REDHILL BIOPHARMA LTD.

FORM 6-K
(Report of Foreign Issuer)

Filed 11/13/17 for the Period Ending 11/13/17

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Industry	Biotechnology & Medical Research
Sector	Healthcare

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16
of the Securities Exchange Act of 1934

For the month of November 2017
Commission File No.: 001-35773

REDHILL BIOPHARMA LTD.
(Translation of registrant's name into English)

21 Ha'arba'a Street, Tel Aviv, 64739, Israel
(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.
Form 20-F [X] Form 40-F [ ]

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): __ _

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): __ _

Attached hereto and incorporated by reference herein is a press release issued by the Registrant entitled: *" RedHill Biopharma Reports 2017 Third Quarter Financial Results"*

Exhibit 1: Registrant's press release entitled " *RedHill Biopharma Reports 2017 Third Quarter Financial Results* ".

Exhibit 2: Registrant's condensed consolidated interim unaudited financial information as of September 30, 2017 and for the three months then ended.

This Form 6-K and related exhibits are incorporated by reference into the Company's Registration Statements on Form S-8 filed with the Securities and Exchange Commission on May 2, 2013 (Registration No. 333-188286), on October 29, 2015 (Registration No. 333-207654) and on July 25, 2017 (Registration No. 333-219441) and its Registration Statement on Form F-3 filed with the Securities and Exchange Commission on February 25, 2016 (Registration No. 333- 209702).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

REDHILL BIOPHARMA LTD.
(Registrant)

Date: November 13, 2017

By: /s/ Dror Ben-Asher
Dror Ben-Asher
Chief Executive Officer

Exhibit 1

RedHill Biopharma Reports 2017 Third Quarter Financial Results

- **RedHill maintains a debt-free balance sheet with $39.6 million in cash [1] at the end of the third quarter of 2017**
- **In addition, an underwritten public offering of the Company's American Depositary Shares (ADSs) is scheduled to be closed today, November 13, 2017, subject to customary terms and conditions, for aggregate net proceeds of approximately $20.6 million, after deducting underwriting discounts and commissions and other offering expenses**
- **Net revenues of approximately $1.5 million in Q3/2017 from the promotion of three GI-specialty products in the U.S., Donnatal ®, EnteraGam® (launched in June) and Esomeprazole Strontium Delayed-Release Capsules 49.3 mg (launched mid-September)**
- **Decrease quarterly cash burn rate and continued revenue growth are expected in 2018**
- **Increased focus on partnerships and U.S. co-promotion of select RedHill development programs**

Select recent and potential milestones:

- **Top-line results from the first Phase III study with RHB-104 for Crohn's disease (MAP US study) expected in mid-2018; patient enrollment completed**
- **Top-line results from the confirmatory Phase III study with TALICIA ™ (RHB-105) (ERADICATE HP2 study) for the treatment of *H. pylori* infection, expected in H2/2018**
- **Initiation of pivotal Phase III study with RHB-104 for first line treatment of Nontuberculous Mycobacteria (NTM) infections expected in H1/2018**
- **Successful top-line results from the Phase II study with BEKINDA ® (RHB-102) 12 mg for the treatment of diarrhea-predominant irritable bowel syndrome (IBS-D)**

TEL-AVIV, Israel and RALEIGH, N.C., Nov. 13, 2017 (GLOBE NEWSWIRE) -- RedHill Biopharma Ltd. (NASDAQ:RDHL) (Tel-Aviv Stock Exchange:RDHL) ("RedHill" or the "Company"), a specialty biopharmaceutical company primarily focused on late clinical-stage development and commercialization of proprietary drugs for gastrointestinal and inflammatory diseases and cancer, today reported its financial results for the quarter ended September 30, 2017.

The Company will host a conference call **today, November 13, 2017 at 9:00 am EST** to review the financial results and business highlights. Dial-in details are included below.

Financial highlights for the quarter ended September 30, 2017 [2]

Net Revenues for the third quarter of 2017 were approximately $1.5 million, compared to $0.5 million in the second quarter of 2017. The increase was due to the promotional activities of Donnatal ®[3] and the sale of EnteraGam ®[4] and the initial promotion of Esomeprazole Strontium Delayed-Release Capsules 49.3 mg [5] in mid-September 2017.

Cost of Revenues for the third quarter of 2017 was $0.9 million, due to the sale of EnteraGam ®, compared to $0.3 million in the second quarter of 2017, also due to the sale of EnteraGam ® and reflecting the cost of goods sold and royalties.

Gross Profit for the third quarter of 2017 was $0.6 million, compared to $0.2 million in the second quarter of 2017. The increase was due to higher revenues from the sale of EnteraGam ® and from the promotion of Donnatal ® and due to the initial promotion of Esomeprazole Strontium Delayed-Release Capsules 49.3 mg in mid-September 2017.

Research and Development Expenses for the third quarter of 2017 were $8.1 million, an increase of $1.1 million or 15% compared to the third quarter of 2016. The increase was mainly due to the ongoing confirmatory Phase III study with TALICIA ™ (RHB-105) for *H. pylori* infection, the Phase III and Phase II studies with BEKINDA ® (RHB-102) for gastroenteritis and IBS-D, respectively, and the ongoing and planned studies with YELIVA ® (ABC294640) [7] for multiple indications. *Research and Development Expenses* for the third quarter of 2017 decreased by $0.3 million or 4% compared to the second quarter of 2017.

General and Administrative Expenses for the third quarter of 2017 were $2.3 million, an increase of $1.2 million compared to the third quarter of 2016. *General and Administrative Expenses* for the third quarter of 2017 increased by $0.3 million compared to the second quarter of 2017. The increase from the comparable periods was mainly due to the establishment and advancement of the Company's U.S. commercial operations in the first quarter of 2017.

Selling, Marketing and Business Development Expenses for the third quarter of 2017 were $4.2 million, an increase of $3.8 million compared to $0.4 million in the third quarter of 2016, comprised only of Business Development Expenses. *Selling, Marketing and Business Development Expenses* for the third quarter of 2017 increased by $0.8 million or 24% compared to the second quarter of 2017. The increase from the comparable periods was mainly due to the establishment and advancement of the Company's U.S. commercial operations. *The Company recognized Selling and Marketing Expenses* in 2017 *for the first time* .

Operating Loss for the third quarter of 2017 was $14 million, an increase of $5.5 million or 65% compared to the third quarter of 2016. *Operating Loss* for the third quarter of 2017 increased by $0.4 million or 3% compared to the second quarter of 2017. The increase from the comparable periods was mainly due to an increase in Selling, Marketing and Business Development Expenses, Research and Development Expenses, and General and Administrative Expenses, as detailed above.

Financial Expenses , net for the third quarter of 2017 was $1.5 million, an increase of $1.1 million compared to the third quarter of 2016. Financial Income, net

for the second quarter of 2017 was $2.5 million. The changes from the comparable periods were mainly due to variations in the fair value of the derivative financial instruments, which is affected by share price variations.

Net Cash Used in Operating Activities for the third quarter of 2017 was $10.6 million, an increase of $3.2 million or 43% compared to the third quarter of 2016. The increase was mainly due to the increase in Operating Loss, as detailed above. *Net Cash Used in Operating Activities* for the third quarter of 2017 increased by $0.8 million or 8% compared to the second quarter of 2017.

Net Cash Provided by Investing Activities for the third quarter of 2017 was $13.9 million, an increase of $3.2 million or 30% compared to the third quarter of 2016. Net Cash Used in Investing Activities for the second quarter of 2017 was $4.9 million. The changes from the comparable periods were mainly due to changes in bank deposits and financial assets at fair value through profit or loss.

Cash Balance [7] as of September 30, 2017, was $39.6 million, a decrease of $26.7 million, compared to $66.3 million as of December 31, 2016, and a decrease of $11.6 million compared to June 30, 2017. The decrease was a result of the ongoing operations, mainly related to research and development activities and the establishment and advancement of the U.S. commercial operations.

