA filed December 2014
		Q4 15-Q1 16	Top-line interim results from Phase IIa study for MS	2H 2015	Initiation of Phase IIa study for new undisclosed indication
RHB-106 (bowel preparation capsule) / SALIX PHARMACEUITICALS		**3 Phase II Oncology-GI/Inflammation drugs: ABC294640, MESUPRON and RP101 (option)**		**RIZAPORT (RHB-103) for acute migraines**	
	Worldwide rights licensed to Salix Pharmaceuticals		Planned Phase II in three different indications		NDA filed - In discussions with FDA following February 2014 CRL
Mid 2015	Salix plans initiation of a clinical study		Completed Phase II studies including in pancreatic cancer		European MAA filed October 2014
		Q2/Q3 2015	Initiation of first Phase Ib/II study with ABC294640 for refractory/relapsed diffuse large B cell lymphoma		

Source: Company reports and Ascendiant Capital Markets estimates.

FINANCIALS

RedHill's fiscal year ends on December 31. Because the company is a clinical stage drug development company, it currently generates minimal revenues and significant losses as it funds its drug development. The bulk of its expenses is currently from the U.S. and Europe (in Euros), but the company is based in Israel though it reports results in U.S. Dollars.

Recent Results (fiscal Q1 ending March 2015)

RedHill's recent financial performance has been relatively positive. In its Q1 2015 report (on April 30, 2015), the company reported results about inline with expectations. There was no Q1 revenue and net loss was $4.6 million. Operating expenses were $4.8 million, +71% y-o-y due to a ramp up in clinical trials costs mainly due to the three ongoing Phase III trials with RHB-105 (for H. pylori), RHB-104 (for Crohn's disease) and BEKINDA/RHB-102 (for gastroenteritis and gastritis). Q1 EPS was $(0.50), compared with Q1 2014's $0.37 and Q4 2014's $(0.61).

Exhibit 11: Consensus Expectations

	Revenue (mil)			EPS	
	2015E	2016E		2015E	2016E
Q1 Mar			Q1 Mar	$(0.50)A	
Q2 Jun			Q2 Jun	$(0.39)E	
Q3 Sep			Q3 Sep	$(0.34)E	
Q4 Dec			Q4 Dec	$(0.31)E	
Total		$4E	Total	$(1.50)E	$(0.42)E

**Quarterly estimates may not add to annual estimates due to variations in contributing estimates and rounding.*

Source: Company report, Thomson Reuters, and Ascendiant Capital Markets estimates

The company does not provide specific quarterly financial guidance, but has generally guided for a "small increase" in R&D in the coming quarters, while G&A is expected to "stay the same more or less" at about $1 million per quarter.

The company expects continued progress on its drug development milestones in 2015 and 2016. We expect the company to experience strong revenue growth beginning in 2017 or earlier as its drugs progress towards FDA approval (either from product sales or from the sales of drug marketing rights to new partners). We have modeled relatively steady operating costs over the next two years. For 2015, we expect no revenues and EPS of $(1.85), while in 2016, we expect revenues of $4 million and EPS of $(1.54).

We believe that the biggest potential variable in our financial model is the ability of the company to get FDA (or equivalent) approvals for each of its drugs under development. It is these approvals that are ultimately how RedHill will be able to finally be able to generate revenue. If the company can make significant progress towards these goals, then revenue and earnings will likely be able to grow significantly (even if still several years away). However, if the company has difficulties in make progress towards getting drug approval, then revenue and earnings will likely grow at a more moderate rate.

The company's balance sheet is solid with $33 million in cash and no debt as of March 2015, up from $23 million in cash and no debt in December 2014. In February 2015, the company raised $14 million from an underwritten public offering (1.15 million ADSs at $12.50 per ADS). We believe the company has enough cash to fund its operations for at least the next 12 months.