"The third quarter of 2017 was the first full quarter of revenues generation from the promotion of Donnatal® and EnteraGam®, with $1.5 million in net revenues. We anticipate net revenues to continue to grow following initiation of the promotion of Esomeprazole Strontium DR capsules 49.3 mg in mid-September," **said Micha Ben Chorin, RedHill's CFO.** "We expect a decrease in quarterly cash burn rate along with continued revenue growth in 2018. Our cash balance at the end of the third quarter of approximately $39.6 million, along with expected net proceeds of approximately $20.6 million from the November 2017 underwritten public offering of ADSs, should allow us to achieve significant milestones in 2018, including Phase III top-line results with RHB-104 for Crohn's disease, expected in mid-2018, and confirmatory Phase III top-line results with TALICIA ™ (RHB-105) for *H. pylori* infection, expected in the second half of 2018."

Conference Call and Webcast Information:

The Company will host a conference call **today, Monday, November 13, 2017 at 9:00 am EST** to review the financial results and business highlights.

To participate in the conference call, please dial one of the following numbers 15 minutes prior to the start of the call: **United States: +1-877-280-2296; International: +1-212-444-0896; and Israel: +972-3-763-0147. The access code for the call is: 2543708.**

The conference call will be broadcasted live and will be available for replay on the Company's website, http://ir.redhillbio.com/events.cfm, for 30 days. Please access the Company's website at least 15 minutes ahead of the conference call to register, download and install any necessary audio software.

Recent operational highlights:

1. On July 31, 2017, RedHill reported, following a second pre-planned meeting by an independent Data and Safety Monitoring Board (DSMB) to assess the safety and efficacy data from its ongoing first Phase III study with RHB-104 for Crohn's disease (the MAP US study), that it had received a unanimous recommendation from the DSMB to continue the study as planned. The DSMB reviewed safety and efficacy data, of which RedHill remains blinded, from the first 222 subjects who had completed week 26 assessments in the Phase III MAP US study.

2. On September 13, 2017, RedHill announced that it had initiated promotion of Esomeprazole Strontium DR Capsules 49.3 mg in the U.S. Esomeprazole Strontium DR Capsules 49.3 mg is a U.S. Food and Drug Administration (FDA)-approved, proprietary, prescription proton pump inhibitor (PPI) indicated for adults for the treatment of gastroesophageal reflux disease (GERD) and other gastrointestinal (GI) conditions [9] . On August 17, 2017, RedHill announced that it had entered into a commercialization agreement with ParaPRO LLC, an Indiana-based specialty pharmaceutical company, granting RedHill the exclusive rights to promote Esomeprazole Strontium DR Capsules 49.3 mg to gastroenterologists in certain U.S. territories.

3. On September 18, 2017, RedHill announced that it had received a Notice of Allowance from the United States Patent and Trademark Office (USPTO) for a new patent covering the use of two of RedHill's Phase II-stage proprietary investigational compounds, YELIVA ® and MESUPRON (upamostat) [10] in combination with a known antibiotic. Upon issuance, on top of existing intellectual property (IP) protection covering the individual compounds, the new patent will provide RedHill with IP protection covering its combination for the potential treatment of cancer, prevention of cancer recurrence or progression and inhibition of growth and proliferation of cancer cells.

4. On October 3, 2017, RedHill announced positive top-line results from the Phase II study with BEKINDA ® 12 mg for the treatment of diarrhea-predominant irritable bowel syndrome (IBS-D). The study successfully met its primary endpoint, improving primary efficacy outcome of stool consistency. RedHill plans one or more pivotal Phase III studies with BEKINDA ® 12 mg in IBS-D. RedHill further announced that, following the positive results from its Phase III GUARD study with BEKINDA ® 24 mg in acute gastroenteritis and gastritis, the Company met with the FDA to discuss the results and the clinical and regulatory path towards potential marketing approval of BEKINDA ® 24 mg in the U.S. Following the positive FDA guidance meeting, the Company is currently working with the FDA to design the confirmatory Phase III study to support a New Drug Application (NDA) with BEKINDA ® 24 mg for acute gastroenteritis and gastritis.

5. On October 20, 2017, RedHill announced that the FDA granted MESUPRON (upamostat) Orphan Drug designation for the adjuvant treatment of pancreatic cancer. The Orphan Drug designation allows RedHill to benefit from various incentives to develop MESUPRON for this indication, including a seven-year marketing exclusivity period for the indication, if approved. Following the recent identification of a new mechanism of action for MESUPRON, inhibition of trypsin, RedHill is currently evaluating potential utilization of MESUPRON in several GI indications.

6. On October 23, 2017, RedHill announced that it had received a Notice of Allowance from the USPTO for a new patent covering RHB-104 for relapsing-remitting multiple sclerosis (MS), which is expected to be valid until 2032, once granted.

7. On November 1, 2017, RedHill announced, together with IntelGenx Corp. ("IntelGenx"), that they had resubmitted the 505(b)(2) New Drug Application (NDA) for RIZAPORT ® 10 mg to the FDA. If the RIZAPORT ® NDA resubmission is deemed complete and permits a full review by the FDA, a

Prescription Drug User Fee Act (PDUFA) date is expected to be set by the FDA for the first half of 2018.

8. On November 9, 2017, RedHill announced that the last patient had been enrolled in the Phase III study with RHB-104 for Crohn's disease (MAP US study). The study enrolled 331 subjects across approximately 150 clinical sites in the U.S., Canada, Europe, Israel, Australia and New Zealand. Top-line results are expected to be announced in mid-2018. On October 2, 2017, RedHill announced that it had curtailed the target sample size in the Phase III study with RHB-104 for Crohn's disease (MAP US study) from 410 to approximately 325 subjects, while maintaining statistical power of over 80% with a treatment effect of 15%.

Financial Highlights:

On November 9, 2017, RedHill announced the pricing of its underwritten public offering, announced on November 8, 2017, for a total number of 4,090,909 American Depositary Shares (ADSs), each representing ten of its ordinary shares, at a public offering price of $5.50 per ADS. Gross proceeds from the sale of the ADSs by RedHill before underwriting discounts and commissions and other offering expenses are expected to be approximately $22.5 million. The offering is scheduled to be closed today, subject to customary closing conditions. RedHill has also granted the underwriters a 30-day option to purchase up to 613,636 additional ADSs at the public offering price. Cantor Fitzgerald & Co. and Nomura Securities International, Inc. are acting as joint book-running managers for the offering. SMBC Nikko Securities America, Inc. is acting as lead manager and H.C. Wainwright & Co., LLC and Roth Capital Partners, LLC are acting as co-managers for the offering. The Company intends to use the proceeds from the offering to fund clinical development programs, for potential acquisitions, to support commercial operations and for general corporate purposes.

About Esomeprazole Strontium Delayed-Release Capsules 49.3 mg [12] :
Esomeprazole Strontium Delayed-Release Capsules 49.3 mg is indicated for adults:

- for the short-term treatment (4-8 weeks) of heartburn and other symptoms associated with gastroesophageal reflux disease (GERD) and/or in healing and symptomatic resolution of erosive esophagitis (EE).
- to reduce the risk of stomach ulcers in some people taking non-steroidal anti-inflammatory drugs (NSAIDs) (controlled studies did not extend beyond 6 months).
- in combination with amoxicillin 1000 mg and clarithromycin 500 mg is indicated for the treatment of patients with a stomach infection (*Helicobacter pylori*) and duodenal ulcer disease.
- is indicated for the long-term treatment of pathological hypersecretory conditions, including Zollinger-Ellison Syndrome.