PHARMACEUTICAL INDUSTRY BACKGROUND

Exhibit 12: FDA Drug Approval Process

Source: FDA's Center for Drug Evaluation and Research - http://www.fda.gov/Drugs/ResourcesForYou/Consumers/ucm295473.htm

The development path for a drug to travel from a laboratory to a medicine cabinet is usually long and difficult. It takes on average 12 years and over $350 million to get a new drug from the laboratory onto the pharmacy shelf (though this range can vary widely). On average, only ~10% of drugs that enter early Phase 1 studies (testing) makes it all the way to FDA approval. ~65% of drugs in Phase I testing advance to Phase II, ~35% of Phase II drugs makes it to Phase III, and ~55% of the drugs that makes it to Phase III get FDA approval. The U.S. National Institutes of Health maintains a list of publicly and privately supported clinical studies at www.ClinicalTrials.gov.

Exhibit 13: Glossary of Industry Terms

505(b)(2) – a FDA regulatory pathway to potentially obtain more timely and efficient approval of formulations of previously approved products (including new dosage form, strength, route of administration, formulation, dosage regimen, or indications).
5-HT3 receptor inhibitors - play a role in mediating nausea and vomiting, and as such, demonstrate anti-emetic efficacy.
Bioequivalence - the absence of a significant difference in the rate and extent to which the active ingredient in pharmaceutical equivalents when administered at the same dose under similar conditions in a designed study.
Blockbuster drug - a drug of high commercial success, usually one that generates over a billion dollars of annual sales.
Carvedilol - a non-selective beta blocker/alpha-1 blocker indicated in treatment of hypertension and/or congestive heart failure.
cGMP (Current Good Manufacturing Practice) - standards, procedures and guidelines designed for production quality control.
Clinical trial material (CTM) manufacturing - manufacturing of study supplies provided by the sponsor to the clinical investigator.
CRO - a Contract/Clinical Research Organization provides outsourced pharmaceutical research services.
Double-Blind Study - a clinical trial design in which neither the participating individuals nor the study staff knows which participants are receiving the experimental drug and which are receiving a placebo.
Food and Drug Administration (FDA) – the main regulatory body for drug approvals in the U.S.
H. pylori (Helicobacter pylori) - a Gram-negative bacterium found in the stomach. It was identified in 1982 by Dr. Barry Marshall and Dr. Robin Warren and is associated with peptic ulcer disease and development of gastric cancer.
IND (Investigational New Drug) - a status assigned by the FDA to a drug before allowing its use in humans, so that experimental clinical trials may be conducted.
KOL (Key opinion leaders) – Typically physicians who influence their peers' medical practice, prescribing behavior, and influencing and advising drug development.
MAP bacterium (Mycobacterium avium subspecies paratuberculosis (MAP)) - an obligate pathogenic bacterium in the genus Mycobacterium. MAP is the causative agent of Johne disease and has been incriminated as the cause of Crohn disease in humans.
MAA (Marketing Authorization Application) – An MAA is the equivalent European Union (EU) process to the U.S. new drug application (NDA) process. An MAA may be filed with the European Medicines Agency (EMA) or one or more Member States.
NDA (New Drug Application) - an application by drug sponsors to the FDA for approval of new drugs for sale and marketing in U.S.
Ondansetron - is a drug in class of medications called serotonin 5-HT3 receptor antagonists. Ondansetron works by blocking the action of serotonin, a natural substance that may cause nausea and vomiting.
Open-Label Trial - a clinical trial in which doctors and participants know which treatment is being administered.
Orphan Drug Status – a designation for drugs that are in development for the treatment of rare (usually low commercial interest) diseases. This status provides tax reductions and the exclusive rights to the cure for a period of seven years postapproval.
Pivotal Bioequivalence (BE) Clinical Trial - a study the data from which is submitted to the FDA in support of a marketing application of a test drug that is being compared to a referenced existing (already approved) drug.
Randomized Trial - a study in which participants are randomly (i.e., by chance) assigned to different treatments of a clinical trial.
Rizatripan - a serotonin 5-HT 1B/1D receptor agonist of the triptan class of drugs.
Single-Blind Study - a study in which the subject patient is unaware of what medication they are taking, while the physician knows.
Sponsor - a person or an organization that manages and finances a clinical trial.
Stability Testing - the FDA requires that drug products bear an expiration date determined by appropriate stability testing.
Triptans - serotonin 5-hydroxytryptamine (5-HT) receptor agonists drugs used for the treatment of migraine.

Source: Company report, National Institutes of Health, and Ascendiant Capital Markets.

FINANCIAL MODEL

RedHill Biopharma Ltd.

Income Statement ($ mils) Fiscal Year End: December 31	Mar-13 Q1A	Jun-13 Q2A	Sep-13 Q3A	Dec-13 Q4A	2013 FY-A	Mar-14 Q1A	Jun-14 Q2A	Sep-14 Q3A	Dec-14 Q4A	2014 FY-A	Mar-15 Q1A	Jun-15 Q2E	Sep-15 Q3E	Dec-15 Q4E	2015 FY-E	Mar-16 Q1E	Jun-16 Q2E	Sep-16 Q3E	Dec-16 Q4E	2016 FY-E
License revenue					0.0	7.0				7.0					0.0	1.0	1.0	1.0	1.0	4.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.3					0.0
Total Revenue	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**7.0**	**0.0**	**0.0**	**0.0**	**7.0**	**0.0**	**0.1**	**0.1**	**0.1**	**0.3**	**1.0**	**1.0**	**1.0**	**1.0**	**4.0**
Cost of Revenues					0.0	1.1				1.1		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross Profit	0.0	0.0	0.0	0.0	0.0	6.0	0.0	0.0	0.0	6.0	0.0	0.1	0.1	0.1	0.3	1.0	1.0	1.0	1.0	4.0
Research and development	1.3	2.0	2.2	2.6	8.1	1.7	3.2	4.1	3.7	12.7	3.8	3.9	4.0	4.1	15.8	4.2	4.3	4.4	4.5	17.4
General and administrative	0.7	0.5	0.5	0.9	2.7	1.0	1.0	0.9	1.1	4.0	0.9	0.9	0.9	0.9	3.6	1.0	1.0	1.0	1.0	4.0
Restructuring, litigation, and other					0.0					0.0					0.0					0.0
Total operating expenses	2.0	2.5	2.8	3.5	10.8	2.8	4.1	5.0	4.8	16.7	4.8	4.8	4.9	5.0	19.5	5.2	5.3	5.4	5.5	21.4
Operating income (loss)	**(2.0)**	**(2.5)**	**(2.7)**	**(3.5)**	**(10.8)**	**3.2**	**(4.1)**	**(5.0)**	**(4.8)**	**(10.7)**	**(4.8)**	**(4.7)**	**(4.8)**	**(4.9)**	**(19.2)**	**(4.2)**	**(4.3)**	**(4.4)**	**(4.5)**	**(17.4)**
Interest income (expense)	0.0	0.0	0.1	0.0	0.1	0.1	(0.4)	0.8	(0.5)	(0.1)	0.1	0.1	0.1	0.1	0.4	0.1	0.1	0.1	0.1	0.4
Other income (expense)					0.0	0.1				0.1					0.0					0.0
Income before income taxes	(2.0)	(2.5)	(2.7)	(3.4)	(10.6)	3.4	(4.5)	(4.2)	(5.3)	(10.7)	(4.6)	(4.6)	(4.7)	(4.8)	(18.7)	(4.1)	(4.2)	(4.3)	(4.4)	(17.0)
Income taxes					0.0					0.0					0.0					0.0
Net income (loss)	(2.0)	(2.5)	(2.7)	(3.4)	(10.6)	3.4	(4.5)	(4.2)	(5.3)	(10.711)	(4.6)	(4.6)	(4.7)	(4.8)	(18.7)	(4.1)	(4.2)	(4.3)	(4.4)	(17.0)
Nonrecurring/noncash adjustments					0.0					0.0					0.0					0.0
Net income (pro forma)	**(2.0)**	**(2.5)**	**(2.7)**	**(3.4)**	**(10.6)**	**3.4**	**(4.5)**	**(4.2)**	**(5.3)**	**(10.7)**	**(4.6)**	**(4.6)**	**(4.7)**	**(4.8)**	**(18.7)**	**(4.1)**	**(4.2)**	**(4.3)**	**(4.4)**	**(17.0)**