Important Safety Information about Esomeprazole Strontium Delayed-Release Capsules 49.3 mg:

- Esomeprazole strontium is contraindicated in patients with known hypersensitivity to proton pump inhibitors. For information about contraindications of antibacterial agents (clarithromycin and amoxicillin) indicated in combination with esomeprazole strontium, refer to the contraindications section of their package inserts.
- Symptomatic response to therapy does not rule out the presence of gastric malignancy. Consider additional follow-up and diagnostic testing in adult patients who have a suboptimal response or an early symptomatic relapse after completing treatment with a proton pump inhibitor (PPI). In older patients, also consider an endoscopy.
- Acute interstitial nephritis has been observed in patients taking PPIs. Discontinue esomeprazole strontium if acute interstitial nephritis develop.
- PPI therapy may be associated with increased risk of Clostridium difficile-associated diarrhea. This diagnosis should be considered for diarrhea that does not improve.
- PPI therapy may be associated with an increased risk of osteoporosis-related fractures of the hip, wrist, or spine. The risk of fracture was increased in patients who received high-dose (multiple daily doses) and long-term (a year or longer) therapy.
- Cutaneous lupus erythematosus (CLE) and systemic lupus erythematosus (SLE) have been reported in patients taking PPIs, including esomeprazole. These events included both new onset and exacerbations. If signs or symptoms consistent with CLE or SLE are noted with esomeprazole strontium, discontinue and refer the patient to a specialist. Most patients improve with discontinuation of the PPI alone in 4 to 12 weeks.
- Avoid concomitant use of esomeprazole strontium with clopidogrel, due to a reduction in plasma concentrations of the active metabolite of clopidogrel. When using esomeprazole strontium consider alternative anti-platelet therapy.
- Daily treatment with any acid-suppressing medications over a long period of time (e.g., longer than 3 years) may lead to malabsorption of cyanocobalamin (vitamin B12). Rare reports of cyanocobalamin deficiency occurring with acid-suppressing therapy have been reported in the literature.
- Hypomagnesemia has been reported rarely with prolonged treatment with PPI therapy and may require discontinuing PPI therapy.
- Concomitant use of esomeprazole strontium and St. John's wort or rifampin can substantially decrease esomeprazole strontium concentrations. Avoid concomitant use.
- Literature suggests that concomitant use of PPIs with methotrexate (primarily at high dose; see methotrexate prescribing information) may elevate and prolong serum levels of methotrexate and/or its metabolite, possibly leading to methotrexate toxicities. In high-dose methotrexate administration, a temporary withdrawal of the PPI may be considered in some patients.
- Concomitant use of esomeprazole strontium and atazanavir or nelfinavir is not recommended. esomeprazole strontium is expected to increase the plasma levels of saquinavir. Consider dose reduction of saquinavir.
- Patients treated with PPIs and warfarin concomitantly may need to be monitored for increases in INR and prothrombin time. Esomeprazole may interfere with the absorption of drugs for which gastric pH affects bioavailability (e.g., ketoconazole, iron salts, erlotinib, digoxin and mycophenolate mofetil).
- Esomeprazole strontium may increase systemic exposure of cilastozol and one of its active metabolites. Consider dose reduction of cilastozol.
- In adults, adverse reactions (ARs) reported at a frequency of 1% or greater with esomeprazole strontium include headache, diarrhea, nausea, flatulence, abdominal pain, constipation, and dry mouth.
- Safety and effectiveness of esomeprazole strontium have not been established in pediatric patients. Not recommended for use in pediatric patients.
- Safety of esomeprazole strontium has not been studied in patients with severe renal impairment. Not recommended for use in patients with severe renal impairment.

Talk to your doctor or healthcare professional. Please see Prescribing information including Medication Guide for Esomeprazole Strontium Delayed-Release Capsules at https://dailymed.nlm.nih.gov/dailymed/fda/fdaDrugXsl.cfm?setid=53240ab5-98e7-4050-b640-e09c1271899a&type=display

You are encouraged to report negative side effects of prescription drugs to the FDA. Visit www.fda.gov/medwatch or call 1-800-FDA-1088.

About Donnatal ® :

Donnatal ® (Phenobarbital, Hyoscyamine Sulfate, Atropine Sulfate, Scopolamine Hydrobromide), a prescription drug, is classified as possibly effective as an adjunctive therapy in the treatment of irritable bowel syndrome (irritable colon, spastic colon, mucous colitis) and acute enterocolitis. Donnatal ® slows the natural movements of the gut by relaxing the muscles in the stomach and intestines. Donnatal ® comes in two formulations: immediate release Donnatal ® Tablets and immediate release Donnatal ® Elixir, a fast-acting liquid.

Important Safety Information about Donnatal ® :

Donnatal ® is contraindicated in patients who have glaucoma, obstructive uropathy, obstructive disease of the gastrointestinal tract, paralytic ileus, unstable cardiovascular status, severe ulcerative colitis, myasthenia gravis, hiatal hernia with reflux esophagitis, or known hypersensitivity to any of the ingredients. Patients who are pregnant or breastfeeding or who have autonomic neuropathy, hepatic or renal disease, hyperthyroidism, coronary heart disease, congestive heart failure, cardiac arrhythmias, tachycardia or hypertension should notify their doctor before taking Donnatal ® . Side effects may include: dryness of the mouth, urinary retention, blurred vision, dilation of pupils, rapid heartbeat, loss of sense of taste, headache, nervousness, drowsiness, weakness, dizziness, insomnia, nausea, vomiting and allergic reactions which may be severe.

Further information, including prescribing information, can be found on www.donnatal.com.

Please see the following website for complete important safety information about Donnatal ® :
http://www.donnatal.com/professionals/important-safety-information/

To report suspected adverse reactions, contact Concordia Pharmaceuticals Inc. at
1-877-370-1142 or email: medicalinformation@concordiarx.com, or the FDA at
1-800-FDA-1088 (1-800-332-1088) or www.fda.gov/medwatch.

About EnteraGam ® :

EnteraGam ® (serum-derived bovine immunoglobulin/protein isolate, SBI) is a medical food product intended for the dietary management of chronic diarrhea and loose stools. EnteraGam ® must be administered under medical supervision. EnteraGam ® binds microbial components [13] , such as toxic substances released by bacteria, that upset the intestinal environment. This helps prevent them from penetrating the lining of the intestine, which may contribute to chronic diarrhea and loose stools in people who have specific intestinal disorders [14] .

Safety Information about EnteraGam ® :

EnteraGam ® contains beef protein; therefore, patients who have an allergy to beef or any other component of EnteraGam ® should not take this product. EnteraGam ® has not been studied in pregnant women, in women during labor and delivery, or in nursing mothers. The choice to administer EnteraGam ® during pregnancy, labor and delivery, or to nursing mothers is at the clinical discretion of the prescribing physician.

EnteraGam ® does not contain any milk-derived ingredients such as lactose, casein or whey. EnteraGam ® is gluten-free, dye-free and soy-free.

Please see full Product Information.

To report suspected adverse reactions, contact Entera Health, Inc. at 1-855-4ENTERA (1-855-436-8372), or the FDA at 1-800-FDA-1088 (1-800-332-1088) or www.fda.gov/medwatch.

About RedHill Biopharma Ltd.:

RedHill Biopharma Ltd. (NASDAQ:RDHL) (Tel-Aviv Stock Exchange:RDHL) is a specialty biopharmaceutical company, primarily focused on the development and commercialization of late clinical-stage, proprietary drugs for the treatment of gastrointestinal and inflammatory diseases and cancer. RedHill promotes three gastrointestinal products in the U.S. and its clinical stage pipeline includes treatments for gastrointestinal indications, pancreatic cancer and acute migraines: **Donnatal ® -** a prescription oral adjunctive drug used in the treatment of IBS and acute enterocolitis; **Esomeprazole Strontium Delayed-Release Capsules 49.3 mg -** a prescription proton pump inhibitor indicated for adults for the treatment of gastroesophageal reflux disease (GERD) and other gastrointestinal conditions; and **EnteraGam ® -** a medical food intended for the dietary management, under medical supervision, of chronic diarrhea and loose stools. RedHill's clinical-stage pipeline includes: (i) **TALICIA ™ (RHB -105) -** an oral combination therapy for the treatment of *Helicobacter pylori* infection with successful results from a first Phase III study and an ongoing confirmatory Phase III study; (ii) **RHB-104 -** an oral combination therapy for the treatment of Crohn's disease with an ongoing first Phase III study, a completed proof-of-concept Phase IIa study for multiple sclerosis, and a planned pivotal Phase III study for nontuberculous mycobacteria (NTM) infections; (iii) **BEKINDA ® (RHB-102) -** a once-daily oral pill formulation of ondansetron with successful top-line results from a Phase III study in acute gastroenteritis and gastritis and successful top-line results from a Phase II study in IBS-D; (iv) **RHB-106 -** an encapsulated bowel preparation licensed to Salix Pharmaceuticals, Ltd.; (v) **YELIVA ® (ABC294640) -** a Phase II-stage, orally-administered, first-in-class SK2 selective inhibitor targeting multiple oncology, inflammatory and gastrointestinal indications; (vi) **MESUPRON -** a Phase II-stage first-in-class, orally-administered protease inhibitor, targeting pancreatic cancer and inflammatory gastrointestinal diseases and (vii) **RIZAPORT ® (RHB-103) -** an oral thin-film formulation of rizatriptan for acute migraines, with a U.S. NDA resubmitted to the FDA and marketing authorization received in two EU member states under the European Decentralized Procedure (DCP).

This press release contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements may be preceded by the words "intends," "may," "will," "plans," "expects," "anticipates," "projects," "predicts," "estimates," "aims," "believes," "hopes," "potential" or similar words. Forward-looking statements are based on certain assumptions and are subject to various known and unknown risks and uncertainties, many of which are beyond the Company's control, and cannot be predicted or quantified and consequently, actual results may differ materially from those expressed or implied by such forward-looking statements. Such risks and uncertainties include, without limitation, risks and uncertainties associated with (i) the initiation, timing, progress and results of the Company's research, manufacturing, preclinical studies, clinical trials, and other therapeutic candidate development efforts; (ii) the Company's ability to advance its therapeutic candidates into clinical trials or to successfully complete its preclinical studies or clinical trials; (iii) the extent and number of additional studies that the Company may be required to conduct and the Company's receipt of regulatory approvals

for its therapeutic candidates, and the timing of other regulatory filings, approvals and feedback; (iv) the manufacturing, clinical development, commercialization, and market acceptance of the Company's therapeutic candidates; (v) the Company's ability to successfully market Donnatal ® and EnteraGam ® ; (vi) the Company's ability to establish and maintain corporate collaborations; (vii) the Company's ability to acquire products approved for marketing in the U.S. that achieve commercial success and build its own marketing and commercialization capabilities; (viii) the interpretation of the properties and characteristics of the Company's therapeutic candidates and the results obtained with its therapeutic candidates in research, preclinical studies or clinical trials; (ix) the implementation of the Company's business model, strategic plans for its business and therapeutic candidates; (x) the scope of protection the Company is able to establish and maintain for intellectual property rights covering its therapeutic candidates and its ability to operate its business without infringing the intellectual property rights of others; (xi) parties from whom the Company licenses its intellectual property defaulting in their obligations to the Company; (xii) estimates of the Company's expenses, future revenues capital requirements and needs for additional financing; (xiii) the effect of patients suffering adverse experiences using investigative drugs under the Company's Expanded Access Program; and (xiv) competition from other companies and technologies within the Company's industry. More detailed information about the Company and the risk factors that may affect the realization of forward-looking statements is set forth in the Company's filings with the Securities and Exchange Commission (SEC), including the Company's Annual Report on Form 20-F filed with the SEC on February 23, 2017. All forward-looking statements included in this press release are made only as of the date of this press release. The Company assumes no obligation to update any written or oral forward-looking statement, whether as a result of new information, future events or otherwise, unless required by law.

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REDHILL BIOPHARMA LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
	U.S. dollars in thousands			
NET REVENUES	1,523	—	2,006	1
COST OF REVENUES	935	—	1,207	—
GROSS PROFIT	588	—	799	1
RESEARCH AND DEVELOPMENT EXPENSES, net	8,106	7,038	24,677	17,745
SELLING, MARKETING AND BUSINESS DEVELOPMENT EXPENSES	4,189	*402	8,170	1,138
GENERAL AND ADMINISTRATIVE EXPENSES	2,258	*1,014	5,513	2,669
OTHER EXPENSES	—	—	45	—
OPERATING LOSS	13,965	8,454	37,606	21,551
FINANCIAL INCOME	150	109	2,541	548
FINANCIAL EXPENSES	1,697	599	66	17
FINANCIAL EXPENSES (INCOME), net	1,547	490	(2,475)	(531)
LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	15,512	8,944	35,131	21,020
LOSS PER ORDINARY SHARE, BASIC AND DILUTED (U.S. dollars)	0.09	0.07	0.21	0.17

*Reclassified

REDHILL BIOPHARMA LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited)

	September 30, 2017	December 31, 2016
	U.S. dollars in thousands	
CURRENT ASSETS:		
Cash and cash equivalents	18,663	53,786

Bank deposits	8,127	55
Financial assets at fair value through profit or loss	12,645	12,313
Trade receivables and contract assets	1,399	*99
Prepaid expenses and other receivables	2,760	*1,562
Inventory	221	—
	43,815	67,815
NON-CURRENT ASSETS:		
Bank deposits	149	137
Fixed assets	250	165
Intangible assets	6,085	6,095
	6,484	6,397
TOTAL ASSETS	50,299	74,212
CURRENT LIABILITIES:		
Accounts payable	1,882	*60
Accrued expenses and other current liabilities	9,149	*3,296
Payable in respect of intangible asset purchase	1,000	2,000
	12,031	5,356
NON-CURRENT LIABILITIES:		
Derivative financial instruments	4,307	6,155
TOTAL LIABILITIES	16,338	11,511
EQUITY:		
Ordinary shares	459	441
Additional paid-in capital	156,616	150,838
Warrants	—	1,057
Accumulated deficit	(123,114)	(89,635)
TOTAL EQUITY	33,961	62,701
TOTAL LIABILITIES AND EQUITY	50,299	74,212

*Reclassified

REDHILL BIOPHARMA LTD.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2017	**2016**	**2017**	**2016**
	U.S. dollars in thousands			
OPERATING ACTIVITIES:				
Comprehensive loss	(15,512)	(8,944)	(35,131)	(21,020)
Adjustments in respect of income and expenses not involving cash flow:				
Share-based compensation to employees and service providers	640	449	1,652	1,318
Depreciation	26	11	58	32
Write-off of intangible asset	—	—	45	—
Unrealized losses (gains) on derivative financial instruments	1,685	585	(1,828)	(130)