EBITDA	(1.8)	(2.3)	(2.5)	(3.2)	(9.5)	3.6	(3.7)	(4.6)	(4.4)	(9.0)	(4.4)	(3.9)	(4.0)	(4.1)	(16.4)	(3.4)	(3.5)	(3.6)	(3.7)	(14.2)
Shares, Basic	6.1	6.2	6.3	6.4	6.2	8.3	8.8	8.8	8.8	8.7	9.4	10.2	10.4	10.6	10.1	10.8	11.0	11.2	11.4	11.1
Shares, Diluted	1.5	1.5	1.5	6.4	6.2	9.1	10.0	8.9	8.8	8.7	9.8	10.6	10.8	11.0	10.6	11.2	11.4	11.6	11.8	11.5
EPS Basic (Pro forma)	**($0.32)**	**($0.41)**	**($0.43)**	**($0.54)**	**($1.70)**	$0.41	**($0.52)**	**($0.48)**	**($0.61)**	**($1.24)**	**($0.50)**	**($0.45)**	**($0.45)**	**($0.45)**	**($1.85)**	**($0.38)**	**($0.38)**	**($0.39)**	**($0.39)**	**($1.54)**
EPS Diluted (Pro forma)	($1.31)	($1.66)	($1.78)	($0.54)	($1.70)	**$0.37**	($0.45)	($0.48)	($0.61)	($1.23)	($0.47)	($0.43)	($0.44)	($0.44)	($1.78)	($0.37)	($0.37)	($0.37)	($0.37)	($1.48)
Margins																				
Gross margin	100%	100%	100%	100%	100%	85%	100%	100%	100%	85%	100%	100%	100%	100%	######	100%	100%	100%	100%	100%
Research and development	33650%	49550%	73567%	256500%	67500%	25%	78925%	102575%	370400%	181%	382900%	3900%	4000%	4100%	5259%	420%	430%	440%	450%	435%
General and administrative	16875%	13700%	18167%	91600%	22367%	15%	24025%	22800%	111100%	57%	92700%	900%	900%	900%	1205%	100%	100%	100%	100%	100%
Operating margin	-50425%	-63150%	-91633%	-348000%	-89767%	46%	#########	#########	#########	-153%	-475500%	######	######	######	######	-420%	-430%	-440%	-450%	-435%
Tax rate, GAAP	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Net margin	-49425%	-62800%	-89967%	-344000%	-88567%	48%	#########	#########	#########	-153%	-464200%	######	######	######	######	-410%	-420%	-430%	-440%	-425%
Y/Y % change																				
Total Revenue						175025%	0%	33%	0%	58350%	-100%	2400%	2400%	9900%	-96%	######	900%	900%	900%	1229%
Gross margin						148775%	0%	33%	0%	49600%	-100%	2400%	2400%	9900%	-95%	######	900%	900%	900%	1229%
Research and development						29%	59%	86%	44%	57%	121%	24%	-3%	11%	25%	10%	10%	10%	10%	10%
General and administrative						52%	75%	67%	21%	49%	-10%	-6%	-1%	-19%	-10%	8%	11%	11%	11%	10%
Operating income (loss)						-258%	63%	82%	38%	0%	-249%	14%	-4%	2%	78%	-12%	-9%	-8%	-8%	-9%
Net income (loss)						-271%	80%	57%	55%	1%	-237%	2%	11%	-10%	75%	-12%	-9%	-9%	-8%	-9%
EPS Diluted (Pro forma)						-128%	-73%	-73%	13%	-28%	-228%	-4%	-9%	-28%	45%	-23%	-15%	-15%	-15%	-17%

Source: Company reports and Ascendiant Capital Markets estimates.

RedHill Biopharma Ltd.