Fair value losses (gains) on financial assets at fair value through profit or loss	(12)	(10)	67	(72)
Revaluation of bank deposits	(3)	(108)	(108)	(255)
Exchange differences in respect of cash and cash equivalents	46	(36)	(315)	(77)
	2,382	891	(429)	816
Changes in assets and liability items:				
Increase in trade receivables and contract assets	(621)	—	(1,300)	—
Decrease (increase) in prepaid expenses and other receivables	336	150	(1,198)	342
Decrease (increase) in inventory	389	—	(221)	—
Increase (decrease) in accounts payable	737	*(417)	1,822	*(94)
Increase in accrued expenses	1,734	*950	5,853	*1,868
	2,575	683	4,956	2,116
Net cash used in operating activities	(10,555)	(7,370)	(30,604)	(18,088)
INVESTING ACTIVITIES:				
Purchase of fixed assets	(41)	(10)	(143)	(55)
Purchase of intangible assets	(1,035)	—	(1,035)	—
Change in investment in current bank deposits	7,284	14,668	(7,976)	14,668
Purchase of financial assets at fair value through profit or loss	(978)	(3,976)	(14,931)	(11,456)
Proceeds from sale of financial assets at fair value through profit or loss	8,685	—	14,532	—
Net cash provided by (used in) investing activities	13,915	10,682	(9,553)	3,157
FINANCING ACTIVITIES:				
Proceeds from issuance of ordinary shares, net of expenses	—	—	1,282	—
Exercise of warrants and options into ordinary shares, net of expenses	30	—	3,437	110
Net cash provided by financing activities	30	—	4,719	110
DECREASE (INCREASE) IN CASH AND CASH EQUIVALENTS	3,390	3,312	(35,438)	(14,821)
EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS	(46)	36	315	77
BALANCE OF CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	15,319	3,424	53,786	21,516
BALANCE OF CASH AND CASH EQUIVALENTS AT END OF PERIOD	18,663	6,772	18,663	6,772
SUPPLEMENTARY INFORMATION ON INTEREST RECEIVED IN CASH	153	133	354	185

*Reclassified

[1] Including cash, short-term investments and non-current bank deposits.

[2] All financial highlights are approximate and are rounded to the nearest hundreds of thousands.

[3] Donnatal ® (Phenobarbital, Hyoscyamine Sulfate, Atropine Sulfate, Scopolamine Hydrobromide) is a prescription drug, classified as possibly effective as an adjunctive therapy in the treatment of irritable bowel syndrome (irritable colon, spastic colon, mucous colitis) and acute enterocolitis. For more information, please see the prescribing information: http://www.donnatal.com/wp-content/uploads/2015/02/2015-02-18-Risk-Benefit-information-DTC-REV.-SE.pdf.

[4] EnteraGam ® (serum-derived bovine immunoglobulin/protein isolate, SBI) is a commercially-available medical food, intended for the dietary management of chronic diarrhea and loose stools due to specific intestinal disorders, which must be administered under medical supervision.

[5] Esomeprazole Strontium Delayed-Release (DR) Capsules 49.3 mg is an FDA-approved, proprietary, prescription proton pump inhibitor, indicated for adults for the treatment of gastroesophageal reflux disease (GERD) and other gastrointestinal (GI) conditions. For more information, please see the prescribing information: https://dailymed.nlm.nih.gov/dailymed/fda/fdaDrugXsl.cfm?setid=53240ab5-98e7-4050-b640-e09c1271899a&type=display.

[6] Esomeprazole Strontium Delayed-Release (DR) Capsules 49.3 mg is an FDA-approved, proprietary, prescription proton pump inhibitor, indicated for adults for the treatment of gastroesophageal reflux disease (GERD) and other gastrointestinal (GI) conditions. For more information, please see the prescribing information: https://dailymed.nlm.nih.gov/dailymed/fda/fdaDrugXsl.cfm?setid=53240ab5-98e7-4050-b640-e09c1271899a&type=display.

[7] TALICIA ™, BEKINDA ® and YELIVA ® are investigational new drugs, not available for commercial distribution.

[8] Including cash and short-term investments and non-current bank deposits.

[9] For more information, please see the prescribing information: https://dailymed.nlm.nih.gov/dailymed/fda/fdaDrugXsl.cfm?setid=53240ab5-98e7-4050-b640-e09c1271899a&type=display.

[10] MESUPRON is an investigational new drug, not available for commercial distribution.

[11] Xifaxan ® (rifaximin) prescribing information: www.accessdata.fda.gov/drugsatfda_docs/label/2010/022554lbl.pdf; Viberzi ® (eluxadoline) prescribing information: www.accessdata.fda.gov/drugsatfda_docs/label/2015/206940s000lbl.pdf; Average absolute difference from reported Phase III studies; The theoretical comparison between the BEKINDA ® Phase II study results and reported data from studies of IBS-D-approved therapies serves as a general benchmark for the effect size observed with BEKINDA ® and should not be construed as a direct and/or equal comparison given that the studies were not identical in design, patient population and treatment period. For example, in the Xifaxan ® Phase III studies, the referenced efficacy endpoints were evaluated over a period of 4 weeks after 2 weeks of drug administration, and in the Viberzi ® Phase III studies, the referenced efficacy endpoints were evaluated after the drug was administered and evaluated for 12 weeks. The studies were not conducted head-to head in the same patient population.

[12] Esomeprazole Strontium Delayed-Release Capsules is also available in a 24.65 mg dose. RedHill promotes the Esomeprazole Strontium Delayed-Release Capsules 49.3 mg formulation only.

[13] Horgan A, Maas K, Henderson A, Detzel C, Weaver E. Serum-derived bovine immunoglobulin/protein isolate binds to pathogen-associated molecular patterns. Poster presented at: Federation of American Societies for Experimental Biology; April 26-30, 2014; San Diego, CA.

[14] Petschow BW, Burnett B, Shaw AL, Weaver EM, Klein GL. Serum-derived bovine immunoglobulin/protein isolate: postulated mechanism of action for management of enteropathy. Clin Exp Gastroenterol. 2014;7:181-190. Gasbarrini A, Lauritano EC, Garcovich M, Sparano L, Gasbarrini G. New insights into the pathophysiology of IBS: intestinal microflora, gas production and gut motility. Eur Rev Med Pharmacol Sci. 2008;12 Suppl 1:111-117.

EXHIBIT 2

REDHILL BIOPHARMA LTD.

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(UNAUDITED)

SEPTEMBER 30, 2017

REDHILL BIOPHARMA LTD.

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(UNAUDITED)

SEPTEMBER 30, 2017

TABLE OF CONTENTS

REDHILL BIOPHARMA LTD.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
	U.S. dollars in thousands			
NET REVENUES	1,523	—	2,006	1
COST OF REVENUES	935	—	1,207	—
GROSS PROFIT	588	—	799	1
RESEARCH AND DEVELOPMENT EXPENSES, net	8,106	7,038	24,677	17,745
SELLING, MARKETING AND BUSINESS DEVELOPMENT EXPENSES	4,189	*402	8,170	1,138
GENERAL AND ADMINISTRATIVE EXPENSES	2,258	*1,014	5,513	2,669
OTHER EXPENSES	—	—	45	—
OPERATING LOSS	13,965	8,454	37,606	21,551
FINANCIAL INCOME	150	109	2,541	548
FINANCIAL EXPENSES	1,697	599	66	17
FINANCIAL EXPENSES (INCOME), net	1,547	490	(2,475)	(531)
LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	15,512	8,944	35,131	21,020
LOSS PER ORDINARY SHARE, BASIC AND DILUTED (U.S. dollars)	0.09	0.07	0.21	0.17

The accompanying notes are an integral part of these condensed consolidated financial statements.

*Reclassified

REDHILL BIOPHARMA LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited)

	September 30, 2017	December 31, 2016
	U.S. dollars in thousands	
CURRENT ASSETS:		
Cash and cash equivalents	18,663	53,786
Bank deposits	8,127	55
Financial assets at fair value through profit or loss	12,645	12,313
Trade receivables and contract assets	1,399	*99
Prepaid expenses and other receivables	2,760	*1,562
Inventory	221	—
	43,815	67,815
NON-CURRENT ASSETS:		
Bank deposits	149	137
Fixed assets	250	165
Intangible assets	6,085	6,095
	6,484	6,397
TOTAL ASSETS	50,299	74,212
CURRENT LIABILITIES:		
Accounts payable	1,882	*60
Accrued expenses and other current liabilities	9,149	*3,296
Payable in respect of intangible asset purchase	1,000	2,000
	12,031	5,356
NON-CURRENT LIABILITIES:		
Derivative financial instruments	4,307	6,155
TOTAL LIABILITIES	16,338	11,511
EQUITY:		
Ordinary shares	459	441
Additional paid-in capital	156,616	150,838
Warrants	—	1,057
Accumulated deficit	(123,114)	(89,635)
TOTAL EQUITY	33,961	62,701
TOTAL LIABILITIES AND EQUITY	50,299	74,212

The accompanying notes are an integral part of these condensed consolidated financial statements.

*Reclassified

REDHILL BIOPHARMA LTD.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

(Unaudited)

	Ordinary shares	Additional paid-in capital	Warrants	Accumulated deficit	Total equity
	U.S. dollars in thousands				
BALANCE AT JULY 1, 2017	458	156,587	—	(108,242)	48,803
CHANGES IN THE THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2017:					
Share-based compensation to employees and service providers	—	—	—	640	640
Exercise of options into ordinary shares	1	29	—	—	30
Comprehensive loss	—	—	—	(15,512)	(15,512)
BALANCE AT SEPTEMBER 30, 2017	459	156,616	—	(123,114)	33,961
BALANCE AT JULY 1, 2016	344	120,730	1,057	(73,151)	48,980
CHANGES IN THE THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2016:					
Share-based compensation to employees and service providers	—	—	—	449	449
Comprehensive loss	—	—	—	(8,944)	(8,944)
BALANCE AT SEPTEMBER 30, 2016	344	120,730	1,057	(81,646)	40,485

The accompanying notes are an integral part of these condensed consolidated financial statements.

REDHILL BIOPHARMA LTD.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

(Unaudited)

	Ordinary shares	Additional paid-in capital	Warrants	Accumulated deficit	Total equity
	U.S. dollars in thousands				
BALANCE AT JANUARY 1, 2017	441	150,838	1,057	(89,635)	62,701
CHANGES IN THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2017:					
Share-based compensation to employees and service providers	—	—	—	1,652	1,652
Issuance of ordinary shares, net of expenses	3	1,279	—	—	1,282
Exercise of warrants and options into ordinary shares	15	3,442	—	—	3,457
Warrants expiration	—	1,057	(1,057)	—	—
Comprehensive loss	—	—	—	(35,131)	(35,131)
BALANCE AT SEPTEMBER 30, 2017	459	156,616	—	(123,114)	33,961
BALANCE AT JANUARY 1, 2016	343	120,621	1,057	(61,944)	60,077
CHANGES IN THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2016:					
Share-based compensation to employees and service providers	—	—	—	1,318	1,318
Exercise of options into ordinary shares	1	109	—	—	110
Comprehensive loss	—	—	—	(21,020)	(21,020)
BALANCE AT SEPTEMBER 30, 2016	344	120,730	1,057	(81,646)	40,485

The accompanying notes are an integral part of these condensed consolidated financial statements

REDHILL BIOPHARMA LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
	U.S. dollars in thousands			
OPERATING ACTIVITIES:				
Comprehensive loss	(15,512)	(8,944)	(35,131)	(21,020)
Adjustments in respect of income and expenses not involving cash flow:				
Share-based compensation to employees and service providers	640	449	1,652	1,318
Depreciation	26	11	58	32
Write-off of intangible asset	—	—	45	—
Unrealized losses (gains) on derivative financial instruments	1,685	585	(1,828)	(130)
Fair value losses (gains) on financial assets at fair value through profit or loss	(12)	(10)	67	(72)
Revaluation of bank deposits	(3)	(108)	(108)	(255)
Exchange differences in respect of cash and cash equivalents	46	(36)	(315)	(77)
	2,382	891	(429)	816
Changes in assets and liability items:				
Increase in trade receivables and contract assets	(621)	—	(1,300)	—
Decrease (increase) in prepaid expenses and other receivables	336	150	(1,198)	342
Decrease (increase) in inventory	389	—	(221)	—
Increase (decrease) in accounts payable	737	*(417)	1,822	*(94)
Increase in accrued expenses	1,734	*950	5,853	*1,868
	2,575	683	4,956	2,116
Net cash used in operating activities	(10,555)	(7,370)	(30,604)	(18,088)
INVESTING ACTIVITIES:				
Purchase of fixed assets	(41)	(10)	(143)	(55)
Purchase of intangible assets	(1,035)	—	(1,035)	—
Change in investment in current bank deposits	7,284	14,668	(7,976)	14,668
Purchase of financial assets at fair value through profit or loss	(978)	(3,976)	(14,931)	(11,456)
Proceeds from sale of financial assets at fair value through profit or loss	8,685	—	14,532	—
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FINANCING ACTIVITIES:				
Proceeds from issuance of ordinary shares, net of expenses	—	—	1,282	—
Exercise of warrants and options into ordinary shares, net of expenses	30	—	3,437	110
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EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS	(46)	36	315	77
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BALANCE OF CASH AND CASH EQUIVALENTS AT END OF PERIOD	18,663	6,772	18,663	6,772
SUPPLEMENTARY INFORMATION ON INTEREST RECEIVED IN CASH	153	133	354	185

The accompanying notes are an integral part of these condensed consolidated financial statements.

*Reclassified

NOTE 1 - GENERAL:

a. General

RedHill Biopharma Ltd. (the "Company") incorporated and headquartered in Israel, together with its wholly-owned subsidiary Redhill Biopharma Inc. incorporated in Delaware, is a specialty biopharmaceutical group of companies primarily focused on the development and commercialization of late clinical-stage, proprietary drugs for the treatment of gastrointestinal (GI) and inflammatory diseases and cancer.

The Company is promoting in the U.S. three GI products; (i) Donnatal ®, a prescription oral adjunctive drug for the treatment of IBS and acute enterocolitis, (ii) EnteraGam ®, a medical food intended for the dietary management, under medical supervision, of chronic diarrhea and loose stools, and (iii) Esomeprazole Strontium Delayed-Release Capsules 49.3mg ("Esomeprazole"), a prescription proton pump inhibitor (PPI) indicated for adults for Gastroesophageal Reflux Disease (GERD) and other GI conditions.

In February 2011, the Company listed its securities on the Tel-Aviv Stock Exchange ("TASE"). Since December 2012, the Company's American Depositary Shares ("ADSs") have been listed on the NASDAQ Capital Market ("NASDAQ").

The Company's registered address is at 21 Ha'arba'a St, Tel-Aviv, Israel.

The Company is primarily engaged in the research and development of most of its therapeutic candidates and to date has out-licensed on an exclusive worldwide basis only one of its therapeutic candidates and has had two additional regional exclusive out-licensing transactions with another therapeutic candidate . Accordingly, there is no assurance that the Company's business will generate positive cash flow. Through September 30, 2017, the Company has an accumulated deficit and its activities have been funded through public and private offerings of the Company's securities.

The Company plans to further fund its future operations through promotion of Donnatal ® and Esomeprazole, commercialization of EnteraGam ® and its therapeutic candidates, if approved for marketing, and through out-licensing of certain programs or products in various territories and through raising additional capital. The Company's current cash resources are not sufficient to complete the research and development of all of the Company's therapeutic candidates. Management expects that the Company will incur additional losses as it continues to focus its resources on advancing the development of its therapeutic candidates as well as the promotion of Donnatal ® and Esomeprazole and commercialization of EnteraGam ®, based on a prioritized plan that will result in negative cash flows from operating activities. The Company believes its existing capital resources should be sufficient to fund its current and planned operations for at least the next 12 months.