Balance Sheet ($ mils) Fiscal Year End: December 31	Dec-13 Q4A	Dec-14 Q4A	Mar-15 Q1A	Jun-15 Q2E	Sep-15 Q3E	Dec-15 Q4E	Mar-16 Q1E	Jun-16 Q2E	Sep-16 Q3E	Dec-16 Q4E
Assets										
Cash and cash equivalents	11.9	5.9	8.5	28.0	23.3	18.6	14.5	10.4	6.1	1.8
Short term investments	0.0	17.1	24.1							
Financial assets	0.2			0.0	0.0	0.0	0.0	0.0	0.0	0.0
Prepaid expenses and other	0.5	3.1	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4
Total current assets	12.6	26.0	34.9	30.4	25.7	21.0	16.9	12.8	8.5	4.1
Property and equipment, net	0.1	0.1	0.1	0.1	0.0	(0.0)	(0.1)	(0.1)	(0.2)	(0.2)
Restricted cash	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Other				0.0	0.0	0.0	0.0	0.0	0.0	0.0
Goodwill and intangibles	1.6	2.6	6.1	6.1	6.1	6.1	6.1	6.1	6.1	6.1
Total assets	**14.3**	**28.9**	**41.2**	**36.6**	**31.9**	**27.1**	**23.0**	**18.8**	**14.5**	**10.1**
Liabilities and stockholders' equity										
Accounts payable and accrued expe	2.4	1.7	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Intangible payable			3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Short term debt				0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total current liabilities	**2.4**	**1.7**	**5.5**	**5.5**	**5.5**	**5.5**	**5.5**	**5.5**	**5.5**	**5.5**
Other long term liabilities		2.1	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Long term debt				0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total other liabilities	**0.0**	**2.1**	**1.9**	**1.9**	**1.9**	**1.9**	**1.9**	**1.9**	**1.9**	**1.9**
Common stock	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Additional paid-in capital	43.1	65.5	79.1	79.1	79.1	79.1	79.1	79.1	79.1	79.1
Retained earnings	(33.3)	(42.2)	(46.5)	(51.1)	(55.8)	(60.6)	(64.7)	(68.9)	(73.2)	(77.6)
Warrants	1.9	1.5	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Accumulated other comprehensive income				0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other					0.0	0.0	0.0	0.0	0.0	0.0
Total stockholders' equity	**11.9**	**25.0**	**33.9**	**29.3**	**24.6**	**19.8**	**15.7**	**11.5**	**7.2**	**2.8**
Total stockholders' equity and liabil	**14.3**	**28.9**	**41.2**	**36.6**	**31.9**	**27.1**	**23.0**	**18.8**	**14.5**	**10.1**

Balance Sheet Drivers

	Dec-13 Q4A	Dec-14 Q4A	Mar-15 Q1A	Jun-15 Q2E	Sep-15 Q3E	Dec-15 Q4E	Mar-16 Q1E	Jun-16 Q2E	Sep-16 Q3E	Dec-16 Q4E
Book & Cash Value (per share)										
Book Value per Share (diluted)	$1.86	$2.85	$3.46	$2.76	$2.28	$1.80	$1.40	$1.01	$0.62	$0.24
Cash per Share (diluted)	$1.85	$2.62	$3.32	$2.64	$2.16	$1.69	$1.30	$0.91	$0.53	$0.15
Net cash per Share (diluted)	$1.85	$2.62	$3.32	$2.64	$2.16	$1.69	$1.30	$0.91	$0.53	$0.15

Source: Company reports and Ascendiant Capital Markets estimates

RedHill Biopharma Ltd.

Cash Flow Statement ($ mils) Fiscal Year End: December 31	2013 FY-A	2014 FY-A	Mar-15 Q1A	Jun-15 Q2E	Sep-15 Q3E	Dec-15 Q4E	2015 FY-A	Mar-16 Q1E	Jun-16 Q2E	Sep-16 Q3E	Dec-16 Q4E	2016 FY-A
Cash flow from operating activities												
Net income	(10.6)	(10.7)	(4.6)	(4.6)	(4.7)	(4.8)	(18.7)	(4.1)	(4.2)	(4.3)	(4.4)	(17.0)
Stock comp	1.3	1.8	0.3	0.5	0.5	0.5	1.8	0.5	0.5	0.5	0.5	2.0
Depreciation and amortization	0.0	0.0	0.0	0.3	0.3	0.3	0.9	0.3	0.3	0.3	0.3	1.2
Amortization		0.1					0.0					0.0
Financial assets gains/losses	(0.1)	(0.2)	(0.2)				(0.2)					0.0
Bank deposit revaluation	(0.0)	(0.0)	(0.0)				(0.0)					0.0
F/X gains/losses	(0.1)	0.2	0.2				0.2					0.0
Other gains/losses							0.0					0.0
Other				(0.5)	(0.5)	(0.5)	(1.5)	(0.5)	(0.5)	(0.5)	(0.5)	(2.0)
Changes in operating assets and liabilities:												
Prepaid expenses	(0.3)	(2.6)	0.7	0.0	0.0	0.0	0.7	0.0	0.0	0.0	0.0	0.0
Accounts payable and accrued exp	1.3	(0.8)	0.3	0.0	0.0	0.0	0.3	0.0	0.0	0.0	0.0	0.0
Other liabilities							0.0					0.0
Net cash (used in) provided by ope	**(8.4)**	**(12.2)**	**(3.4)**	**(4.3)**	**(4.4)**	**(4.5)**	**(16.6)**	**(3.8)**	**(3.9)**	**(4.0)**	**(4.1)**	**(15.8)**
Cash flow from investing activities												
Purchases of property and equipme	(0.0)	(0.1)	(0.0)	(0.3)	(0.3)	(0.3)	(0.8)	(0.3)	(0.3)	(0.3)	(0.3)	(1.0)
Purchases of short-term investments	1.4	(16.8)	(7.0)	24.1	0.0	0.0	17.1	0.0	0.0	0.0	0.0	0.0
Acquisitions	(0.2)	(1.0)	(0.1)				(0.1)					0.0
Other							0.0					0.0
Net cash used in investing activities	**1.1**	**(17.9)**	**(7.1)**	**23.8**	**(0.3)**	**(0.3)**	**16.2**	**(0.3)**	**(0.3)**	**(0.3)**	**(0.3)**	**(1.0)**
Cash flow from financing activities												
Issuance of debt				0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Issuance of stock	0.1	19.4	13.2				13.2					0.0
Proceeds from stock option exercise	2.2	5.0					0.0					0.0
Dividends							0.0					0.0
Other							0.0					0.0
Cash provided by (used in) financin	**2.3**	**24.4**	**13.2**	**0.0**	**0.0**	**0.0**	**13.2**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Effect of exchange rate on cash	0.1	(0.2)	(0.2)				(0.2)					0.0
Net increase (decrease) in cash and	**(5.0)**	**(6.0)**	**2.6**	**19.5**	**(4.7)**	**(4.8)**	**12.7**	**(4.1)**	**(4.2)**	**(4.3)**	**(4.4)**	**(16.8)**
Beginning cash and equivalents	**16.8**	**11.9**	**5.9**	**8.5**	**28.0**	**23.3**	**5.9**	**18.6**	**14.5**	**10.4**	**6.1**	**18.6**
Ending cash and equivalents	**11.9**	**5.9**	**8.5**	**28.0**	**23.3**	**18.6**	**18.6**	**14.5**	**10.4**	**6.1**	**1.8**	**1.8**

Source: Company reports and Ascendiant Capital Markets estimates

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Total return is defined as price appreciation plus dividend yield.

Ascendiant Capital Markets, LLC Rating System

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Sell: We expect the stock to provide a total return of minus 10% or worse within a 12-month period.

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Total return is defined as price appreciation plus dividend yield.

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			Investment Banking Services Past 12 months	
Rating	**Count**	**Percent**	**Count**	**Percent**
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Sell	1	2%	0	0%
Total	60	100%	5	8%

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