If the Company is unable to continue to out-license its therapeutic candidates, generate substantial revenues from Donnatal ®, EnteraGam ® and Esomeprazole, or obtain future financing, the Company may be forced to delay, reduce the scope of, or eliminate one or more of its research and development programs or commercialization programs related to these products, any of which may have a material adverse effect on the Company's business, financial condition and results of operations.

b. Approval of the condensed consolidated interim financial statements

These condensed consolidated interim financial statements were approved by the Board of Directors on November 12, 2017.

NOTE 2 - BASIS OF PREPARATION OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS:

a. Basis of presentation

The Company's condensed consolidated interim financial statements for the three and nine months ended September 30, 2017 and 2016 (the "Condensed Consolidated Interim Financial Statements") have been prepared in accordance with International Accounting Standard IAS 34, "Interim Financial Reporting". These Condensed Consolidated Interim Financial Statements, which are unaudited, do not include all disclosures necessary for a complete statement of financial position, results of operations and cash flow in conformity with generally accepted accounting principles. The Condensed Consolidated Interim Financial Statements should be read in conjunction with the annual financial statements as of December 31, 2016 and for the year then ended and their accompanying notes, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board ("IASB"). The results of operations for the three and nine months ended September 30, 2017 are not necessarily indicative of the results that may be expected for the entire fiscal year or for any other interim period.

The Condensed Consolidated Interim Financial Statements as of September 30, 2017 and for the three and nine months then ended include the accounts of the Company, and starting January 2017 also its subsidiary. Intercompany transactions and balances are eliminated on consolidation. The accounting policies applied in the preparation of the Condensed Consolidated Interim Financial Statements are consistent with those applied in the preparation of the annual financial statements as of December 31, 2016. For more information, see Note 3 below, describing new additional accounting policies adopted by the Company with respect to its newly-established commercial operations.

b. Standards and interpretations to existing standards that are not yet in effect and have not been early adopted by the Company

International Financial Reporting Standard No. 9 "Financial Instruments" (hereafter - IFRS)

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income. Further, the expected credit losses model replaces the incurred loss impairment model used in IAS 39. For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in the Company's own credit risk in other comprehensive income for liabilities designated at fair value through profit or loss.

The standard is effective for accounting periods beginning on or after January 1, 2018. The Company is currently assessing the impact of IFRS 9.

International Financial Reporting Standard No. 16 "Leases" ("IFRS 16")

IFRS 16 defines a lease as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. Under IFRS 16, lessees have to recognize a lease liability reflecting future lease payments and a 'right-of-use asset' for almost all lease contracts. The standard replaces the current guidance in IAS 17. The standard is effective for annual periods beginning on or after January 1, 2019. The Company is currently assessing the impact of adopting IFRS 16.

NOTE 3 - NEW ACCOUNTING POLICIES:

a. Revenues from contracts with customers

In May 2014, the IASB issued the new revenue recognition standard, IFRS 15. IFRS 15 replaces much of the prescriptive and diverse guidance in today's accounting literature. Its purpose, among other things, is to remove inconsistencies in existing revenue recognition frameworks and provide more useful information to financial statements users.

In the second quarter of 2017, the Company adopted retrospectively IFRS 15 as of January 1, 2017, for all periods presented. The adoption of IFRS 15 did not have an effect on either the revenues recognized in prior periods nor to accumulated deficits as of January 1, 2015 **.**

IFRS 15 introduces a five-step model for recognizing revenue from contracts with customers, as follows:

1. Identify the contract with a customer.

2. Identify the performance obligations in the contract.

3. Determine the transaction price.

4. Allocate the transaction price to the performance obligations in the contract.

5. Recognize revenue when (or as) the entity satisfies a performance obligation.

Revenues from promotional services

The Company recognizes revenue from promotional services related to Donnatal ® and Esomeprazole as it satisfies its performance obligation over time, in an amount of the consideration it expects to be entitled to, taking into consideration the constraint on variable consideration stipulated in IFRS 15.

Revenues from sale of products

Principal versus agent considerations

When another party is involved in providing goods or services to a customer, the Company analyzes whether the Company acts as a principal or an agent in the transaction, based on whether the Company obtains control of the product before it is transferred to the customer, using the indicators provided in IFRS 15.

In the commercialization of Enteragam ® , the Company is determined to be the principal in the arrangement (rather than an agent of Entera Health), therefore, revenue in the amount the Company is entitled to from its customers is recognized on a gross basis, from which royalties to Entera Health are being accounted for in cost of sales.

The Company recognizes revenues from the sale of EnteraGam ® , at a point in time when control over the product is transferred to customers.

The transaction price in these arrangements is the consideration the Company expects to be entitled to from the customer, taking into consideration the existence of variable considerations such as the products' right of return and certain other promotional discounts provided to customers.

Revenues from out-licensing of the Company's therapeutic candidates

Revenue incurred in connection with the out-licensing of a right to use the Company's intellectual property is recognized at a point in time when control over the license is transferred to the licensee.

The transaction price contains variable considerations contingent upon the licensee achieving certain milestones as well as sales-based royalties, in accordance with the relevant agreement.

Revenue from achieving additional milestones is recognized only when it is highly probable that a significant reversal of cumulative revenues will not occur, usually upon achievement of the specific milestone, in accordance with the relevant agreement.

Sales-based royalties are not included in the transaction price, rather they are recognized as incurred, due to the specific exception for sales-based royalties in licensing of intellectual property.

Practical expedients and exemptions

The Company expenses sales commissions when incurred. These costs are recorded as sales and marketing expenses.

b. Inventories

Inventories are stated at the lower of cost or net realizable value with cost determined using the first-in, first-out method. The Company recognized an amount of $0.5 million in inventories as part of cost of revenues during the nine months ended September 30, 2017.

The Company continually evaluates inventories for potential losses due to excess quantity, obsolete or slow-moving inventory by comparing sales history and sales projections to the inventory on hand. When evidence indicates that the carrying value of a product may not be recoverable, a charge is recorded to reduce the inventory to its current net realizable value.

c. Trade receivables and contract assets

Financial assets included in trade receivables and contract assets are recognized initially at fair value. Subsequent to the initial recognition they are measured at amortized cost using the effective interest rate method, less any impairment losses.

d. Advertising and promotional expenses

Advertising and promotional costs, including free products and samples distributed to customers, are recognized as an expense when incurred.

NOTE 4 - EQUITY:

a. On January 3, 2017, the underwriters for the Company's 2016 underwritten public offering partially exercised their option and purchased 133,104 ADSs for approximately $1.28 million. Following the partial exercise of the underwriters' option, the underwritten public offering and the concurrent registered direct offering (totaled 3,846,519 ADSs and warrants to purchase 2,025,458 ADSs, representing aggregate gross proceeds from both offerings combined of approximately $39.4 million before deducting underwriting discounts and commissions, placement agent fees and other offering expenses) were closed.

b. During the nine months ended September 30, 2017, the Company received notifications of exercise with respect to options that had been issued to employees, directors and consultants of the Company. Accordingly, the Company issued 2,988,750 ordinary shares for approximately $0.8 million.

c. During the nine months ended September 30, 2017, the Company received notifications of exercise with respect to non-tradable warrants that had been issued in 2014 to investors in the form of private placements. Accordingly, the Company issued 2,526,320 ordinary shares for approximately $2.64 million.

NOTE 5 - SHARE-BASED PAYMENTS:

a. On March 23, 2017, the Board of Directors of the Company granted 3,025,000 options to purchase ordinary shares to employees and consultants of the Company under the Company's stock options plan. The fair value of the options granted on the date of grant was $1.45 million.

Each option is exercisable into one ordinary share at an exercise price of $1.08 per share. The options will vest as follows: for employees and consultants of the Company who had provided services to the Company exceeding one year as of the grant date, the options will vest in 16 equal quarterly installments over a four-year period. For employees and consultants of the Company who had not provided services to the Company exceeding one year as of the grant date, the options will vest as follows: 1/4 of the options will vest one year following the grant date and the rest over 12 equal quarterly installments.

The options will be exercisable, either in full or in part, from the vesting date until the end of 7 years from the date of grant.

The fair value of the options was computed using the binomial model and the underlying data used was mainly the following: price of the Company's ordinary share: $1.03, expected volatility: 50.05%, risk-free interest rate: 2.23% and expected useful life to exercise: 7 years.

b. On March 23, 2017, the Board of Directors of the Company granted 62,500 options to purchase ADSs to employees of the subsidiary under the Company's stock options plan. The fair value of the options granted was $0.3 million on the date of grant.

Each option is exercisable into one of the Company's ADSs at an exercise price of $10.80 per ADS. The options will vest as follows: for employees and consultants of the Company who had provided services to the Company exceeding one year as of the grant date, the options will vest in 16 equal quarterly installments. For employees and consultants of the Company who had not provided services to the Company exceeding one year as of the grant date, the options will vest as follows: 1/4 of the options will vest one year following the grant date and the rest over 12 equal quarterly installments.

The options will be exercisable, either in full or in part, from the vesting date until the end of 7 years from the date of grant.

The fair value of the options was computed using the binomial model and the underlying data used was mainly the following: price of the Company's ADS: $10.36, expected volatility: 58.09%, risk-free interest rate: 2.23% and expected useful life to exercise: 7 years.

c. Following a general meeting of the Company's shareholders held on May 11, 2017, and subsequent to the approval of the Company's Board of Directors on March 23, 2017, the Company allocated an aggregate of 1,140,000 options to purchase ordinary shares under the Company's stock options plan to the Company's directors at an exercise price equal to $1.09 per share, excluding 500,000 options to the Company's Chief Executive Officer at an exercise price equal to $1.08 per share. The fair value of the options granted was $0.5 million on the date of grant.

Each option allocated to non-executive directors of the Company is exercisable into one ordinary share. The options will vest as follows: for directors who had provided services to the Company exceeding one year as of the grant date, the options will vest in 16 equal quarterly installments. For directors who had not provided services to the Company exceeding one year as of the grant date, the options will vest as follows: 1/4 of the options will vest one year following the grant date and the rest over 12 equal quarterly installments.

The options will be exercisable, either in full or in part, from the vesting date until the end of 7 years from the date of grant.

The fair value of the options was computed using the binomial model and the underlying data used was mainly the following: price of the Company's ordinary share: $1.00, expected volatility: 49.77%, risk-free interest rate: 2.20% and expected useful life to exercise: 7 years.

d. On July 24, 2017, the Board of Directors of the Company granted 237,500 options to purchase ADSs and 70,000 options to purchase ordinary shares to employees of the Company and its subsidiary under the Company's stock options plan. The fair value of the options on the date of grant was $1.2 million.

Each option to purchase ADS is exercisable into one of the Company's ADSs at an exercise price of $9.80 per ADS and each option to purchase ordinary shares is exercisable to one of the Company's ordinary share at an exercise price of $0.98 per share. The options will vest as follows: 1/4 of the options will vest one year following the grant date and the rest over 12 equal quarterly installments.

The options will be exercisable, either in full or in part, from the vesting date until the end of 7 years from the date of grant.

The fair value of the options was computed using the binomial model and the underlying data used was mainly the following: price of the Company's ADS: $9.76, expected volatility: 57.06%, risk-free interest rate: 2.05% and expected useful life to exercise: 7 years. Price of the Company's ordinary share: $0.98 expected volatility: 49.48%, risk-free interest rate: 2.05% and expected useful life to exercise: 7 years.

NOTE 6 - NET REVENUES:

The Company's net revenues for the three and nine months ended September 30, 2017, consist mainly of revenues from product commercialization. The Company also recorded revenues from promotional services during the period.

NOTE 7 - FINANCIAL INSTRUMENTS:

a. Fair value hierarchy

The following table presents Company assets and liabilities measured at fair value:

	Level 1	Level 3	Total
	U.S. dollars in thousands		
September 30, 2017:			
Assets -			
Financial assets at fair value through profit or loss	12,645	—	12,645
Liabilities -			
Derivative financial instruments	—	4,307	4,307
December 31, 2016:			
Assets -			
Financial assets at fair value through profit or loss	12,313	—	12,313
Liabilities -			
Derivative financial instruments	—	6,155	6,155

During the nine-month period ended September 30, 2017, there were no transfers of financial assets and liabilities between Levels 1, 2 or 3 fair value measurements. There have been no changes in the methodologies used at September 30, 2017, since December 31, 2016.

b. Fair value measurements using significant unobservable input (Level 3)

The following table presents the change in derivative financial liabilities measured at level 3 for the periods ended September 30, 2017 and 2016:

	Three months ended September 30,		Nine months ended September 30,	
	2017	**2016**	**2017**	**2016**
	U.S. dollars in thousands			
Balance at beginning of the period	2,622	522	6,155	1,237
Amounts classified to equity	—	—	(20)	—
Amounts recognized in profit or loss	1,685	585	(1,828)	(130)
Balance at the end of the period	4,307	1,107	4,307	1,107

The fair value of the above-mentioned derivative financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions at the end of each reporting period.

The fair value of the warrants is computed using the Black and Scholes option pricing model. The fair value of the warrants issued in 2016 as of September 30, 2017 is based on the price of an ordinary share on September 30, 2017 and based on the following key parameters: risk-free interest rate of 1.50% and an average standard deviation of 44.26%. The fair value of the above warrants as of December 31, 2016, was computed based on the price of an ordinary share on December 31, 2016 and based on the following key parameters: risk-free interest rate of 1.48% and an average standard deviation of 52.94%.

c. The carrying amount of cash and cash equivalents, current and non-current bank deposits, receivables and account payables and accrued expenses approximate their fair values due to its short-term characteristics.

NOTE 8 - LOSS PER ORDINARY SHARE:

a. Basic

The basic loss per share is calculated by dividing the comprehensive loss by the weighted average number of ordinary shares in issue during the period.

	Three months ended September 30,		Nine months ended September 30,	
	2017	**2016**	**2017**	**2016**
	U.S. dollars in thousands			
Comprehensive loss	15,512	8,944	35,131	21,020
Weighted average number of ordinary shares outstanding during the period	171,678	127,474	170,990	127,317
Basic loss per share	0.09	0.07	0.21	0.17

b. Diluted

The diluted loss per share for the three and nine months period ended September 30, 2017, is identical to the basic loss per share since the effect of potential dilutive shares is anti-dilutive. Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potential dilutive ordinary shares, which is calculated using the Treasury Method. The Company has two categories of potential dilutive ordinary shares: warrants issued to investors and options issued to employees and service providers. The effect of options issued to employees and service providers is anti-dilutive.

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
	U.S. dollars in thousands			
Comprehensive loss	15,512	8,944	35,131	21,020
Adjustment for financial income of warrants	—	—	—	130
Loss used to determine diluted loss per share	15,512	8,944	35,131	21,150
Weighted average number of ordinary shares outstanding during the period	171,678	127,474	170,990	127,317
Adjustment for warrants	—	—	—	298
Weighted average number of ordinary shares for diluted loss per share	171,678	127,474	170,990	127,615
Diluted loss per share	0.09	0.07	0.21	0.17

NOTE 9 - SUBSEQUENT EVENTS:

On November 8, 2017, the Company priced an underwritten public offering in the U.S. of an aggregate 4,090,909 ADSs at a price of $5.50 per ADS. Gross proceeds to the Company from the offering are expected to be approximately $22.5 million before underwriting discounts, commissions and other offering expenses. Net proceeds to the Company from the offering, following underwriting discounts, commissions and other offering expenses, are expected to be approximately $20.6 million. In addition, as part of the public offering, the underwriters received an option to purchase an additional 613,636 ADSs at a price of $5.50 per ADS.